OPEN JOINT STOCK COMPANY TRANSCONTAINER

Interim Condensed Consolidated Financial Information

For the Six-Month Period Ended 30 June 2012

OJSC TRANSCONTAINER

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of OJSC TransContainer (the "Company"), its joint ventures and subsidiaries (the "Group") as at 30 June 2012 and the results of its operations, cash flows and changes in equity for the six-month period then ended, in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the the interim condensed consolidated financial information of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the companies of the Group operate;
- Taking necessary steps to safeguard the Group's assets;
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information for the six-month period ended 30 June 2012 was approved on 20 September 2012 by:

P. V. Baskakov	**K. S. Kalmykov**
General Director	Chief Accountant

Report on the Review of the Interim Condensed Consolidated Financial Information

To the shareholders and board of directors of Open Joint Stock Company "TransContainer":

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Open Joint Stock Company "TransContainer" and its subsidiaries (the "Group") as of 30 June 2012, and the related condensed consolidated statements of comprehensive income, cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, "Interim financial reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim financial reporting".

Emphasis of Matter

Without qualifying our conclusion, we draw attention to the Note 23 to the interim condensed consolidated financial information, which indicates that the Group has a significant quantity of transactions with related parties.

ZAO PricewaterhouseCoopers Audit

24 September 2012
Moscow, Russian Federation

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OJSC TRANSCONTAINER
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(Amounts in millions of Russian Roubles)

	Notes	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	4	30,347	29,216
Advances for acquisition of non-current assets	4	2,293	2,205
Trade receivables	7	520	728
Intangible assets other than goodwill	5	634	653
Goodwill		216	216
Investments in associates	6	8	55
Other non-current assets		93	103
Deferred tax asset		4	4
Total non-current assets		**34,115**	**33,180**
Current assets			
Inventory		281	278
Trade and other receivables	7	1,768	1,152
Prepayments and other current assets	8	3,561	3,702
Prepaid income tax		131	193
Short-term investments	9	870	941
Cash and cash equivalents	10	3,824	2,300
Total current assets		**10,435**	**8,566**
TOTAL ASSETS		**44,550**	**41,746**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	13,895	13,895
Treasury shares	15	(514)	(514)
Reserve fund	11	478	304
Translation reserve		232	193
Equity-settled employee benefits reserve	15	193	148
Other reserves		(2,221)	(2,221)
Retained earnings		12,509	11,161
Total equity attributable to equity holders of the parent		**24,572**	**22,966**
Non-controlling interest		981	962
Total equity		**25,553**	**23,928**
Non-current liabilities			
Long-term debt	12	5,145	8,301
Finance lease obligations, net of current maturities	13	681	15
Employee benefit liability	14	1,035	990
Deferred tax liability		1,691	1,742
Deferred income		1	1
Total non-current liabilities		**8,553**	**11,049**
Current liabilities			
Trade and other payables	16	4,468	4,593
Short-term debt	12	3,276	553
Income tax payable		273	134
Taxes other than income tax payable	17	302	303
Provisions		5	5
Finance lease obligations, current maturities	13	274	479
Dividends payable	11	1,228	-
Accrued and other current liabilities	18	615	689
Deferred income		3	13
Total current liabilities		**10,444**	**6,769**
TOTAL EQUITY AND LIABILITIES		**44,550**	**41,746**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

20 September 2012

The accompanying notes form an integral part of this interim condensed consolidated financial information.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

	Notes	2012	2011
Revenue	19	17,570	13,804
Other operating income		183	159
Operating expenses	20	(13,995)	(11,722)
Operating income		**3,758**	**2,241**
Interest expense	21	(462)	(379)
Interest income		104	20
Foreign exchange gain, net		44	-
Share of result of associates	6	(22)	(14)
Gain from disposal of associate	6	72	-
Profit before income tax		**3,494**	**1,868**
Income tax expense	22	(750)	(451)
Profit for the period		**2,744**	**1,417**
Attributable to:			
Equity holders of the parent		2,727	1,394
Non-controlling interest		17	23
Other comprehensive income			
Exchange differences on translating foreign operations		51	(70)
Total comprehensive income for the period		**2,795**	**1,347**
Attributable to:			
Equity holders of the parent		2,766	1,346
Non-controlling interest		29	1
Earnings per share, basic and diluted (Russian Roubles)		**197**	**101**
Weighted average number of shares outstanding		**13,838,845**	**13,857,462**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

20 September 2012

The accompanying notes form an integral part of this interim condensed consolidated financial information.

OJSC TRANSCONTAINER
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (UNAUDITED)
(Amounts in millions of Russian Roubles)

	Notes	2012	2011
Cash flows from operating activities:			
Profit before income tax		**3,494**	**1,868**
Adjustments for:			
Depreciation and amortisation	20	1,355	1,200
Change in provision for impairment of receivables	7	(13)	119
Loss/(gain) on disposal of property, plant and equipment		7	(34)
Share of result of associates	6	22	14
Gain from disposal of associate	6	(72)	-
Interest expense, net		358	359
Equity-settled employee benefits reserve	15	58	89
Foreign exchange gain, net		(44)	-
Other gains and losses		(7)	5
Operating profit before working capital changes		**5,158**	**3,620**
Decrease in inventory		33	37
Increase in trade and other receivables		(317)	(251)
Decrease/(increase) in prepayments and other current assets		108	(37)
(Decrease)/increase in trade and other payables		(328)	62
Decrease in taxes other than income tax		-	(360)
Increase in accrued expenses and other current liabilities		39	231
Increase in employee benefit liabilities	14	45	37
Net cash from operating activities before income tax		**4,738**	**3,339**
Interest paid		(426)	(395)
Income tax paid		(603)	(511)
Net cash provided by operating activities		**3,709**	**2,433**
Cash flows from investing activities:			
Purchases of property, plant and equipment		(1,615)	(1,538)
Proceeds from disposal of property, plant and equipment		2	21
Acquisition of subsidiary, net of cash acquired		(103)	(1,536)
Sale of short-term investments		941	-
Purchases of long-term investments		(1)	(39)
Purchases of short-term investments		(870)	(58)
Purchases of intangible assets		(8)	(9)
Interest received		103	20
Net cash used in investing activities		**(1,551)**	**(3,139)**
Cash flows from financing activities:			
Proceeds from long-term borrowings		-	2,336
Repayments of finance lease obligations		(292)	(333)
Acquisition of treasury shares		-	(514)
Principal payments on long-term borrowings		(2)	-
Principal payments on short-term borrowings		-	(2)
Principal payments on short-term bonds		(346)	-
Net cash provided by financing activities		**(640)**	**1,487**
Net increase in cash and cash equivalents		**1,518**	**781**
Cash and cash equivalents at beginning of the period		**2,300**	**1,291**
Foreign exchange effect on cash and cash equivalents		6	(8)
Net cash and cash equivalents at end of the period		**3,824**	**2,064**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

20 September 2012

OJSC TRANSCONTAINER

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Amounts in millions of Russian Roubles)

	Notes	Share capital	Treasury shares	Reserve fund	Translation reserve	Equity-settled employee benefits reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2011		**13,895**	**-**	**284**	**7**	**-**	**(2,221)**	**7,411**	**19,376**	**-**	**19,376**
Profit for the period		-	-	-	-	-	-	1,394	1,394	23	1,417
Other comprehensive income for the period		-	-	-	(48)	-	-	-	(48)	(22)	(70)
Total comprehensive income for the period		**-**	**-**	**-**	**(48)**	**-**	**-**	**1,394**	**1,346**	**1**	**1,347**
Acquisition of subsidiary		-	-	-	-	-	-	-	-	856	856
Acquisition of treasury shares		-	(514)	-	-	-	-	-	(514)	-	(514)
Equity-settled employee benefits reserve		-	-	-	-	89	-	-	89	-	89
Dividends		-	-	-	-	-	-	(40)	(40)	-	(40)
Transfer to reserve fund		-	-	20	-	-	-	(20)	-	-	-
Balance at 30 June 2011		**13,895**	**(514)**	**304**	**(41)**	**89**	**(2,221)**	**8,745**	**20,257**	**857**	**21,114**
Profit for the period		-	-	-	-	-	-	2,416	2,416	10	2,426
Other comprehensive income for the period		-	-	-	234	-	-	-	234	108	342
Total comprehensive income for the period		**-**	**-**	**-**	**234**	**-**	**-**	**2,416**	**2,650**	**118**	**2,768**
Equity-settled employee benefits reserve		-	-	-	-	59	-	-	59	-	59
Dividends		-	-	-	-	-	-	-	-	(13)	(13)
Balance at 31 December 2011		**13,895**	**(514)**	**304**	**193**	**148**	**(2,221)**	**11,161**	**22,966**	**962**	**23,928**
Profit for the period		-	-	-	-	-	-	2,727	2,727	17	2,744
Other comprehensive income for the period		-	-	-	39	-	-	-	39	12	51
Total comprehensive income for the period		**-**	**-**	**-**	**39**	**-**	**-**	**2,727**	**2,766**	**29**	**2,795**
Equity-settled employee benefits reserve	15	-	-	-	-	58	-	-	58	-	58
Exercised options under option plan	15	-	-	-	-	(13)	-	13	-	-	-
Dividends	11	-	-	-	-	-	-	(1,218)	(1,218)	(10)	(1,228)
Transfer to reserve fund		-	-	174	-	-	-	(174)	-	-	-
Balance at 30 June 2012		**13,895**	**(514)**	**478**	**232**	**193**	**(2,221)**	**12,509**	**24,572**	**981**	**25,553**

P. V. Baskakov
General Director
20 September 2012

K. S. Kalmykov
Chief Accountant

The accompanying notes form an integral part of this interim condensed consolidated financial information.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

1. NATURE OF THE BUSINESS

OJSC TransContainer (the "Company" or "TransContainer") was incorporated as an open joint stock company in Moscow, Russian Federation on 4 March 2006.

The Company's principal activities include arrangement of rail-based container shipping and other logistics services including terminal services, freight forwarding and intermodal delivery using rolling stock and containers. The Company owns and operates 46 container terminals along the Russian railway network. As at 30 June 2012, the Company operated 17 branches in Russia. The Company's registered address is 12 Novoryazanskaya Street, Moscow, 107228, Russian Federation. Its principal place of business is 19 Oruzheiniy pereulok, Moscow, 125047, Russian Federation.

The Company has ownership in the following entities:

				% interest held		% voting rights	
Name of Entity	**Type**	**Country**	**Activity**	**30 June 2012**	**31 December 2011**	**30 June 2012**	**31 December 2011**
Oy ContainerTrans Scandinavia Ltd	Joint venture	Finland	Container shipments	50	50	50	50
JSC TransContainer-Slovakia	Subsidiary	Slovakia	Container shipments	100	100	100	100
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	Joint venture	China	Container shipments	49	49	50	50
TransContainer Europe GmbH	Subsidiary	Austria	Investment activity	100	100	100	100
TransContainer Asia Pacific Ltd.	Subsidiary	Korea	Container shipments	100	100	100	100
Trans-Eurasia Logistics GmbH	Associate	Germany	Container shipments	20	20	20	20
Far East Land Bridge Ltd. (Note 6)	Associate	Cyprus	Container shipments	-	10	-	25
LLC Prostor Invest Group (Note 15)	Subsidiary	Russia	Share option programme operator	100	100	100	100
JSC Kedentransservice	Subsidiary	Kazakhstan	Handling	67	67	67	67
Helme's Development Company Ltd.	Subsidiary	British Virgin Isles	Investment activity	-	100	-	100
Helme's Operation UK Limited	Subsidiary	Great Britain	Investment activity	100	100	100	100
Logistic Investment SARL	Subsidiary	Luxemburg	Investment activity	100	100	100	100
Logistic System Management B.V.	Subsidiary	Netherlands	Investment activity	100	100	100	100

Liquidation of Helme's Development Company Limited – In May 2012 the company Helme's Development Company Limited was liquidated. As a result on 24 May 2012 1 share of Helme's Operation UK Limited, which owns 46.9 % of shares of JSC Kedentransservice, was transferred by Helme's Development Company Limited to the Company.

The interim condensed consolidated financial information of OJSC TransContainer, its subsidiaries and its joint ventures (the "Group") as at 30 June 2012 and for the six-month period then ended was authorized for issue by the General Director of the Company on 20 September 2012.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Statement of compliance – The annual financial statements of OJSC TransContainer are prepared in accordance with International Financial Reporting Standards ("IFRS"). This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting".

The consolidated statement of financial position as at 31 December 2011, included in this interim condensed consolidated financial information, has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2011. This interim condensed consolidated financial information should be read in conjunction with the audited annual consolidated financial statements.

Significant accounting policies – Except as discussed below, the accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the Group's annual financial statements as at 31 December 2011 and for the year then ended, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Estimates – The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Revenue from integrated freight forwarding and logistics services – There are two types of the Group's services for which critical accounting judgments are involved in revenue recognition:

1) In case the Group provides integrated freight forwarding and logistic services the customers do not interact with other transportation organisations. A full service is charged by the Group to its customers for its services including rail-based container transportation, terminal handling, trucking, etc. and the full third-party charges, including railway tariff.

There are certain characteristics indicating that the Group is acting as an agent, particularly the fact that railway tariffs are available to the public, therefore are known to the customer, and the risk of delivery is borne by the transportation organisations.

However, the Group bears the credit risk and controls the flow of receipts and payments and is independent in its own pricing policy.

Management believes that the Group acts as a principal in these arrangements and the Group accounts for receipts from customers as sales revenue. Third-party charges, including the railroad tariff is included in third-party charges relating to integrated freight forwarding and logistics services.

Had the railway tariff directly attributable to such services been excluded from revenue and expenses both would have decreased by RUR 5,049m for the six-month period ended 30 June 2012 (RUR 3,837m for the six-month period ended 30 June 2011).

2) In cases where Rail-based container shipping services are provided, the Group agrees with the customer the transport fee as above, excluding the railroad tariff which is paid by the Group and reinvoiced to the client as reimbursement of rail infrastructure and locomotive services. Management believes that railroad tariff should not be included in revenue and expenses, as any variation in the tariff will be borne by the client.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes (see above).

(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION (CONTINUED)

Seasonality – The business of the Group is subject to seasonal fluctuations. Revenue and income from current operations are affected by such factors as river transport seasonality, the summer shipping season (for Northern regions) and consumer market cycles. Typically, the number of orders received between January and February is below the annual average. During this period the Group seeks to schedule flatcars and containers maintenance and repair. In accordance with IFRS, revenue and the related expenses are recognised in the period in which they are realised and incurred respectively. The Group's results for the interim period do not necessarily reflect a continuing trend which will be reflected in the year-end results. In the financial year ended 31 December 2011, 45% of revenues accumulated in the first half of the year, with 55% accumulating in the second half.

3. CHANGES IN ACCOUNTING POLICY

The Group changed the accounting policy regarding presentation of revenue from services rendered under compound rate in the interim condensed consolidated financial information. Revenue from these services was reclassified from freight forwarding and logistics services into revenue from the integrated logistics services. As a result the revenue from services rendered under through-rate and from services rendered under compound rate which have a similar principle of service package formation is now classified in revenue from the integrated freight forwarding and logistics services. The management of the Group considers that the change will lead to more useful and relevant presentation of revenue from these services in the consolidated financial statements for its users.

The effect of the abovementioned change in the accounting policy on revenue reported for the period ended 30 June 2011 is as follows:

	Revenue as originally presented	Revenue as reclassified	Reclassification
Integrated freight forwarding and logistics services (integrated logistics services)	5,680	6,783	1,103
Other freight forwarding services (freight forwarding and logistics services)	1,489	386	(1,103)

The effect on transactions and balances with related parties for the six-month period ended 30 June 2011 is as follows:

	Revenue as originally presented	Revenue as reclassified	Reclassification
Integrated freight forwarding and logistics services (integrated logistics services)			
Parent company (RZD)	-	4	4
Other RZD group entities	294	297	3
Group associates	60	61	1
Group joint ventures	21	23	2
Other related parties	1	11	10
Total	**376**	**396**	**20**
Other freight forwarding services (freight forwarding and logistics services)			
Parent company (RZD)	5	1	(4)
Other RZD group entities	6	2	(4)
Group associates	3	3	-
Group joint ventures	3	1	(2)
Other related parties	12	2	(10)
Total	**29**	**9**	**(20)**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

4. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Locomotives, containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in-progress	Total
Cost						
1 January 2011	**4,896**	**24,425**	**1,290**	**1,924**	**1,332**	**33,867**
Additions	7	516	59	93	115	**790**
Acquisition through business combination	1,448	396	132	334	26	**2,336**
Transfers	360	36	59	138	(593)	**-**
Disposals	(6)	(155)	(22)	(8)	(2)	**(193)**
Exchange difference	(37)	(11)	(8)	(8)	-	**(64)**
30 June 2011	**6,668**	**25,207**	**1,510**	**2,473**	**878**	**36,736**
Additions	169	1,900	93	186	728	3,076
Acquisition through business combination	-	-	-	-	-	-
Transfers	535	92	32	23	(682)	-
Capitalised borrowing costs	-	-	-	-	43	43
Disposals	(230)	(222)	(145)	(104)	(29)	(730)
Exchange difference	190	50	25	49	3	317
31 December 2011	**7,332**	**27,027**	**1,515**	**2,627**	**941**	**39,442**
Additions	759	1,221	40	113	309	2,442
Transfers	17	231	5	16	(269)	-
Capitalised borrowing costs	-	-	-	-	20	20
Disposals	(4)	(175)	-	(21)	-	(200)
Exchange difference	23	6	4	6	1	40
30 June 2012	**8,127**	**28,310**	**1,564**	**2,741**	**1,002**	**41,744**
Accumulated depreciation						
1 January 2011	**(1,146)**	**(5,447)**	**(673)**	**(954)**	**(3)**	**(8,223)**
Depreciation charge	(124)	(786)	(78)	(181)	-	**(1,169)**
Impairment	-	-	-	-	(4)	**(4)**
Disposals	1	127	15	7	-	**150**
30 June 2011	**(1,269)**	**(6,106)**	**(736)**	**(1,128)**	**(7)**	**(9,246)**
Depreciation charge	(198)	(853)	(103)	(183)	-	(1,337)
Reversal of impairment	2	-	-	-	3	5
Disposals	26	193	72	84	-	375
Exchange difference	(8)	(9)	(3)	(3)	-	(23)
31 December 2011	**(1,447)**	**(6,775)**	**(770)**	**(1,230)**	**(4)**	**(10,226)**
	-	-	-	-	-	-
Depreciation charge	(177)	(849)	(94)	(193)	-	(1,313)
Disposals	-	133	-	24	-	157
Exchange difference	(5)	(5)	(2)	(3)	-	(15)
30 June 2012	**(1,629)**	**(7,496)**	**(866)**	**(1,402)**	**(4)**	**(11,397)**
31 December 2011	**5,885**	**20,252**	**745**	**1,397**	**937**	**29,216**
30 June 2012	**6,498**	**20,814**	**698**	**1,339**	**998**	**30,347**

Included under Land, buildings and constructions are the amounts of RUR 752m and RUR 744m, which represent the value of land plots owned by the Group as at 30 June 2012 and 31 December 2011, respectively.

The vehicles and other equipment category includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 1,031m and RUR 1,011m as at 30 June 2012 and 31 December 2011, respectively.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,488m and RUR 1,329m as at 30 June 2012 and 31 December2011, respectively.

The carrying amount of temporarily idle property, plant and equipment as at 30 June 2012 and 31 December 2011 comprised the following:

	30 June 2012	31 December 2011
Cost	396	396
Accumulated deprecation	(166)	(158)
Net book value	**230**	**238**

Construction in-progress as at 30 June 2012 consisted mainly of the capital expenditures incurred for the expansion and reconstructions of container terminals in Novosibirsk, Krasnoyarsk and Moscow region amounting to RUR 518m, RUR 157m and RUR 61m, respectively.

As at 30 June 2012, property, plant and equipment include interest expenses on bonds and other related proceeds from borrowed funds in connection with the construction of property, plant and equipment items. The total amount of interest capitalised for the six-month period ended 30 June 2012 was RUR 20m at a rate of capitalisation of 9.75% and RUR 43m for the year ended 31 December 2011 at a rate of capitalisation of 9.84%.

Leased assets as at 30 June 2012 and 31 December 2011, for which the Group is a lessee under finance leases, comprised the following:

	30 June 2012	31 December 2011
Cost	1,742	1,759
Accumulated depreciation	(333)	(398)
Net book value	**1,409**	**1,361**

See Note 13 for further details regarding finance leases.

Advances for acquisition of non-current assets

As at 30 June 2012 and 31 December 2011, advances for the acquisition of non-current assets consisted of: 1) security deposits paid in accordance with a preliminary purchase-and-sale agreement with LLC Ladya River for the acquisition of premises in a Moscow office building (RUR 1,942m), 2) advances for the acquisition of rolling stock (RUR 15m and RUR 140m, respectively), and 3) advances for the acquisition of other PPE (RUR 336m and RUR 123m, respectively).

Under the preliminary purchase-and-sale agreement for acquisition of premises with LLC Ladya River, the security deposits should be returned to the Company after the signing of the principal purchase-and-sale agreement for acquisition of premises (Note 26). As the principal purchase-and-sale agreement stipulates advance payment for acquisition of premises in an amount equalling the security deposits, the security deposits are classified as an advances for the acquisition of non-current assets.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

5. INTANGIBLE ASSETS OTHER THAN GOODWILL

	Lease agreements	Software	Total
Cost			
1 January 2011	**-**	**151**	**151**
Additions	-	6	**6**
Acquisition through business combination	545	-	**545**
Exchange difference	(9)	-	**(9)**
30 June 2011	**536**	**157**	**693**
Additions	-	21	**21**
Exchange difference	82	-	**82**
31 December 2011	**618**	**178**	**796**
Additions	-	39	39
Disposals	-	(27)	(27)
Exchange difference	(21)	-	(21)
30 June 2012	**597**	**190**	**787**
Accumulated amorisation			
1 January 2011	**-**	**(66)**	**(66)**
Amortisation charge	(11)	(20)	(31)
Exchange difference	(5)	-	(5)
30 June 2011	**(16)**	**(86)**	**(102)**
Amortisation charge	(22)	(18)	(40)
Exchange difference	(1)	-	(1)
31 December 2011	**(39)**	**(104)**	**(143)**
Disposals	-	24	24
Amortisation charge	(19)	(22)	(41)
Exchange difference	7	-	7
30 June 2012	**(51)**	**(102)**	**(153)**
Net book value			
31 December 2011	**579**	**74**	**653**
30 June 2012	**546**	**88**	**634**

On 1 January 2011 JSC Kedentransservice entered into five lease agreements with the lessor JSC National Company “Kazakhstan Temir Zholy” (“KTZ”), the second shareholder of JSC Kedentransservice. According to these agreements the JSC Kedentransservice leases five loading platforms at Dostyk Station.

The rent rate under these agreements is several times below a market indicator and also is preferential owing to the fact that JSC Kedentransservice and the lessor are related parties that leads to annual economy of expenses for the Group during the period of agreement validity (15 years).

(Amounts in millions of Russian Roubles, unless otherwise stated below)

6. INVESTMENTS IN ASSOCIATES

	Investment		Share in the profit / (loss)	
Name of Entity	**30 June 2012**	**31 December 2011**	**2012**	**2011**
Far East Land Bridge Ltd.	-	47	(22)	(15)
Trans-Eurasia Logistics GmbH	8	8	-	1
Total	**8**	**55**	**(22)**	**(14)**

In June 2008 the Group acquired 20% share in the associate Trans-Eurasia Logistics GmbH (Note 1). This entity was formed in order to arrange the rail-based container traffic between Western Europe and Russia. The associate transactions were immaterial as at 30 June 2012 and for the period then ended.

During the six-month period ended 30 June 2012 the Group sold 10% share in Far East Land Bridge Ltd. ("FELB") to OJSC RZD Logistics - subsidiary of OJSC Russian Railways ("RZD") (Note 23). The amount of sale transaction was USD 3m (RUR 97m).This transaction has resulted in the recognition by the Group of the following gain in the interim condensed consolidated statement of comprehensive income:

Proceeds of disposal	97
Less carrying amount of Group's interest on the date of loss of significant influence	(25)
Gain recognised	**72**

7. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
30 June 2012			
Trade receivables	1,715	(127)	1,588
Other receivables	196	(16)	180
Total trade and other receivables	**1,911**	**(143)**	**1,768**
31 December 2011			
Trade receivables	1,221	(157)	1,064
Other receivables	104	(16)	88
Total trade and other receivables	**1,325**	**(173)**	**1,152**

In July 2012 the Company, OJSC RZD Logistics and FELB signed an agreement on transfer of FELB's debt (Note 26). As a result accounts receivable from FELB in the amount of USD 22.5m (RUR 732m at the Central Bank of Russia exchange rate as at the date of agreement) were transferred to OJSC RZD Logistics and in accordance with a debt repayment schedule will be fully repaid in June 2016. Discounting rate of 7.4% has been used for the fair value determination. As at 30 June 2012 and 31 December 2011 the fair value of impaired long-term trade accounts receivable of FELB amounted to RUR 520m and RUR 728m, respectively. During the six-month period ended 30 June 2012 trade receivables in the amount of RUR 76m were reclassified in short-term trade receivables.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the impairment provision for accounts receivable is as follows:

Balance as at 1 January 2011	**(84)**
Additional provision, recognised in the current period	(119)
Acquisition of JSC Kedentransservice	(104)
Utilisation of provision	23
Exchange differences on translating foreign operations	3
Balance as at 30 June 2011	**(281)**
Additional provision, recognised in the current period	(18)
Release of provision	21
Utilisation of provision	8
Exchange differences on translating foreign operations	(13)
Balance as at 31 December 2011	**(283)**
Additional provision, recognised in the current period	(20)
Release of provision	33
Utilisation of provision	30
Exchange differences on translating foreign operations	(2)
Balance as at 30 June 2012	**(242)**

As at 30 June 2012 and 31 December 2011 provision for impairment of accounts receivable was recognised in respect of trade and other receivables balances (RUR 143m and RUR 173m respectively), advances to suppliers (RUR 81m and RUR 81m respectively), advances for acquisition of non-current assets (RUR 10m and RUR 21m respectively) and other non-current assets (RUR 8m and RUR 8m respectively).

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2012	31 December 2011
VAT receivable	1,623	1,255
Advances to suppliers	1,763	2,216
Other current assets	175	231
Total prepayments and other current assets	**3,561**	**3,702**

9. SHORT-TERM INVESTMENTS

	30 June 2012	31 December 2011
Russian Rouble denominated bank deposits	870	811
Foreign currency denominated bank deposits	-	130
Total short-term investments	**870**	**941**

As at 30 June 2012 short-term investments of the Company are presented by following investments in the Russian banks with an initial maturity over three months, but less than one year:

- Russian Rouble-denominated short-term bank deposit in the amount of RUR 250m bearing interest at annual rate of 8.5% in JSC TransCreditBank, a related party (Note 23). The deposit matured on 30 July 2012. The amount of accrued interest is RUR 9m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position.

- Russian Rouble-denominated short-term bank deposit in the amount of RUR 250m bearing interest at annual rate of 8.85% in OJSC Gazprombank, a related party (Note 23). The deposit matures on 4 February 2013. The amount of accrued interest is RUR 9m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

9. SHORT-TERM INVESTMENTS (CONTINUED)

- Russian Rouble-denominated short-term bank deposit in the amount of RUR 350m bearing interest at annual rate of 7.8% in OJSC Bank VTB, a related party (Note 23). The deposit matured on 26 November 2012. The amount of accrued interest is RUR 2m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position.

10. CASH AND CASH EQUIVALENTS

	30 June 2012	31 December 2011
Cash and Russian Rouble denominated current accounts with banks	1,453	248
Foreign currency denominated current accounts with banks	642	718
Russian Rouble denominated bank deposits	1,723	1,334
Foreign currency denominated bank deposits	6	-
Total cash and cash equivalents	**3,824**	**2,300**

The terms of Russian Rouble-denominated short-term bank deposits vary from nine days to three months, depending on the Company's immediate cash requirements. Five Russian Rouble-denominated short-term bank deposits in the amount of RUR 350m, 250m, 250m, 400m and 450m, bearing interest at annual rates of 7.5%, 7.5%, 7.5%, 7.1% and 7.25% respectively, were placed with JSC TransCreditBank, a related party, as of 30 June 2012 (Note 23). The amount of accrued interest amounted to RUR 6m, 5m, 5m, 1m and 6m, respectively. The deposits matured on 2 July 2012, 5 July 2012, 5 July 2012, 20 July 2012 and 23 July 2012 respectively.

11. EQUITY

Share Capital

As at 30 June 2012, the Company's authorized and issued share capital has not changed since 31 December 2011. RZD is the controlling shareholder of the Company, holding 50%+2 of its ordinary shares.

Dividends

Dividends of RUR 87.68 per share (RUR 1,218m in total) were approved at the annual shareholders' meeting on 26 June 2012 relating to the Group's results for the year ended 31 December 2011. In July 2012 the dividends have been fully paid.

Dividends of KZT 102.22 per share were approved at the annual shareholders' meeting of JSC Kedentransservice on 29 June 2012 relating to the results for the year ended 31 December 2011. Dividends for the total amount of KZT 42m (RUR 10m at the Central Bank of Russia exchange rate as at 30 June 2012) were accrued to the shareholder of Kedentransservice JSC National Company "Kazakh Temir Zholy "(share of ownership 33%). In August 2012 the dividends have been fully paid.

Reserve fund

According to its charter, the Company is required to establish a legal reserve fund through the allocation of 5 percent of net profit as computed under the Russian accounting regulations. The total amount of reserve fund is limited to 5 percent of the nominal registered amount of the Company's issued share capital. The reserve fund may only be used to offset losses of the Company as well as to redeem issued bonds or purchase treasury shares and can not be distributed to sharholders. As at 30 June 2012 and 31 December 2011 the Company's reserve fund is RUR 478m and RUR 304m, respectively.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

12. LONG-TERM AND SHORT-TERM DEBT

Long-term debt

	Effective interest rate	30 June 2012	31 December 2011
Bonds	8.8%	2,982	5,978
Bank loans	9.75-9.5%	2,163	2,323
Total		**5,145**	**8,301**

Long-term borrowings of the Group are denominated in Russian Rubles.

The Group obtained loans from OJSC Alfa Bank for the total amount of RUR 1,822m during the year ended 31 December 2011 to finance the acquisition of JSC Kedentransservice. The amount of accrued interest is RUR 3m, 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 loans was RUR 1,664m.

As in February and May 2013 the part of loan of OJSC Alfa Bank will be repaid in a total amount of RUR 142m 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 loan of OJSC Alfa Bank will be repaid in a total amount of RUR 16m this amount has been included as short-term debt in the interim condensed consolidated statement of financial position as at 30 June 2012.

Under the loan terms, the Group is subject to certain financial and non-financial covenants, including compliance with a specific Debt/EBITDA ratio, which is calculated on the basis of annual and interim (as at 30 June) financial statements, prepared in accordance with IFRS. For calculation purposes, debt includes all short- and long-term borrowings, finance lease obligations and interest expenses for the 12-month period ending on the reporting date. EBITDA includes income before interest expense, income tax, depreciation and amortisation. In the event of non-compliance with the specified requirements, the bank may increase the annual interest rate by 3%. In addition, the bank may require early loan repayment if non-compliance with the financial covenants is not remediated within 30 calendar days.

As at 30 June 2012 the Group is in compliance with the covenants.

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 (Note 15). The loan matures in five years. As at 30 June 2012 the amount of loan was RUR 499m.

Five-year RUR bonds, series 2 – On 10 June 2010, the Company issued non-convertible five-year bonds for a total amount of RUR 3,000m at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 2,975m. 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 instalments 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 30 June 2012 amounted to RUR 2,982m (RUR 2,978m at 31 December 2011). The amount of accrued interest is RUR 19m (RUR 21m at 31 December 2011), and has been included as short-term debt in the interim condensed consolidated statement of financial position.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

12. LONG-TERM AND SHORT-TERM DEBT (CONTINUED)

Short-term debt

	Effective interest rate	30 June 2012	31 December 2011
Bonds	9.5-8.9 %	3,096	371
Short-term portion of long-term bonds	-	19	117
Sale and repurchase agreements	-	-	63
Short-term portion of long-term bank loans	9.5%	161	2
Total		**3,276**	**553**

Short-term borrowings of the Group denominated in:

	30 June 2012	31 December 2011
- Kazakh Tenge	-	371
- Russian Roubles	3,276	119
- US Dollars	-	63
Total	**3,276**	**553**

Five-year RUR bonds, series 1 – On 4 March 2008, the Company issued non-convertible five-year bonds for a total amount of RUR 3,000m 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 and 31 December 2011 amounted to RUR 3,000m. The amount of accrued interest is RUR 96m as at 30 June 2012 and 31 December 2011, and has been included as short-term debt in the interim condensed consolidated statement of financial position.

Foreign currency-denominated bonds. In April 2012 the Group redeemed its obligations on 1,694,320 coupon bonds at a par value of Kazakh Tenge (KZT) 1,000 each without any security.

As at 30 June 2012 the Group redeemed financial obligation under the repurchase of previously sold shares for the amount of RUR 63m in accordance with repurchase agreements between LLC Prostor Invest Group and CJSC Investment company Troika Dialog (Note 15).

13. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Due within one year	295	534	274	479
Due after one year but not more than five years	1,079	17	681	15
	1,374	551	955	494
Less future finance charges	(419)	(57)	-	-
Present value of minimum lease payments	**955**	**494**	**955**	**494**

During the six-month period ended 30 June 2012 the Group entered into a finance lease agreement on the acquisition of premises in a Moscow office building. The lease agreement is for a six-year period with an effective interest rate of 9.65%. In accordance with lease agreement if the Group does not use the right to acquire the leased premises in the lease period or does not entitle third parties use the right to acquire the leased premises the Group is obliged to acquire the leased premises for the amount of RUR 615m at the end of lease period.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

13. FINANCE LEASE OBLIGATIONS (CONTINUED)

All leases are denominated in Russian Roubles and Kazakh Tenge. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

14. EMPLOYEE BENEFIT LIABILITY

Defined contribution plans

The total amount recognised as an expense in respect of payments to defined contribution plans for the six-month periods ended 30 June 2012 and 2011 consisted of the following:

	2012	2011
Pension Fund of the Russian Federation	306	284
Defined contribution plan "Blagosostoyanie"	8	5
Total expense for defined contribution plans	**314**	**289**

Defined benefit plans

The most recent actuarial valuation of the defined benefit obligation was carried out as at 31 December 2011 by an independent actuary. The present value of the defined benefit obligations, and related current service costs and past service cost, were measured using the projected unit credit method. The Group determined employee benefit liabilities as at 30 June 2012 and related costs for the six-month period then ended by means of making adjustments to the amounts as at 31 December 2011 to reflect significant changes in the number of plan participants, level of salary and other significant events.

The amounts recognised in the interim condensed consolidated statement of comprehensive income for the six-month periods ended 30 June 2012 and 2011 in respect of these defined benefit plans, which are included in Payroll and related charges, are as follows:

	2012	2011
Current service cost	73	19
Interest on obligation	42	28
Expected return on plan assets	(2)	(2)
Actuarial (gains)/losses recognised during the period	(1)	24
Past service cost	3	3
Net expense recognised in the consolidated profit or loss	**115**	**72**

The amounts recognised in Statement of financial position as at 30 June 2012 and 31 December 2011 in respect of these defined benefit plans are as follows:

	30 June 2012	31 December 2011
Present value of defined benefit obligation	1,087	1,042
Fair value of plan assets	(49)	(47)
Deficit	1,038	995
Unrecognised past service cost	(3)	(5)
Net employee benefit liability	**1,035**	**990**

The principal assumptions used in computation of the Group's defined benefit obligation as at 30 June 2012 have not changed from those used in preparation of the annual consolidated financial statements for the year ended 31 December 2011.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

15. EMPLOYEE SHARE OPTION PLAN

In October 2010, the Board of Directors approved a Share Option Plan for the Company's management (the "Plan"). In general, 1.5% of the Company's outstanding ordinary shares may be allocated under this Plan, which has been in effect since 20 May 2011. Management participation in the Plan and the number of shares in individual manager's share option agreements are determined by the Board of Directors.

The Plan provides for granting share options to the members of the Group's management (the "Plan Participants"). All Plan Participants had signed relevant agreements by the end of June 2011.

The options are to be vested in four annual installments at the end of each of four next years after June 2011. Each Plan Participant obtains the right to a certain quantity of share options for each year of service with the Company.

Under certain circumstanses, including breach of specific labour agreement provisions, Plan Participants can forfeit their right to purchase shares.

Ordinary shares will be allocated from treasury shares purchased by the Group for this purpose on the open market by a special-purpose entity, LLC Prostor Invest Group, which is fully controlled by the Group.

The exercise price will be RUR 2,464 per share plus certain costs and expenses related to Plan implementation. Plan Participants will have up until June 2016 to exercise their share options.

In relation to the Plan, the Group had purchased 208,421 treasury shares. Their purchase cost was RUR 514m. The shares were purchased by LLC Prostor Invest Group.

In December 2011 LLC Prostor Invest Group concluded a repurchase agreements with CJSC Investment company Troika Dialog. Under these agreements LLC Prostor Invest Group has transferred 50,000 of the Company's treasury shares with the subsequent obligation on their return in January, 2012. All the risks and rewards related to ownership of transferred shares, remain with LLC Prostor Invest Group. In January 2012 the arrangement was terminated and the shares were returned.

As at 30 June 2012 the following number of share options is outstanding:

	Number of shares
Options outstanding at 1 January 2012	208,421
Options granted during the six months 2012	-
Options exercised during the six months 2012	(10,176)
Options outstanding at 30 June 2012	**198,245**

The fair value of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The Black-Scholes-Merton model is used to estimate the fair value of the share option granted.

	Options granted as at 20 May 2011
Share price (in Russian Roubles)	3,116
Exercise price (in Russian Roubles) (including expenses related to implementation of the Plan)	2,464-3,145
Expected volatility	37%
Option life	1-5 years
Risk-free interest rate	4.6%-7.4%
Fair value at measurement date (in Russian Roubles)	**1,308 – 1,462**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

15. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

The measure of volatility used in the Black-Scholes-Merton model is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. Volatility has been determined on the basis of the historical volatility of the share price over the most recent period (last six months before grant date).

During the six-month period ended 30 June 2012, the Group recognised expenses of RUR 58m related to the options. These expenses were included into payroll and related charges disclosed in Note 20.

During the six-month period ended 30 June 2012 10,176 options were exercised, the weighted average exercise price was RUR 2,550, the weighted average share price at the date of exercise was RUR 3,423.

Reserve held for Share-based option plan as at 31 December 2011	148
Expense recognised for the six-month period ended 30 June 2012	58
Accumulated expense of Share-based option plan as at 30 June 2012	**206**
Exercised options under option plan	(13)
Reserve held for Share-based option plan as at 30 June 2012	**193**

16. TRADE AND OTHER PAYABLES

	30 June 2012	31 December 2011
Trade payables	634	656
Amounts payable for the acquisition of property, plant and equipment	437	246
Liabilities to customers	3,397	3,691
Total trade and other payables	**4,468**	**4,593**

17. TAXES OTHER THAN INCOME TAX PAYABLE

	30 June 2012	31 December 2011
VAT	16	43
Property tax	119	116
Social insurance contribution	124	105
Personal income tax	39	32
Other taxes	4	7
Total taxes other than income tax payable	**302**	**303**

18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 June 2012	31 December 2011
Settlements with employees	510	501
Payable for acquisition of Kedentransservice's shares	-	113
Other liabilities	105	75
Total accrued expenses and other current liabilities	**615**	**689**

Settlements with employees as at 30 June 2012 and 31 December 2011 comprised accrued salaries and bonuses of RUR 299m and RUR 352m, respectively, and accruals for unused vacation of RUR 211m and RUR 149m, respectively.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

19. SEGMENT INFORMATION

The Company's General Director is its chief operating decision-maker. The Group's business activities are interdependent in providing customers with rail-based container shipping and other logistics services. As such, the Group's internal reporting, as reviewed by the General Director to assess performance and allocate resources, is prepared as a single reportable segment. The Group's internal management reports are prepared on the same basis as this interim condensed consolidated financial information.

Analysis of revenue by category

	2012	2011
Integrated freight forwarding and logistics services	9,131	6,783
Rail-based container shipping services	5,042	4,052
Terminal services and agency fees	1,950	1,463
Truck deliveries	768	840
Other freight forwarding services	442	386
Bonded warehousing services	190	197
Other	47	83
Total revenue	**17,570**	**13,804**

Analysis of revenue by location of customers

	2012	2011
Revenue from external customers		
Russia	13,679	12,052
Kazakhstan	1,172	502
Korea	893	223
Germany	549	348
China	305	254
Uzbekistan	246	-
Estonia	237	26
Cyprus	152	85
Switzerland	112	116
Other	225	198
Total revenue	**17,570**	**13,804**

During the period ended 30 June 2012, the parent company (RZD) accounted for RUR 1,590m or 9% of the Group's total revenue. During the period ended 30 June 2011, RZD accounted for RUR 1,485m or 11% of the Group's total revenue. More than 90% of the Group's non-current assets are located in Russia, approximately 9% of non-current assets (mainly represented by property plant and equipment and intangible assets other than goodwill) are owned by JSC Kedentransservice and located in Kazakhstan.

20. OPERATING EXPENSES

	2012	2011
Cost of integrated freight forwarding and logistics services	5,049	3,837
Freight and transportation services	2,486	2,255
Payroll and related charges	2,472	2,137
Depreciation and amortisation	1,355	1,200
Materials, repair and maintenance	1,226	987
Taxes other than income tax	283	294
Rent	280	173
Security	141	139
Fuel costs	82	81
License and software	79	59
Consulting services	73	115
Communication costs	48	47
Change in provision for impairment of receivables	-	119
Other expenses	421	279
Total operating expenses	**13,995**	**11,722**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

21. INTEREST EXPENSE

	2012	2011
Interest expense on RUR bonds	256	270
Interest expense on finance lease obligations	34	62
Interest expense on bank loans	123	47
Discounting of accounts receivables	49	-
Total interest expense	**462**	**379**

22. INCOME TAX

	2012	2011
Current income tax charge	(804)	(492)
Deferred income tax benefit	54	41
Income tax	**(750)**	**(451)**

23. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24 “Related party disclosures”, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related-party relationships for those related parties with which the Group has entered into significant transactions, or had significant balances outstanding as at 30 June 2012, are disclosed below:

Related party	Nature of relationship
OJSC Russian Railways (RZD)	Parent company
OJSC TransCreditBank	Associate of RZD
Oy ContainerTrans ScandinaviaLtd	Joint venture of the Company
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	Joint venture of the Company
Trans-Eurasia Logistics GmbH	Associate of the Company
Far East Land Bridge Ltd. (FELB)	Associate of RZD
JSC Wagon Repair Company - 1	Subsidiary of RZD
JSC Wagon Repair Company - 2	Subsidiary of RZD
JSC Wagon Repair Company - 3	Subsidiary of RZD
OJSC RZD Logistics	Subsidiary of RZD
CJSC Sberbank Leasing	Subsidiary of Sberbank (state-controlled entity)
OJSC Gazprombank	State-controlled entity
OJSC Bank VTB	State-controlled entity
Fund Blagosostoyanie	Post-employment benefit plan for Company employees
FAR-EASTERN SHIPPING COMPANY PLC.	Significant shareholder

The Group’s ultimate controlling party is the Russian Federation Government and, therefore, all companies controlled by the Russian Federation Government are also treated as related parties of the Group for the purposes of this interim condensed consolidated financial information.

As a part of its ordinary course of business, the Group enters into various transactions and has outstanding balances with state-controlled entities and governmental bodies, which are shown as “other” in the tables below. The majority of related-party transactions are with OJSC Russian Railways (RZD), its subsidiaries, joint ventures and associates (shown as “Other RZD group entites” in the table below), and OJSC TransCreditBank, which are also state-controlled.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

23. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Relationships with RZD, its subsidiaries, joint ventures and associates

The Group carries out various transactions with RZD, which is the sole owner and provider of railroad infrastructure and locomotive services in Russia. Furthermore, RZD owns the vast majority of rail-car repair facilities in Russia, which the Group uses to maintain its rolling stock in operating condition.

Under current Russian regulations, only RZD can perform certain functions associated with arranging the container transportation process. As the assets required for performing such functions were transferred to the Company, RZD engaged the Company to act as its agent in the performance of these functions. Company's revenues generated from such transactions with RZD is reported as agency fees in the accompanying interim condensed consolidated statement of comprehensive income.

The Group maintains several bank accounts at OJSC TransCreditBank.

Transactions and balances with related parties as at and for the period ended 30 June 2012 are shown below:

	Total	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties
ASSETS						
Non-current assets						
Trade receivables	**520**	-	520	-	-	-
Current assets						
Short-term investments	**870**	-	259	-	-	611
Cash and cash equivalents	**3,501**	-	3,494	-	7	-
Trade receivables	**715**	261	402	3	43	6
Other receivables	**115**	8	103	-	-	4
Advances to suppliers	**1,565**	1,544	18	-	-	3
	6,766	1,813	4,276	3	50	624
Total assets	**7,286**	**1,813**	**4,796**	**3**	**50**	**624**
LIABILITIES						
Current liabilities						
Trade payables	**68**	24	11	3	23	7
Liabilities to customers	**106**	2	26	6	-	72
Other payables	**24**	5	1	-	-	18
Finance lease obligations, current maturities	**130**	-	-	-	-	130
Total liabilities	**328**	**31**	**38**	**9**	**23**	**227**
Revenue						
Rail-based container shipping services	**349**	112	59	87	2	89
Agency fees	**895**	879	3	-	-	13
Integrated freight forwarding and logistics services	**688**	3	490	31	120	44
Other services	**116**	24	27	48	1	16
	2,048	1,018	579	166	123	162
Interest income on deposits	**90**	-	75	-	-	15
Other interest income	**7**	-	7	-	-	-
Gain recognised on disposal of interest in former associate	**72**	-	72	-	-	-
Other operating income	**47**	28	12	-	-	7
	216	28	166	-	-	22
Total income	**2,264**	**1,046**	**745**	**166**	**123**	**184**
Operating Expenses						
Freight and transportation services	**1,764**	1,744	3	2	-	15
Third-party charges relating to integrated freight forwarding and logistics services	**3,261**	3,182	4	20	43	12
Repair services	**645**	151	492	-	-	2
Rent of property and equipment	**19**	18	-	-	-	1
Other expenses	**162**	61	47	3	1	50
	5,851	5,156	546	25	44	80
Interest expense on finance lease obligations	**25**	-	-	-	-	25
Discounting of accounts receivables	**86**	-	86	-	-	-
	111	-	86	-	-	25
Total expenses	**5,962**	**5,156**	**632**	**25**	**44**	**105**
Acquisition of property, plant and equipment	**70**	4	66	-	-	-
Purchase of materials	**2**	-	-	-	-	2
Contributions to non-state pension funds	**41**	-	-	-	-	41
Total other transactions	**113**	**4**	**66**	**-**	**-**	**43**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

23. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions and balances with related parties as at 31 December 2011 and for the period ended 30 June 2011 are shown below:

	Total	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties
ASSETS						
Non-current assets						
Advances for acquisition of non-current assets	**5**	-	5	-	-	-
Trade receivables	**728**	-	-	728	-	-
	733	-	5	728	-	-
Current assets						
Short-term investments	**811**	-	304	-	-	507
Cash and cash equivalents	**1,657**	-	1,657	-	-	-
Trade receivables	**414**	251	89	70	-	4
Other receivables	**16**	1	5	-	-	10
Advances to suppliers	**1,815**	1,752	60	-	-	3
	4,713	2,004	2,115	70	-	524
Total assets	**5,446**	**2,004**	**2,120**	**798**	**-**	**524**
LIABILITIES						
Current liabilities						
Trade payables	**46**	25	2	5	10	4
Liabilities to customers	**102**	34	21	-	25	22
Other payables	**51**	3	-	-	6	42
Finance lease obligations, current maturities	**374**	-	-	-	-	374
Total liabilities	**573**	**62**	**23**	**5**	**41**	**442**
Revenue						
Rail-based container shipping services	**272**	244	5	7	5	11
Agency fees	**902**	898	1	1	-	2
Integrated freight forwarding and logistics services	**396**	4	297	61	23	11
Other services	**69**	19	17	13	1	19
	1,639	1,165	320	82	29	43
Interest income on deposits	**8**	8	-	-	-	-
Other interest income	**6**	6	-	-	-	-
Other operating income	**54**	14	38	1	-	1
	68	28	38	1	-	1
Total income	**1,707**	**1,193**	**358**	**83**	**29**	**44**
Operating Expenses						
Freight and transportation services	**1,566**	1,518	3	44	-	1
Third-party charges relating to integrated freight forwarding and logistics services	**2,911**	2,797	-	99	15	-
Repair services	**551**	545	4	-	-	2
Rent of property and equipment	**19**	19	-	-	-	-
Other expenses	**167**	91	32	-	-	44
	5,214	4,970	39	143	15	47
Interest expense on finance lease obligations	**46**	-	9	-	-	37
Total expenses	**5,260**	**4,970**	**48**	**143**	**15**	**84**
Acquisition of property, plant and equipment	**211**	9	192	-	-	10
Purchase of materials	**6**	-	-	-	-	6
Contributions to non-state pension funds	**25**	-	-	-	-	25
Total other transactions	**242**	**9**	**192**	**-**	**-**	**41**

The amounts outstanding to and from related parties are unsecured except as disclosed for finance leases (Note 13) and expected to be settled by cash or supplies of goods or services (in respect of advances to suppliers and liabilities to customers) in the normal course of business.

Dividends

As at 30 June 2012 RUR 609m and RUR 257m of dividends were payable to RZD and HALIMEDA INTERNATIONAL LIMITED, accordingly (as at 30 June 2011 RUR 20m and RUR 5m, respectively) (Note 11).

(Amounts in millions of Russian Roubles, unless otherwise stated below)

23. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Compensation of key management personnel

Key management personnel consist of members of the Company's Board of Directors, as well as the General Director and his deputies, and comprised 20 and 21 persons as at 30 June 2012 and 30 June 2011, respectively. Total gross compensation (including insurance contributions and before withholding of personal income tax) to key management personnel amounted to RUR 138m (including total insurance contributions of RUR 9m) and RUR 95m (including total insurance contributions of RUR 2m) for the periods ended 30 June 2012 and 2011, respectively. This compensation is included under payroll and related charges in the consolidated profit and loss and comprises primarily short-term benefits.

As stated in Note 15, during the period ended 30 June 2012, the Group recognised expenses of RUR 58m related to the Share Option Plan approved by the Board of Directors in October 2010. Expenses related to options provided to the General Director and his deputies comprised RUR 31m.

24. COMMITMENTS UNDER OPERATING LEASES

As at 30 June 2012, the Group leases a loading platform at Dostyk Station in Kazakhstan and container terminal Dobra in Slovakia. The remaining period of agreements validity is 14 and 13 years, respectively.

The Group leases certain production buildings and office premises in Russia. The relevant lease agreements have terms varying from one to six years. Additionally, the Group leases the land on which its container terminals are located.

Future minimum lease payments under contracted operating leases are as follows:

	30 June 2012	31 December 2011
Within one year	174	236
Within two to five years	239	332
After five years	478	705
Total minimum lease payments	**891**	**1,273**

25. CAPITAL COMMITMENTS

The Group's capital commitments as at 30 June 2012 and 31 December 2011 consisted of the following, including VAT:

	30 June 2012	31 December 2011
Acquisition of containers and flatcars	1,442	1,037
Construction of container terminal complexes and modernisation of existing assets	595	349
Acquisition of premisses in office building	201	204
Acquisition of lifting machines and other equipment	185	14
Total capital commitments	**2,423**	**1,604**

26. SUBSEQUENT EVENTS

Agreement on transfer of FELB's debt - In July 2012 the Company entered into agreement on transfer of FELB's debt with OJSC RZD Logistics and the company FELB. As a result accounts receivable of FELB to the Company in the amount of USD 22.5m (RUR 732m at the Central Bank of Russia exchange rate as at the date of agreement) was transferred to OJSC RZD Logistics and will be fully repaid in June 2016 in accordance with a debt repayment schedule (Note 7).

Acquisition of real estate - In July 2012 the Company entered into a principal purchase-and-sale agreement with LLC Ladya River for the acquisition of premises in a Moscow office building at 19 Oruzheiniy pereulok for a total amount of RUR 1,816m (plus VAT in the amount of RUR 327m). In August 2012 LLC Ladya River returned the security deposits in the amount of RUR 1,942m and in accordance with the principal agreement the Company paid an advance for the acquisition of premises in an office building for a total amount of RUR 1,942m. In September 2012 the Company obtained state registration for the acquired premises and made the final settlement under the agreement in the amount of RUR 201m.

Acquisition of flatcars – In July-August 2012 the Group obtained 70 flatcars from LLC Speccompany, for a total amount of RUR 178m (plus VAT in the amount of RUR 32m) and also entered into an agreement with LLC Speccompany for the purchase of 200 flatcars for the total amount of RUR 385m (plus VAT in the amount of RUR 69m). Delivery of flatcars is expected in the fourth quarter 2012.

Also in August 2012 the Group entered into an agreement with CJSC Metallurg Holding for the purchase of 200 flatcars for the total amount of RUR 458m (plus VAT in the amount of RUR 82m). In September 2012 33 flatcars for a total amount of RUR 76m (plus VAT in the amount of RUR 14m) were delivered. The remaining flatcars are expected to be delivered in by the end of October 2012.

Advance for the purchase of containers - In July-August 2012 the Group paid in advance USD 8m (RUR 260m at the Central Bank of Russia exchange rate as at the date of payment) under the purchase-and-sale agreement of 3,060 containers with Yang Zhou Runyang Logistic Equipment Co., Ltd. (not subject to VAT). Delivery of flatcars is expected in September - October 2012.

Issue of bonds - In September 2012 the Company decided to issue non-convertible bonds in 2013 for the total amount not exceeding RUR 5,000m. One of the following bonds series expected to be issued depending on the market conditions:

1) Five-year bonds series 3 for a total amount of RUR 3,000m at a par value of RUR 1,000 each re. The bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years.

2) Five-year bonds series 4 for a total amount of RUR 5,000m at a par value of RUR 1,000 each. The bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years.

3) Three-year exchange bonds series BO-01, BO-02, BO-03 for the total amount of RUR 3,000m, RUR 5,000m and RUR 3,000m, accordingly.

The purpose of the bonds issue is refinancing of the current borrowings.