

OJSC TRANSCONTAINER

Interim Results for the Six Months Ended 30 June 2012

JSC "TransContainer" (the "Company" together with its consolidated subsidiaries) today announces its management report together with the unaudited interim condensed consolidated financial information for the six month period ended 30 June 2012. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Operating and financial review

Summary

TransContainer is the leading intermodal container transportation company in Russia. As of 30 June 2012, the Company is estimated to own approximately 58% of Russia's flatcar fleet and holds an estimated 50% of all rail container transportation in Russia. It owns and operates 24,440 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. The Company 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 a presence in the CIS, Europe and Asia.

The Company's financial results for the six months ended 30 June 2012 reflect the strong market growth in rail container transportation in Russia, as well as the Company's efforts aimed at improving efficiency.

The Company's rail container transportation volumes for the six months ended 30 June 2012 increased by 9.6% to 717 thousand TEU compared to 654 thousand TEU in the same period of 2011, whilst revenue-generating transportation¹ volumes increased by 12.5% to 544 thousand TEU. Terminal handling volumes decreased for the reporting period by 12.0% to 690 thousand TEU, mainly due to a 42.9% decrease in handling of medium-duty containers.

During the reporting period the Company's total revenue increased by 27.3% to RUR 17,570 million, adjusted revenue increased by 25.6% to RUR 12,521 million, operating income increased by 67.7% to RUR 3,758 million, and EBITDA grew by 54.1% to RUR 5,311 million. Profit for the period almost doubled from RUR 1,417 million for the six months ended 30 June 2011 to RUR 2,744 million for the six months ended 30 June 2012. Total comprehensive income for the period grew by 107.5% from RUR 1,347 million for the six months ended 30 June 2011 to RUR 2,795 million for the six months ended 30 June 2012.

As of 30 June 2012, the Company's financial position remained strong with total debt of RUR 9,376 million and Net Debt only 4,682 million.

Capital expenditure for the six months ended 30 June 2012 increased by 5.0% year on year to RUR 1,615 million and was primarily focused on the 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 2012 were financed by internally generated cash flow.

Outlook

Though global economy prospects remain uncertain, the Russian container market continues to grow at healthy double-digit rates, and the Company's management expects the market growth to continue in the second half of 2012, subject to external economic factors. The Company's management pays special attention to lead economic indicators, such as rail freight turnover, and continues to focus on key financial and operational metrics. The Company will also pursue a flexible pricing and investment policy depending on the market situation.

¹ transportation of clients' containers and own loaded containers

The Company's management believes that in the long term 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 first six months of 2012 amounted to 717 thousand TEU, up 9.6% year on year. This growth was mainly driven by transit and export traffic, which grew by 335.0% and 12.2% respectively. Domestic transportation volumes were flat at 378 thousand TEU.

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

	1H 2012	1H 2011	Change	
			000' TEU	Percent
Domestic Routes	377.8	379.1	(1.3)	(0.3%)
Export	178.3	158.9	+19.4	+12.2%
Import	110.3	104.3	+6.0	+5.7%
Transit	50.4	11.6	+38.8	+335.0%
All Routes	716.8	653.9	+62.9	+9.6%

Revenue-generating container transportation volumes for the reporting period were up 12.5% to 544 thousand TEU compared to 483 thousand TEU for the same period of 2011. TransContainer's estimated share of Russia's rail container transportation for the first six months of 2012 is 50%.

Terminal handling

Throughput of the Company's rail container terminal network in Russia for the first six months of 2012 amounted to 690 thousand TEU, representing a decrease of 12.0% year on year, mainly due to a decrease in MDC handling volumes, which dropped by 42.9% year on year for the same period.

Asset utilisation

In the six months ended 30 June 2012 container empty run ratio increased to 37.5% from 35.1% for six months ended 30 June 2011, mainly due to one-off fleet relocation in the first quarter of 2012 in anticipation of growth in demand for container transportation in the second quarter of 2012. The flatcar empty run ratio decreased from 8.7% in the first half of 2011 to 7.9% in the first half of 2012. The flatcar and container turnover in 2012 remained approximately flat as compared to relevant metrics for 2011.

	1H 2012	1H 2011
Turnover of containers, days	22.8	21.9
Turnover of flatcars, days	13.3	13.0
Empty run* for containers, %	37.5%	35.1%
Empty run* for flatcars, %	7.9%	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 Consolidated Statement of Comprehensive Income Items

The following table sets out the Company's results for the six months ended 30 June 2012 and 2011.

RUR million	1H 2012	1H 2011	Period on period change	Period on period percent change
Revenue	17,570	13,804	3,766	27.3%
Other operating income	183	159	24	15.1%
Operating expenses	(13,995)	(11,722)	(2,273)	19.4%
Operating income	3,758	2,241	1,517	67.7%
Interest expense	(462)	(379)	(83)	21.9%
Interest income	104	20	84	420.0%
Foreign exchange gain, net	44	0	44	
Share of result of associates	(22)	(14)	(8)	57.1%
Gain recognised on disposal of interest in former associate	72	0	72	
Profit before income tax	3,494	1,868	1,626	87.0%
Income tax expense	(750)	(451)	(299)	66.3%
Profit for the period	2,744	1,417	1,327	93.6%
Attributable to:				
Equity holders of the parent	2,727	1 394	1,333	95.6%
Non-controlling interest	17	23	(6)	(26.1%)
Other comprehensive income				
Exchange differences on translating foreign operations	51	(70)	121	(172.9%)
Total comprehensive income for the period	2,795	1,347	1,448	107.5%
Attributable to:				
Equity holders of the parent	2,766	1,346	1,420	105.5%
Non-controlling interest	29	1	28	2800.0%

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 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	1H 2012	1H 2011	Period on period change	Period on period percent change
Adjusted Revenue ¹	12 521	9 967	2 554	25.6%
Adjusted operating expenses ²	8 946	7 885	1 061	13.5%
EBITDA ³	5 311	3 447	1 864	54.1%
Adjusted EBITDA margin ⁴	42.4%	34.6%		
Total debt	9 376	9 341	35	0.4%
Net debt ⁵	4 682	7 219	(2 537)	(35.1%)

¹Adjusted 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, short-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 six months ended 30 June 2012 and 2011 respectively.

RUR million	1H 2012	1H 2011	Period on period change	Period on period percent change
Integrated freight forwarding and logistics services	9,131	6,783	2,348	34.6%
Rail-based container shipping services	5,042	4,052	990	24.4%
Terminal services and agency fees	1,950	1,463	487	33.3%
Truck deliveries	768	840	(72)	(8.6%)
Other freight forwarding services	442	386	56	14.5%
Bonded warehousing services	190	197	(7)	(3.6%)
Other	47	83	(36)	(43.4%)
Total revenue	17,570	13,804	3,766	27.3%

Total revenue increased by RUR 3,766 million, or 27.3%, from RUR 13,804 million for the six months ended 30 June 2011 to RUR 17,570 million for the six months ended 30 June 2012. This increase was primarily due to higher demand for the Company's key services on the back of continuing economic growth and strong consumer confidence, and hence increasing transportation volumes and creating a favourable pricing environment compared to the same period of 2011.

Adjusted Revenue

The following table sets forth Adjusted Revenue calculations for the six months ended 30 June 2012 and 2011 respectively.

RUR million	1H 2012	1H 2011	Period on period change	Period on period percent change
Total revenue	17,570	13,804	3,766	27.3%
Cost of integrated freight forwarding and logistics services	5,049	3,837	1,212	31.6%
Adjusted Revenue	12,521	9,967	2,554	25.6%

Adjusted Revenue (as defined above) grew by 25.6% from RUR 9,967 million for the six months ended 30 June 2011 to RUR 12,521 million for the six months ended 30 June 2012. This was primarily due to a 12.5% increase in revenue-generating rail container transportation volumes by the Company's fleet to 544 thousand TEU in the first half of 2012 from 483 thousand TEU for the same period of 2011, 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 six months ended 30 June 2012 and 2011.

	1H 2012		1H 2011		Period on period change	
	RUR mln	share, %	RUR mln	share, %	RUR mln	%
Rail-based container shipping services	5,042	40.3%	4,052	40.7%	990	24.4%
Adjusted integrated freight forwarding and logistics services	4,082	32.6%	2,946	29.6%	1,136	38.6%
Terminal services and agency fees	1,950	15.6%	1,463	14.7%	487	33.3%
Truck deliveries	768	6.1%	840	8.4%	(72)	(8.6%)
Other freight forwarding services	442	3.5%	386	3.9%	56	14.5%
Bonded warehousing services	190	1.5%	197	2.0%	(7)	(3.6%)
Other	47	0.4%	83	0.8%	(36)	(43.4%)
Total adjusted revenue	12,521	100.0%	9,967	100.0%	2,554	25.6%

In the six months ended 30 June 2012, rail-based container transportation services remained the biggest component of Adjusted Revenue, representing 40.3% of Adjusted Revenue as compared to 40.7% 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 increased to 32.6% from 29.6%, the share of terminal services and agency fees increased to 15.6% from 14.7% and the relative contribution of truck deliveries decreased from 8.4% to 6.1%, reflecting a decrease in terminal handling volumes in Russia.

Rail-based container transportation services

Revenue from rail-based container transportation increased by 24.4% to RUR 5,042 million for the reporting period from RUR 4,052 million for the same period of 2011 mainly due to an increase in revenue-generating transportation volumes (other than under integrated logistics contracts) in terms of TEU by 6.8%, as well as due to an accrued price increase undertaken by the Company in 2011.

Integrated freight forwarding and logistics services

The following table sets out Adjusted Integrated freight forwarding and logistics services calculation for the six months ended 30 June 2012 and 2011.

	1H 2012	1H 2011	Period on period change	Period on period percent change
RUR million				
Integrated freight forwarding and logistics services	9,131	6,783	2,348	34.6%
Cost of integrated freight forwarding and logistics services	5,049	3,837	1,212	31.6%
Adjusted revenue from integrated freight forwarding and logistic services	4,082	2,946	1,136	38.6%

Revenue from Adjusted Integrated freight forwarding and logistics services grew by 38.6% to RUR 4,082 million for the six months ended 30 June 2012. This increase was primarily due to a 21.3% growth in container transportation volumes under integrated logistics contracts from 193 thousand TEU in the first six months of 2011 to 234 thousand TEU in the first six months of 2012, as well as an increase in average prices driven by higher customer demand and the consolidation of JSC Kedentransservice, which started to perform these kind of services during the second half of 2011.

Terminal services and agency fees

Revenue from terminal services, including agency fees, increased by 33.3% to RUR 1,950 million for the six months ended 30 June 2012 from RUR 1,463 million for the same period of 2011.

This increase was primarily due to the consolidation of JSC Kedentransservice, a leading operator of rail terminals in Kazakhstan, from 18 March 2011, as well as due to an increase in prices, partly offset by a 12.0% decrease of TransContainer's terminal throughput in Russia.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, decreased by 0.8% to RUR 895 million for the six months ended 30 June 2012 from RUR 902 million for the same period of 2011. This decrease was primarily driven by a 12.0% decrease in TransContainer's terminal network throughput in Russia, partially offset by tariff indexing.

Truck deliveries

Revenue from truck deliveries decreased by RUR 72 million, or by 8.6%, to RUR 768 million for the six months ended 30 June 2012, due to a 11.2% reduction in container transportation volumes by our own and outsourced truck fleet from 325 thousand TEU in the first half of 2011 to 289 thousand TEU in the first half of 2012, 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 14.5% to RUR 442 million for the six months ended 30 June 2012. This 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 decreased by RUR 7 million, or 3.6%, to RUR 190 million for the six months ended 30 June 2012 from RUR 197 million in the same period of 2011, primarily due to a decrease in average storage time driven by an improvement in customs clearance procedures.

Operating expenses

The following table sets out a breakdown of the Company's operating expenses for the six month periods ended 30 June 2012 and 2011.

RUR million	1H 2012	1H 2011	Period on period change	Period on period percent change
Cost of integrated freight forwarding and logistics services	5,049	3,837	1,212	31.6%
Freight and transportation services	2,486	2,255	231	10.2%
Payroll and related charges	2,472	2,137	335	15.7%
Depreciation and amortisation	1,355	1,200	155	12.9%
Materials, repair and maintenance	1,226	987	239	24.2%
Taxes other than income tax	283	294	(11)	(3.7%)
Rent	280	173	107	61.8%
Other expenses	844	839	5	0.6%
Total operating expenses	13,995	11,722	2,273	19.4%

TransContainer's total operating expenses grew by RUR 2,273 million, or 19.4%, to RUR 13,995 million for the six months ended 30 June 2012 from RUR 11,722 million for the same period of 2011, primarily due to an increase in cost of integrated freight forwarding and logistics services, as well as payroll and related charges and materials, repair and maintenance.

The following table sets out a breakdown of the Company's largest operating expenses for the six month periods ended 30 June 2012 and 2011.

	1H 2012			1H 2011		
	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	5,049	36.1%	28.7%	3,837	32.7%	27.8%
Freight and transportation services	2,486	17.8%	14.1%	2,255	19.2%	16.3%
Payroll and related charges	2,472	17.7%	14.1%	2,137	18.2%	15.5%
Depreciation and amortisation	1,355	9.7%	7.7%	1,200	10.2%	8.7%
Materials repair and maintenance	1,226	8.8%	7.0%	987	8.4%	7.2%
Taxes other than income tax	283	2.0%	1.6%	294	2.5%	2.1%
Rent	280	2.0%	1.6%	173	1.5%	1.3%
Other expenses	844	6.0%	4.8%	839	7.2%	6.1%
Total operating expenses	13,995	100.0%	79.7%	11,722	100.0%	84.9%

As a percentage of the total revenue, total operating expenses decreased from 84.9% for the six months ended 30 June 2011 to 79.7% for the six months ended 30 June 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 decreased from 16.3% for the six months ended 30 June 2011 to 14.1% for the six months ended 30 June 2012, whilst payroll and related charges decreased from 15.5% in the six months ended 30 June 2011 to 14.1% in six months ended 30 June 2012. 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 31.6%, to RUR 5,049 million for the six months ended 30 June 2012 from RUR 3,837 million for the same period of 2011, driven by a 21.3% increase in container transportation volumes under integrated logistics contracts as well as the consolidation of JSC Kedentransservice, which started to implement these kind of services during the second half of 2011.

Adjusted operating expenses

The following table sets out Adjusted operating expenses for the six month periods ended 30 June 2012 and 2011.

	1H 2012	1H 2011	Period on period change	Period on period percent change
RUR million				
Total operating expenses	13,995	11,722	2,273	19.4%
Cost of integrated freight forwarding and logistics services	5,049	3,837	1,212	31.6%
Adjusted operating expenses	8,946	7,885	1,061	13.5%

Adjusted Operating Expenses, as defined above, increased by 13.5% to RUR 8,946 million for the six months ended 30 June 2012 from RUR 7,885 million for the same period of 2011, primarily due to increases in Freight and transportation services expenses; 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 six month periods ended 30 June 2012 and 2011.

	1H 2012		1H 2011		Period on period change	
	RUR mln	Percent of Adjusted operating	RUR mln	Percent of Adjusted operating	RUR mln	Percent change

	expenses			expenses		
Freight and transportation services	2,486	27.8%	2,255	28.6%	231	10.2%
Payroll and related charges	2,472	27.6%	2,137	27.1%	335	15.7%
Depreciation and amortisation	1,355	15.1%	1,200	15.2%	155	12.9%
Materials repair and maintenance	1,226	13.7%	987	12.5%	239	24.2%
Taxes other than income tax	283	3.2%	294	3.7%	(11)	(3.7%)
Rent	280	3.1%	173	2.2%	107	61.8%
Other expenses	844	9.4%	839	10.6%	5	0.6%
Adjusted operating expenses	8,946	100.0%	7,885	100.0%	1,061	13.5%

The proportion of Freight and transportation services in Adjusted operating expenses decreased to 27.8% for the six months ended 30 June 2012 from 28.6% for the same period of 2011; whilst Materials, Repair and Maintenance increased from 12.5% to 13.7%; Rent increased from 2.2% to 3.1% and Other expenses decreased from 10.6% to 9.4% as a result of the factors described below.

Freight and transportation services

Expenses relating to freight and transportation services increased by 10.2%, to RUR 2,486 million for the six months ended 30 June 2012. This increase was mainly due to an increase in empty run costs driven by (i) rail-based transportation by the Company's own containers from 451 thousand TEU to 468 thousand TEU, or by 3.8%, (ii) a growth in container empty run ratio from 35.1% to 37.5% and (iii) a 6% increase in tariffs charged for empty runs by Russian Railways. This increase was partially offset by a decrease in flatcar empty run ratio from 8.7% for the first six months ended 30 June 2011 to 7.9% in the six months ended 30 June 2012 as well as due to some reduction in outsourced trucking costs.

Payroll and related charges

Payroll and related charges increased by RUR 335 million, or 15.7%, to RUR 2,472 million for the six months ended 30 June 2012 from RUR 2,137 million for the same period of 2011. This increase primarily resulted from an effect of the consolidation of JSC Kedentransservice from 18 March 2011, as well as wage indexing and an increase in performance-linked payments to employees, partly offset by a decrease in average headcount at TransContainer of 3.7%.

Depreciation and amortisation

Depreciation and amortization increased by 12.9% to RUR 1,355 million in the six months ended 30 June 2012 from RUR 1,200 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 lifting equipment.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance increased by 24.2%, to RUR 1,226 million in the six months ended 30 June 2012 from RUR 987 million in the same period of 2011. The increase resulted from an increase in railcar average repair price and the effect of the consolidation of JSC Kedentransservice, partially offset by a reduction in the number of railcar repairs.

Taxes other than income tax

Taxes other than income tax reduced by 3.7% to RUR 283 million in the six months ended 30 June 2012 from RUR 294 million in the same period of 2011, primarily due to the effect of VAT settlements.

Rent

Rent expenses grew by RUR 107 million, or by 61.8% to RUR 280 million in the reporting period from RUR 173 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. Other expenses increased by 0.6% to RUR 844 million in the six months ended 30 June 2012 from RUR 839 million in the same period of 2011,

primarily due to a growth in payments for license and software and other expenses, partly offset by consulting services and a change in provision for impairment of receivables.

Operating income

Operating income increased by RUR 1,517 million, or 67.7%, to RUR 3,758 million in the six months ended 30 June 2012 from RUR 2,241 million in the same period of 2011, as a result of the factors discussed above.

Interest expense

Interest expenses increased by RUR 83 million, or 21.9%, to RUR 462 million in the six months ended 30 June 2012 from RUR 379 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 84 million, or 5.2 times to RUR 104 million in the six months ended 30 June 2012 from RUR 20 million in the same period of 2011 due to an increase in cash balances on deposits resulting from an increase in cash inflows from operating activities in the first half of 2012.

Profit before income tax

Profit before income tax increased by RUR 1,626 million, or by 87.0%, from RUR 1,868 million for the six months ended 30 June 2011 to RUR 3,494 million for the six months ended 30 June 2012. The increase was due to the factors discussed above.

Income tax expense

Income tax expenses increased by RUR 299 million, or 6.3%, to RUR 750 million in the from RUR 451 million in the same period of 2011, primarily due to an increase in profit before income tax. The effective tax rate in the first half of 2012 decreased to 21.5% from 24.1% for the same period of 2011 due to a lower proportion of non-deductible expenses attributed to the profit before income tax.

Profit and Total comprehensive income for the period

As a result of the factors discussed above the profit for the six months ended 30 June 2012 increased by RUR 1,327 million, or 93.6% and reached RUR 2,744 million as compared with RUR 1,417 million for the six months ended 30 June 2011. Taking into account the differences on translating foreign operations, the total comprehensive income for the six months ended 30 June 2012 increased by RUR 1,448 million, or 107.5% and totaled RUR 2,795 million as compared with RUR 1,347 million for the six months ended 30 June 2011.

Liquidity and Capital Resources

As of 30 June 2012 the Company's cash and cash equivalents amounted to RUR 3,824 million and the Company's current liabilities exceeded current assets by RUR 9 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 lifting equipment and truck fleet. For the six months ended 30 June 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 six months ended 30 June 2012 and 2011:

	1H 2012	1H 2011
Net cash provided by operating activities	3,709	2,433
Net cash used in investing activities	1,551	3,139

Net cash provided by financing activities	(640)	1,487
Net increase in cash and cash equivalents	1,518	781
Cash and cash equivalents at the end of the period	3,824	2,064

Cash flow provided by operating activities

Cash flow provided by operating activities increased by RUR 1,276 million, or 52.4%, to RUR 3,709 million in the six months ended 30 June 2012 from RUR 2,433 million in the same period of 2011. This was primarily due to a 42.5% increase in operating profit before working capital changes to RUR 5,158 million in the six months ended 30 June 2012 from RUR 3,620 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, an increase in trade and other receivables 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 1,588 million, or 50.6% to RUR 1,551 million in the six months ended 30 June 2012 from RUR 3,139 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 1,536 million in 1Q 2011 (net of cash acquired of RUR 304 million), as well as due to the net effect of the sale and purchase of short term investments in the six months ended 30 June 2012 which resulted in cash inflow of RUR 941 million.

Cash flow provided by financing activities

Cash flow provided by financing activities decreased to negative RUR 640 million in the six months ended 30 June 2012 from positive RUR 1,487 million in the same period of 2011, primarily due to repayments of financial lease and other borrowings.

Capital Expenditure

Capital expenditures increased by RUR 77 million, or 5.0%, to RUR 1,615 million in the six months ended 30 June 2012 from RUR 1,538 million in the same period of 2011. The majority of the capital expenditure was a result of the acquisition of 536 units of 80' flatcars and the construction of buildings and terminal infrastructure in the pursuit of modernising terminal facilities. Capital expenditure items also included the purchase of lifting equipment and trucks.

Planned capital expenditures for 2012

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

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

Capital resources

The Company's operations and capital expenditures have historically been financed primarily from internally generated cash flow and proceeds from issuing domestic debt. As of 30 June 2012, the Company's financial indebtedness consisted of outstanding bonds, bank loans, financial lease obligations and other borrowings in an aggregate amount of RUR 9,376 million compared with RUR 9,348 million as of 31 December 2011. As of 30 June 2012, the Company's net debt was RUR 4,682 million.

As of 30 June 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 small

portion of indebtedness of JSC Kedentransservice under finance lease obligations which is denominated in Kazakh Tenge. 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 period ended 30 June 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 30 June 2012.

The carrying value of the bonds as at 30 June 2012 amounted to RUR 3,000 million (RUR 3,000 million at 31 December 2011). The amount of accrued interest is RUR 96 million (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 during 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 30 June 2012 amounted to RUR 2,982 million (RUR 2,978 million at 31 December 2011). The amount of accrued interest is RUR 19 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.

Bank loans and other borrowings

The Group obtained loans from OJSC Alfa Bank for the total amount 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 3 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 30 June 2012 the total amount of the long-term part of the loans was RUR 1,664 million.

As in February and May 2013 the part of the loan of OJSC Alfa Bank will be repaid in a total amount of RUR 142 million, this amount has been included as short-term debt in the interim condensed consolidated statement of financial position as at 30 June 2012.

Also in May 2013 the part of the second part of the loan of OJSC Alfa Bank will be repaid in a total amount of RUR 16 million, this amount has been included as short-term debt in the interim condensed consolidated statement of financial position as at 30 June 2012.

During the year ended 31 December 2011 the Group obtained borrowed funds from LLC TrustUnion Asset Management for the amount of RUR 501 million 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 30 June 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 out the key components of TransContainer's working capital for the six months ended 30 June 2012.

	30 June 2012	31 December 2011
CURRENT ASSETS		
Inventory	281	278
Trade and other receivables	1,768	1,152
Prepayments and other current assets	3,561	3,702
Prepaid income tax	131	193
Short-term investments	870	941

Cash and cash equivalents	3,824	2,300
Total current assets	10,435	8,566
CURRENT LIABILITIES		
Trade and other payables	4,468	4,593
Short-term debt	3,276	553
Income tax payable	273	134
Taxes other than income tax payable	302	303
Provisions	5	5
Finance lease obligations current maturities	274	479
Dividends payable	1,228	-
Accrued and other current liabilities	615	689
Deferred income	3	13
Total current liabilities	10,444	6,769
WORKING CAPITAL	(9)	1,797

Working capital decreased by RUR 1,806 million to RUR negative 9 million in the six months ended 30 June 2012 from RUR 1,797 million at the end of 2011. This decrease was primarily due to an increase in the current portion of long-term debt to the amount of RUR 3,276 million as the Series 1 bond and a portion of bank loans were 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 six month period ended 30 June 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>

27 September 2012

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