

OPEN JOINT STOCK COMPANY TRANSCONTAINER

Consolidated Financial Statements

For the Year Ended 31 December 2012

OJSC TRANSCONTAINER

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of OJSC TransContainer (the "Company"), its joint ventures and subsidiaries (the "Group") as at 31 December 2012 and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, 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 consolidated financial statements 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 consolidated financial statements of the Group for the year ended 31 December 2012 were approved on 23 April 2013 by:

A handwritten signature in purple ink, appearing to read 'P. V. Baskakov', written over a horizontal line.

P. V. Baskakov
General Director

A handwritten signature in purple ink, appearing to read 'K. S. Kalmykov', written over a horizontal line.

K. S. Kalmykov
Chief Accountant



Independent Auditor's Report

To the Shareholders and Board of Directors of Open Joint Stock Company "TransContainer":

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "TransContainer" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

24 April 2013
Moscow, Russian Federation

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

	Notes	2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	7	34,234	29,216
Advances for acquisition of non-current assets	7	358	2,205
Trade receivables	11	452	728
Intangible assets other than goodwill	9	592	653
Goodwill	8	216	216
Investments in associates	10	11	55
Other non-current assets		97	103
Deferred tax asset	26	1	4
Total non-current assets		35,961	33,180
Current assets			
Inventory		334	278
Trade and other receivables	11	1,284	1,152
Prepayments and other current assets	12	4,435	3,702
Prepaid income tax		132	193
Short-term investments	13	1,339	941
Cash and cash equivalents	14	1,365	2,300
Total current assets		8,889	8,566
TOTAL ASSETS		44,850	41,746
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	13,895	13,895
Treasury shares	19	(490)	(514)
Reserve fund	15	478	304
Translation reserve		49	193
Equity-settled employee benefits reserve	19	188	148
Other reserves		(2,221)	(2,221)
Retained earnings		14,884	11,161
Total equity attributable to equity holders of the parent		26,783	22,966
Non-controlling interest		937	962
Total equity		27,720	23,928
Non-current liabilities			
Long-term debt	16	2,731	8,301
Finance lease obligations, net of current maturities	17	668	15
Employee benefit liability	18	1,093	990
Deferred tax liability	26	1,713	1,742
Other non-current liabilities		-	1
Total non-current liabilities		6,205	11,049
Current liabilities			
Trade and other payables	20	3,788	4,593
Short-term debt	16	5,695	553
Income tax payable		169	134
Taxes other than income tax payable	21	367	303
Provisions		10	5
Finance lease obligations, current maturities	17	94	479
Accrued and other current liabilities	22	802	689
Deferred income		-	13
Total current liabilities		10,925	6,769
TOTAL EQUITY AND LIABILITIES		44,850	41,746


P. V. Baskakov
 General Director



K. S. Kalmykov
 Chief Accountant

23 April 2013

OJSC TRANSCONTAINER
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Notes	2012	2011
Revenue	23	36,396	30,876
Other operating income		417	610
Operating expenses	24	(29,472)	(25,751)
Operating profit		7,341	5,735
Interest expense	25	(885)	(841)
Interest income		212	64
Foreign exchange (loss)/gain, net		(2)	119
Share of result of associates	10	(19)	(47)
Gain from disposal of associate	10	72	-
Profit before income tax		6,719	5,030
Income tax expense	26	(1,568)	(1,187)
Profit for the year		5,151	3,843
Attributable to:			
Equity holders of the parent		5,102	3,810
Non-controlling interest		49	33
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(208)	272
Total comprehensive income for the year		4,943	4,115
Attributable to:			
Equity holders of the parent		4,958	3,996
Non-controlling interest		(15)	119
Earnings per share, basic and diluted (Russian Roubles)		368	276
Weighted average number of shares outstanding		13,863,408	13,828,618


 P. V. Baskakov
 General Director

23 April 2013


 K. S. Kalmykov
 Chief Accountant

OJSC TRANSCONTAINER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts in millions of Russian Roubles)

	Notes	2012	2011
Cash flows from operating activities:			
Profit before income tax		6,719	5,030
Adjustments for:			
Depreciation and amortisation	24	2,740	2,577
Change in provision for impairment of receivables	24	(11)	116
Loss/(gain) on disposal of property, plant and equipment		27	(288)
(Reversal)/loss on impairment of property, plant and equipment	7	1	(1)
Share of result of associates	10	19	47
Gain from disposal of associate	10	(72)	-
Interest expense, net		673	777
Equity-settled employee benefits reserve	19	87	148
Foreign exchange loss/(gain), net		2	(119)
Change in provisions		5	3
Other		(4)	-
Operating profit before working capital changes		10,186	8,290
Decrease in inventory		22	62
Decrease/(increase) in trade and other receivables		180	(370)
Increase in prepayments and other current assets		(530)	(909)
(Decrease)/increase in trade and other payables		(694)	726
Increase/(decrease) in taxes other than income tax		65	(488)
Increase in accrued expenses and other current liabilities		216	342
Increase in employee benefit liabilities	18	102	313
Net cash from operating activities before income tax		9,547	7,966
Interest paid		(834)	(830)
Income tax paid		(1,467)	(1,357)
Net cash provided by operating activities		7,246	5,779
Cash flows from investing activities:			
Purchases of property, plant and equipment		(5,691)	(4,244)
Proceeds from disposal of property, plant and equipment		6	554
Acquisition of subsidiary, net of cash acquired		(103)	(1,551)
Sale of short-term investments		1,541	-
Sale of long-term investments		16	2
Purchases of short-term investments		(1,939)	(941)
Purchases of long-term investments		(3)	-
Purchases of intangible assets		(82)	(48)
Interest received		194	65
Net cash used in investing activities		(6,061)	(6,163)
Cash flows from financing activities:			
Proceeds from long-term borrowings		-	2,336
Repayments of finance lease obligations		(491)	(467)
Acquisition of treasury shares	19	-	(514)
Dividends		(1,228)	(53)
Principal payments on long-term borrowings		(2)	(13)
Principal payments on short-term borrowings		-	(2)
Principal payments on short-term bonds		(346)	-
Net cash (used in) / provided by financing activities		(2,067)	1,287
Net (decrease) / increase in cash and cash equivalents		(882)	903
Cash and cash equivalents at beginning of the year		2,300	1,291
Foreign exchange effect on cash and cash equivalents		(53)	106
Net cash and cash equivalents at end of the year		1,365	2,300


P. V. Baskakov
 General Director



K. S. Kalmykov
 Chief Accountant

23 April 2013

The accompanying notes are an integral part of these consolidated financial statements.

OJSC TRANSCONTAINER
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(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 year		-	-	-	-	-	-	3,810	3,810	33	3,843
Other comprehensive income for the year		-	-	-	186	-	-	-	186	86	272
Total comprehensive income for the year		-	-	-	186	-	-	3,810	3,996	119	4,115
Acquisition of subsidiary		-	-	-	-	-	-	-	-	856	856
Acquisition of treasury shares		-	(514)	-	-	-	-	-	(514)	-	(514)
Equity-settled employee benefits reserve		-	-	-	-	148	-	-	148	-	148
Dividends		-	-	-	-	-	-	(40)	(40)	(13)	(53)
Transfer to reserve fund		-	-	20	-	-	-	(20)	-	-	-
Equity-settled employee benefits reserve		-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2011		13,895	(514)	304	193	148	(2,221)	11,161	22,966	962	23,928
Profit for the year		-	-	-	-	-	-	5,102	5,102	49	5,151
Other comprehensive income for the year		-	-	-	(144)	-	-	-	(144)	(64)	(208)
Total comprehensive income for the year		-	-	-	(144)	-	-	5,102	4,958	(15)	4,943
Equity-settled employee benefits reserve	19	-	-	-	-	87	-	-	87	-	87
Exercised options under option plan	19	-	24	-	-	(47)	-	13	(10)	-	(10)
Dividends	15	-	-	-	-	-	-	(1,218)	(1,218)	(10)	(1,228)
Transfer to reserve fund		-	-	174	-	-	-	(174)	-	-	-
Balance at 31 December 2012		13,895	(490)	478	49	188	(2,221)	14,884	26,783	937	27,720


P. V. Baskakov
 General Director


K. S. Kalmykov
 Chief Accountant

23 April 2013

The accompanying notes are an integral part of these consolidated financial statements.

OJSC TRANSCONTAINER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(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 was formed as a result of a spin-off by OJSC “Russian Railways” (“RZD”), which is 100% owned by the Russian Federation, of some of its activities and certain assets and liabilities related to container transportation into a separate legal entity. In connection with this spin-off RZD contributed to the share capital of the Company containers, flatcars, buildings and constructions in the amount of RUR 13,057m, VAT receivable related to these assets of RUR 104m, and cash of RUR 991m, in exchange for the ordinary shares of the Company. Furthermore, certain employees previously employed by RZD were hired by the Company. The Company assumed related employee benefit liabilities from RZD. Pursuant to this spin-off, RZD maintained the functions of the carrier, whilst the Company assumed the functions of a freight forwarding agent.

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 31 December 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 Oruzheiny pereulok, Moscow, 125047, Russian Federation.

The Company has ownership in the following entities:

Name of Entity	Type	Country	Activity	% interest held		% voting rights	
				2012	2011	2012	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	Container shipments	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 10)	Associate	Cyprus	Container shipments	-	10	-	25
LLC Prostor Invest Group (Note 19)	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

OJSC TRANSCONTAINER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts in millions of Russian Roubles, unless otherwise stated below)

1. NATURE OF THE BUSINESS (CONTINUED)

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.

In December 2012 the Company transferred 100% of shares of Helme's Operation UK Limited to Logistic Investment SARL.

The consolidated financial statements of OJSC TransContainer, its subsidiaries and its joint ventures (the "Group") as at 31 December 2012 and for the year then ended were authorised for issue by the General Director of the Company on 23 April 2013.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation – These consolidated financial statements are prepared on the basis of standalone financial statements of the Company, its joint ventures and subsidiaries. The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered.

The Group's consolidated financial statements have been prepared using the historical cost convention, except for the effects of assets acquired and liabilities assumed at the formation of the Company, which were recorded at the estimated fair value at the date of transfer.

The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the statutory books, which are appropriate to present the financial position, results of operations and cash flows of the Group in accordance with IFRS.

The consolidated financial statements are presented in millions of Russian Roubles (hereinafter "RUR m"), except where specifically noted otherwise.

Going concern – These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realisation of assets and settlement of liabilities in the normal course of business. As at 31 December 2012 the Group's current liabilities exceeded its current assets by RUR 2,035m. The Group's current liabilities as at 31 December 2012 included Rouble bonds issued by the Company for a total amount of RUR 3,000m and loans from OJSC Alfa Bank for the total amount of RUR 1,822m. In February 2013 the Company placed five-year RUR bonds series 4 for a total amount of RUR 5,000m and redeemed its obligations on previously obtained loans and bonds (Note 16, 31). This resulted in a reduction of the current liabilities by approximately RUR 4,822m, and a corresponding increase in the Group's working capital position. The Group continues to monitor its existing liquidity needs. Although the current economic environment (Note 29) might affect the profitability of the Group's operations in the near term, management believes that the Group will have sufficient operating cash flows and borrowing capacity to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The accounting policies have been applied consistently by all consolidated operating entities.

OJSC TRANSCONTAINER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated financial statements – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared through 31 December each year. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are either presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries (other than those acquired from parties under common control). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of the acquiree's net assets. Which principle to apply for measuring non-controlling interest is defined by the Group individually for each particular business combination.

Goodwill is measured by deducting the acquiree's net assets from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of the interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excluding acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt; and all other transaction costs associated with the acquisition are expensed.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Interests in joint ventures – A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control i.e. the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The Company's interests in jointly controlled entities is recognised using proportional consolidation whereby the Company's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

The Group discontinues the use of proportionate consolidation from the date on which it ceases to have joint control over an entity.

OJSC TRANSCONTAINER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates – Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of an associate's net assets are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the period as the share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Foreign currency transactions and translation – Functional currency is the currency of the primary economic environment in which the entity operates. The Russian Rouble is the functional currency of the Company and is also the currency in which these consolidated financial statements are presented. Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies at the balance sheet date are translated into the functional currency at the year-end exchange rate. Exchange differences arising from such translation are included in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Russian Rouble at foreign exchange rates ruling at the dates the fair value was determined.

When the functional currency of an entity of the Group is not the presentation currency of the Company, the results and financial position of the entity are translated into the presentation currency using the following procedures:

- all assets and liabilities are translated at the closing rate at the date of each presented statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates for the period if fluctuation of exchange rates during the period was insignificant. Otherwise exchange rates at the dates of the transactions are used for translation to the presentation currency;
- component of equity and reserves are translated at historical rates;
- all resulting exchange differences are recognised as other comprehensive income;
- in the statement of cash flows cash balances at the beginning and at the end of each presented period are translated at exchange rates effective at the corresponding dates. All cash flows are translated at average exchange rates for the presented periods.

OJSC TRANSCONTAINER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment – Property, plant and equipment are recorded at purchase or construction cost, less accumulated depreciation and accumulated impairment in value. The costs of day to day servicing of property, plant and equipment, including repairs and maintenance expenditure, is expensed as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Construction in progress

Construction in progress includes, principally, capital expenditure incurred in relation to the construction of new container terminals and the reconstruction of existing terminals. Construction in progress is carried at cost, less any recognised impairment loss. Cost includes capital expenditures directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads including capitalised borrowing costs on qualifying assets. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

Subsequent costs

The cost of replacing a part of property, plant and equipment is recognised in the carrying amount when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The assets being replaced are written off immediately. All other costs are recognised in the consolidated profit or loss for the year.

Depreciation

Depreciation is charged to the consolidated profit or loss so as to write off the cost of assets (other than land and construction in progress) less their estimated residual values, using the straight-line method over the estimated useful lives of each part of an item of property, plant and equipment. Owned land plots are not depreciated.

The estimated useful economic lives for property, plant and equipment are as follows:

	<u>Number of years</u>
Buildings	20-80
Constructions	5-45
Containers	10-15
Flatcars	28-32
Cranes and loaders	5-15
Vehicles	3-10
Other equipment	2-25

The assets' useful lives and amortisation methods are reviewed and adjusted as appropriate, at each financial year-end.

Leased assets

Capitalised leased assets and operating leasehold improvements are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Gain or loss on disposal

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill – Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least once a year and whenever there are indications that goodwill may be impaired. Goodwill is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on the disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Intangible assets – Intangible assets that are acquired by the Group represent mainly purchased software and are stated at cost less accumulated amortisation and impairment losses.

Furthermore, five lease contracts were acquired as a result of the JSC “Kedentransservice” acquisition. The lease rights are identified as an intangible asset that is recognised in the consolidated financial statements at fair value.

Amortisation is charged to the consolidated profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives for existing assets range from 3 to 7 years. The estimated useful live for lease contracts is 15 years.

Useful lives and amortisation methods for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for as changes in accounting estimates.

Impairment of non-current assets – At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in-use. In assessing value in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated profit or loss.

Classification of financial assets – Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. As at the reporting date the Group had financial assets classified as loans and receivables only and held-to-maturity investments.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Interest income is recognised by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Held-to-maturity investments

Investments in non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, other than loans and receivables, are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis. Management determines the classification of interest-bearing deposits with more than three months original maturity and no advanced payments allowed as held to maturity investment at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period.

Impairment of financial assets carried at amortised cost - Impairment losses are recognised in profit or loss when incurred as a result of one or more events that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective interest method –The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Inventories – Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents – Cash and cash equivalents comprise cash on hand, balances with banks and short-term interest-bearing deposits with original maturities of not more than three months (not more than 91 days).

Employee benefits – Remuneration to employees in respect of services rendered during the reporting period is recognised as an expense in that reporting period.

Post-employment benefits

1) Defined benefit plans

The Group operates two partially funded defined benefit pension plans. The obligation and cost of benefits under the plans are determined separately for each plan using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing pensions is charged to the consolidated profit or loss, so as to attribute the total pension cost over the service lives of employees in accordance with the benefit formula of the plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit obligation. Actuarial gains and losses are recognised as income or expense in full as they arise.

In addition, the Group provides certain other post-employment and other long-term benefits to its employees. These benefits are not funded.

Upon introduction of a new plan or improvement of an existing plan, past service costs are recognised on a straight-line basis over the average period until the amended benefits become vested. To the extent that the benefits are already vested, past service cost is immediately expensed.

2) Defined contribution plans

In addition to the defined benefit plans described above, the Group also sponsors a defined contribution plan for certain of its employees. The Group's contributions relating to the defined contribution plan are charged to the consolidated profit or loss in the year to which they relate.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other long-term benefits

Other long-term employee benefits include loyalty bonuses. The obligation and cost of benefits are determined using the projected unit credit method. Actuarial gains and losses are recognised as income or expense in full as they arise. Past service cost with regard to these benefits was recognised in the income statement immediately.

State Plan

In addition, the Group is legally obliged to make contributions to the Pension Fund of the Russian Federation (a multi-employer defined contribution plan). The Group's only obligation is to pay the contributions as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. The Group's contributions to the Pension Fund of the Russian Federation, designated as a defined contribution plan, are charged to the consolidated profit or loss in the year to which they relate. Contributions for each employee to the Russian Federation State Pension Fund vary from 10% to 22%, depending on the annual gross remuneration of each employee.

Value added tax – Output value added tax (“VAT”) related to revenues is payable to tax authorities upon delivery of the goods or services to customers, as well as upon collection of prepayments from customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis (except for input VAT related to export services provided related input VAT which is reclaimable upon confirmation of export). VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Accounts payable and other financial liabilities – Accounts payable and other financial liabilities are initially recognised at cost, which is the fair value of the consideration received, taking into account transaction costs. After initial recognition, financial liabilities are carried at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis. As normally the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

Provisions – Provisions are recognised when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is significant, the amount of a provision is the present value of the cash flows required to settle the obligation.

Revenue recognition – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues from sales of inventories are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rail-based container shipping services

Rail-based transportation services provided by the Group primarily include arranging the transportation of its own and third-party containers by rail by means of provision of flatcars and/or containers or leasing of flatcars and containers to third parties. For the purposes of recognising revenue, the Group charges its customers for provision of its own rolling stock while rail infrastructure charges are born by the customers directly or passed through to a provider of rail infrastructure services. Revenues from these services are recognised in the accounting period in which the services are rendered, net of invoiced rail infrastructure charges. Revenues from operating lease of rolling stock are recognised on a straight-line basis over the term of operating lease agreements.

Integrated freight forwarding and logistics services

Integrated freight forwarding and logistics services are service packages including rail container transportation, terminal handling, truck deliveries, freight forwarding and logistic services. There are two types of integrated freight forwarding and logistic services: through-rate services and compound rate services. If the Company is responsible for the rendering of services throughout the entire logistic chain and such services are rendered under a single contract at a single price, they are treated as through-rate services. If services rendered by the Company at a single price represent only a part of the logistic chain while remaining services are provided on a stand-alone basis separately, the initial services are treated as "compound services". Revenue from integrated freight forwarding and logistics services is a combination of revenues relating to various services, which, when provided under separate contracts, are shown gross in the corresponding revenue line items. Revenues from integrated freight forwarding and logistics services are recognised in the accounting period in which the services are rendered.

Terminal services and agency fees

Terminal services primarily include arrangements whereby the Group acts as a principal providing container handling services, such as loading and unloading operations, container storage and other terminal operations.

The Group acts as an agent on behalf of RZD in providing mandatory railroad services for all railway users at the Group's terminals, designated as the "sites of common use" by the legislation. In this capacity the Group provides some of its terminal services as a legal intermediary (agent) between clients and RZD and collects a commission. Commission fees collected from RZD for intermediary activities and revenue from other terminal operations are recognised in the accounting period in which the services are provided.

Bonded warehousing services

Bonded warehousing services are services related to storage of customers' containers in separate warehouses located at container terminals while pending customs clearance or payment of other applicable duties. Revenue from these services is recognised on the basis of the number of days during which the services are rendered.

Truck deliveries

Truck delivery services include transporting containers between the container terminals and client-designated sites using the Group's own truck fleet as well as third parties' trucks. The Group considers itself the principal in these arrangements, and therefore recognises revenue from truck deliveries on a gross basis in the accounting period in which the services are rendered.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other freight forwarding services

The Group provides other freight forwarding services, such as:

- (i) preparation and ensuring of correctness of shipping documentation required for the delivery process to be effected;
- (ii) customs clearance brokerage by providing clients with customs documentation and services for Russian customs clearance;
- (iii) cargo tracking services by providing clients with information about cargo location;
- (iv) route optimisation and planning; and
- (v) cargo security services, including provision of insurance, special labels for hazardous cargo, special terms for transportation of hazardous cargo, and ensuring proper documentation for the transported cargo.

Revenue from other freight forwarding services is recognised on a gross basis in the accounting period in which the services are rendered.

Dividend and interest income

- (i) Dividends from investments are recognised in profit or loss when the shareholder's right to receive payment has been established;
- (ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leases – The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Assets under finance leases are recognised as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating leases

Payments made under operating leases are recognised in the consolidated profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as a liability and as a reduction in expense on a straight-line basis. Contingent rentals under operating leases are recognised as an expense in the period in which they are incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and then leasing the same asset back. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

If a sale and leaseback transaction results in an operating lease and the transaction is established at fair value any profit or loss is recognised immediately. If the sale price is below fair value any profit or loss will be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

Borrowing costs – For the periods beginning 1 January 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised and amortised over the useful life of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred. For periods prior to 1 January 2009 all borrowing costs were expensed in the period in which they were incurred.

Income tax – Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share capital and other reserves – Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. The difference between the fair value of consideration received and the par value of shares issued is recognised as other reserves. Similarly, any differences arising on transactions with shareholders which are treated as equity transactions are adjusted directly against other reserves.

Treasury shares – where any Group company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, and net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's owners.

Earnings per share – Earnings per share are calculated by dividing the income for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, except treasury shares. The Group does not have any potentially dilutive equity instruments.

Share-based payment transactions – the share option plan allows Group employees to acquire shares of the Company. The fair value of share-based payment awards is measured at the grant date based on the Black-Scholes-Merton model, which takes into account the terms and conditions upon which the instruments were granted. The fair value of the options is then expensed between the grant date and the vesting date written into the share option contract.

Dividends – Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Contractual commitments – Contractual commitments comprise legally binding trading or purchase agreements with stated amount, price and date or dates in the future. The Group discloses significant contractual commitments in the notes to the consolidated financial statements.

Contingencies – Contingent liabilities are not recognised in the financial statements unless they arise as a result of a business combination. Contingences attributed to specific events are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRSs and IFRIC interpretations adopted in the current year

In the current year, the Group adopted all new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC") of the IASB that are mandatory for adoption in the annual periods beginning on or after 1 January 2012. The effect from their adoption has not resulted in any significant changes to measurement and presentation of disclosures in the financial statements of the Group:

The Group has elected to early adopt IAS 1 "Presentation of Financial Statements" – changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income".

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4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRS and IFRIC interpretations not yet effective

At the date of authorisation of these consolidated financial statements, the following standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods and which the entity has not early adopted:

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 19 "Employee Benefits" (amended)	1 January 2013
IAS 28 "Investments in Associates and Joint Ventures" (revised)	1 January 2013
IAS 32 "Financial instruments: presentation" (amended)	1 January 2014
IFRS 7 "Financial instruments: disclosures" (amended)	1 January 2013
IFRS 9 "Financial instruments"	1 January 2015
IFRS 10 "Consolidated Financial Statements"	1 January 2013
IFRS 11 "Joint Arrangements"	1 January 2013
IFRS 12 "Disclosure of Interest in Other Entities"	1 January 2013
IFRS 13 "Fair value measurement"	1 January 2013

Also a number of standards and interpretations were amended with Annual Improvements to IFRS. These amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in different standards. These amendments are mandatory for adoption in the annual periods beginning on or after 1 January 2013.

The impact of adoption of these standards and interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by management. The new and revised standards which are likely to have an effect on measurement, presentation of disclosure in the financial statements of the Group are described in more detail below:

- IAS 19 "Employee Benefits" – makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.
- IAS 28 "Investments in Associates and Joint Ventures" – the amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.
- IFRS 9 "Financial instruments" – incorporates new procedure for classification and measurement of financial assets and liabilities and includes the existing IAS 39 requirements for derecognition of financial assets and financial liabilities.
- IFRS 10 "Consolidated Financial Statements" – replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control.
- IFRS 11 "Joint Arrangements" – replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. As a result in the consolidated financial statements for 2013 the Company's interest in joint ventures will be accounted using equity method. Management considers the change in the method of accounting of joint ventures will not have significant impact on the consolidated financial statements.

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4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRS and IFRIC interpretations not yet effective (continued)

- IFRS 12 “Disclosure of Interest in Other Entities” – applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.
- IFRS 13 “Fair value measurement” - aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year, are discussed below.

Provision for impairment of receivables – Management maintains a provision for impairment of short-term receivables in the form of an allowance account equal to estimated losses resulting from the inability of customers and other debtors to make required payments. When evaluating the adequacy of this allowance account, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer creditworthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As at 31 December 2012 and 2011, the provision for impairment of receivables was recognised in the amount of RUR 184m and RUR 283m, respectively (Note 11).

Depreciable lives of property, plant and equipment – The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors”. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

Impairment of property, plant and equipment and intangible assets – The Group reviews at each reporting date the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that assets are impaired. This process involves judgment in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists.

Whenever such indications exist management makes an estimate of the asset’s recoverable amount to ensure that it is not less than its carrying value. If the asset’s fair value is not readily determinable or is less than the asset’s carrying value plus costs to sell, management necessarily applies its judgment in determining the appropriate cash generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value in-use calculation.

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimated impairment of goodwill. The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations (Note 8).

Compliance with tax legislation – Compliance with tax legislation, particularly in the Russian Federation, is subject to significant degree of interpretation and can be routinely challenged by the tax authorities. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued all applicable taxes. Management believes that it has adequately provided for tax liabilities based on its interpretations of tax legislation. However, there exists a possibility that relevant tax authorities may have differing interpretations than those of the management, and the effect of such differences could be significant.

Pension obligations – The Group uses an actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. This method involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.), as well as financial assumptions (discount rate, future salary and benefits levels, expected rate of return on plan assets, etc.). In the event that further changes in the key assumptions are required, the future amounts of the pension benefit costs may be materially affected (Note 18).

6. CRITICAL ACCOUNTING JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Accounting for leases – A lease is classified as finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise it is classified as operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. In determining the accounting treatment of transactions that involve the legal form of a lease, all aspects and implications of an arrangements are evaluated to determine the substance of such transactions with weight given to those aspects and implications that have an economic effect. If the lease term is for longer than 75% of the economic life of the asset, or at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset, the lease is classified by the Group as a finance lease, unless it is clearly demonstrated otherwise.

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.

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6. CRITICAL ACCOUNTING JUDGEMENTS (CONTINUED)

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 10,752m for the year ended 31 December 2012 (RUR 8,175m for the year ended 31 December 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 invoiced 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.

7. 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	176	2,416	152	279	843	3,866
Acquisition through business combination	1,448	396	132	334	26	2,336
Transfers	895	128	91	161	(1,275)	-
Capitalised borrowing costs	-	-	-	-	43	43
Disposals	(236)	(377)	(167)	(112)	(31)	(923)
Exchange difference	153	39	17	41	3	253
31 December 2011	7,332	27,027	1,515	2,627	941	39,442
Additions	2,859	3,063	159	357	1 479	7,917
Transfers	418	510	23	28	(979)	-
Capitalised borrowing costs	-	-	-	-	45	45
Disposals	(26)	(338)	(4)	(63)	(1)	(432)
Exchange difference	(119)	(33)	(13)	(31)	(3)	(199)
31 December 2012	10,464	30,229	1,680	2,918	1,482	46,773
Accumulated depreciation						
1 January 2011	(1,146)	(5,447)	(673)	(954)	(3)	(8,223)
Depreciation charge for the year	(322)	(1,639)	(181)	(364)	-	(2,506)
Reversal of impairment / (impairment)	2	-	-	-	(1)	1
Disposals	27	320	87	91	-	525
Exchange difference	(8)	(9)	(3)	(3)	-	(23)
31 December 2011	(1,447)	(6,775)	(770)	(1,230)	(4)	(10,226)
Depreciation charge for the year	(368)	(1,731)	(167)	(389)	-	(2,655)
Reversal of impairment / (impairment)	-	-	-	(1)	-	(1)
Disposals	14	241	3	59	-	317
Exchange difference	10	10	2	4	-	26
31 December 2012	(1,791)	(8,255)	(932)	(1,557)	(4)	(12,539)
Net book value						
31 December 2011	5,885	20,252	745	1,397	937	29,216
31 December 2012	8,673	21,974	748	1,361	1,478	34,234

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7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included under land, buildings and constructions are the amounts of RUR 701m and RUR 744m, which represent the value of land plots owned by the Group as at 31 December 2012 and 2011, respectively.

During the year ended 31 December 2012 the Group acquired the non-residential premises in a Moscow office building. The total acquisition cost was RUR 2,574m. A part of the building at the cost of RUR 1,816m was acquired under a sale and purchase agreement, the remaining part of the building at the cost of RUR 758m was acquired under a finance lease agreement (Note 17).

The vehicles and other equipment category includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 1,105m and RUR 1,011m as at 31 December 2012 and 2011, respectively. The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,930m and RUR 1,329m as at 31 December 2012 and 2011, respectively.

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

	<u>2012</u>	<u>2011</u>
Cost	431	396
Accumulated depreciation	<u>(191)</u>	<u>(158)</u>
Net book value	<u>240</u>	<u>238</u>

Construction in-progress as at 31 December 2012 consisted mainly of the capital expenditures incurred for the reconstructions and expansion of container terminals in Novosibirsk, Krasnoyarsk, Yekaterinburg and Moscow region amounting to RUR 662m, RUR 152m, RUR 90m and RUR 100m, respectively.

Additions of construction in-progress include interest expenses on bonds and other related proceeds from borrowed funds in connection with the construction and reconstructions of property, plant and equipment items. The total amount of interest capitalised for the year ended 31 December 2012 was RUR 45m at a rate of capitalisation of 9.52% and RUR 43m capitalised for the year ended 31 December 2011 at a rate of capitalisation of 9.84%.

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

	<u>2012</u>	<u>2011</u>
Cost	778	1,759
Accumulated depreciation	<u>(8)</u>	<u>(398)</u>
Net book value	<u>770</u>	<u>1,361</u>

See Note 17 for further details regarding finance leases.

Advances for acquisition of non-current assets

As at 31 December 2012 and 2011, advances for the acquisition of non-current assets consisted of advances for the acquisition of rolling stock (RUR 59m and RUR 140m, respectively), advances for the acquisition of power hoisting equipment (RUR 146m and RUR 4m, respectively) and advances for the acquisition of other PPE (RUR 153m and RUR 119m, respectively).

As at 31 December 2011 advances for the acquisition of non-current assets also included the 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 in the amount of RUR 1,942m.

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8. GOODWILL

The carrying value of goodwill which arose from the acquisition of subsidiary JSC Kedentransservice amounted to RUR 216m as at 31 December 2012 and 2011.

Goodwill is allocated to cash-generating units, which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than an operating segment.

As at the reporting date the Group estimated the recoverable amount of goodwill of JSC Kedentransservice. The recoverable amount was determined based on value-in-use calculations.

The following assumptions were used in the impairment test:

- The Group estimated the fair value of JSC Kedentransservice through nominal future cash flows for the period from 2013 to 2020 and an estimation of terminal value under Gordon formula.
- The discounting rate used in the calculation was 16%. This rate is an estimation value of the weighted average cost of capital for JSC Kedentransservice.
- The rate of corporate income tax is used according to the Kazakhstan Republic Tax Code at the level of 20%.

As the result of value-in-use calculation no impairment loss was recognised.

9. INTANGIBLE ASSETS OTHER THAN GOODWILL

	<u>Lease agreements</u>	<u>Software</u>	<u>Total</u>
Cost			
1 January 2011	-	151	151
Additions	-	27	27
Acquisition through business combination	545	-	545
Exchange difference	73	-	73
31 December 2011	618	178	796
Additions	-	25	25
Disposals	-	(34)	(34)
Exchange difference	(5)	-	(5)
31 December 2012	613	169	782
Accumulated amortisation			
1 January 2011	-	(66)	(66)
Amortisation charge for the year	(33)	(38)	(71)
Exchange difference	(6)	-	(6)
31 December 2011	(39)	(104)	(143)
Disposals	-	34	34
Amortisation charge for the year	(45)	(40)	(85)
Exchange difference	4	-	4
31 December 2012	(80)	(110)	(190)
Net book value			
31 December 2011	579	74	653
31 December 2012	533	59	592

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

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9. INTANGIBLE ASSETS OTHER THAN GOODWILL (CONTINUED)

Kedentransservice. According to these agreements the company leases five loading platforms at Dostyk Station.

The rent under these agreements is several times lower than 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).

10. INVESTMENTS IN ASSOCIATES

Name of Entity	Investment		Share in the profit / (loss)	
	2012	2011	2012	2011
Far East Land Bridge Ltd. (FELB)	-	47	(22)	(50)
Trans-Eurasia Logistics GmbH	11	8	3	3
Total	11	55	(19)	(47)

In June 2008 the Group acquired a 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 31 December 2012 and for the year then ended.

During the year ended 31 December 2012 the Group sold a 10% share in Far East Land Bridge Ltd. to OJSC RZD Logistics – a subsidiary of OJSC Russian Railways (Note 27). The amount of the sale transaction was USD 3m (RUR 97m). This transaction has resulted in the recognition by the Group of the following gain in the consolidated statement of profit or loss and other comprehensive income:

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

11. TRADE AND OTHER RECEIVABLES

	<u>Outstanding balance, gross</u>	<u>Provision for impairment</u>	<u>Outstanding balance, net</u>
31 December 2012			
Trade receivables	1,250	(87)	1,163
Other receivables	<u>137</u>	<u>(16)</u>	<u>121</u>
Total trade and other receivables	<u>1,387</u>	<u>(103)</u>	<u>1,284</u>
31 December 2011			
Trade receivables	1,221	(157)	1,064
Other receivables	<u>104</u>	<u>(16)</u>	<u>88</u>
Total trade and other receivables	<u>1,325</u>	<u>(173)</u>	<u>1,152</u>

The average credit period on the Group's sales (other than for sales carried out on a prepayment basis) is 31 days as at 31 December 2012 (31 December 2011: 35 days).

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's total trade and other receivables are debtors with a carrying amount of RUR 293m and RUR 289m as at 31 December 2012 and 2011, respectively, which are past due at the respective reporting date and which the Group considers to be not impaired. The Group does not hold any collateral over these outstanding balances.

In July 2012 the Company, OJSC RZD Logistics and FELB signed an agreement on the transfer of FELB's debt. 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. A discounting rate of 8.6 % has been used for the fair value determination. As at 31 December 2012 the fair value of impaired long-term trade accounts receivable of OJSC RZD Logistics (transferred from FELB) amounted to RUR 452m. As at 31 December 2011 the fair value of impaired long-term trade accounts receivable of FELB amounted to RUR 728m. During the year ended 31 December 2012 trade receivables in the amount of RUR 131m were reclassified in short-term trade receivables.

The ageing of past due but not impaired trade and other receivables is as follows:

	<u>2012</u>	<u>2011</u>
Less than 90 days	141	61
90-180 days	20	75
More than 180 days	132	153
Total past due but not impaired	<u>293</u>	<u>289</u>

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

	<u>2012</u>	<u>2011</u>
Balance at beginning of the year	<u>(283)</u>	<u>(84)</u>
Additional provision, recognised in the current year	(22)	(137)
Release of provision	33	21
Utilisation of provision	80	31
Acquisition of JSC Kedentransservice	-	(104)
Exchange differences on translating foreign operations	8	(10)
Balance at end of the year	<u>(184)</u>	<u>(283)</u>

As at 31 December 2012 and 2011 provision for impairment of accounts receivable was recognised in respect of trade and other receivables balances (RUR 104m and RUR 173m, respectively), advances to suppliers (RUR 65m and RUR 81m, respectively), advances for acquisition of non-current assets (RUR 11m and RUR 21m, respectively) and other non-current assets (RUR 4m and RUR 8m, respectively).

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>2012</u>	<u>2011</u>
VAT receivable	2,577	1,255
Advances to suppliers	1,674	2,216
Other current assets	184	231
Total prepayments and other current assets	<u>4,435</u>	<u>3,702</u>

13. SHORT-TERM INVESTMENTS

	<u>2012</u>	<u>2011</u>
Russian Rouble denominated bank deposits	1,293	811
Foreign currency denominated bank deposits	46	130
Total short-term investments	<u>1,339</u>	<u>941</u>

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13. SHORT-TERM INVESTMENTS (CONTINUED)

As at 31 December 2012 short-term investments of the Group are presented by following investments in the Russian banks with an initial maturity over three months:

- Russian Rouble-denominated short-term bank deposit in the amount of RUR 300m bearing interest at an annual rate of 8.05% in OJSC Bank VTB, a related party (Note 27). The deposit matured on 21 January 2013. The amount of accrued interest is RUR 11m and has been included as the portion of short-term investments in the consolidated statement of financial position.
- Russian Rouble-denominated short-term bank deposit in the amount of RUR 250m bearing interest at an annual rate of 8.85% in OJSC Gazprombank, a related party (Note 27). The deposit matured on 4 February 2013. The amount of accrued interest is RUR 20m and has been included as the portion of short-term investments in the consolidated statement of financial position.
- Russian Rouble-denominated short-term bank deposit in the amount of RUR 200m bearing interest at an annual rate of 8.22% in JSC TransCreditBank, a related party (Note 27). The deposit matured on 22 February 2013. The amount of accrued interest is RUR 5m and has been included as the portion of short-term investments in the consolidated statement of financial position.
- Russian Rouble-denominated short-term bank deposit in the amount of RUR 500m bearing interest at an annual rate of 8.50% in JSC TransCreditBank, a related party (Note 27). The deposit matured on 22 February 2013. The amount of accrued interest is RUR 7m and has been included as the portion of short-term investments in the consolidated statement of financial position.

Also USD-denominated short-term bank deposit in the amount of USD 1.5m (RUR 46m at the Central Bank of Russia exchange rate as at 31 December 2012) bearing interest at an annual rate of 0.25% was placed by the Group with JSC Nurbank, as at 31 December 2012. The deposit matured on 8 April 2013.

14. CASH AND CASH EQUIVALENTS

	<u>2012</u>	<u>2011</u>
Cash and Russian Rouble denominated current accounts with banks	770	248
Foreign currency denominated current accounts with banks	480	718
Russian Rouble denominated bank deposits	-	1,334
Foreign currency denominated bank deposits	112	-
Russian Rouble denominated letter of credit	3	-
Total cash and cash equivalents	<u>1,365</u>	<u>2,300</u>

USD-denominated short-term bank deposit in the amount of USD 3,679m (RUR 112m at the Central Bank of Russia exchange rate as at 31 December 2012) bearing interest at annual rate of 0.25% was placed by the Group with JSC Nurbank, as at 31 December 2012. The deposit matured on 8 January 2013.

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's long-term ratings as follows as at 31 December 2012 and 2011:

	<u>2012</u>			<u>2011</u>		
	<u>Bank balances payable on demand</u>	<u>Term deposits</u>	<u>Letter of credit</u>	<u>Bank balances payable on demand</u>	<u>Term deposits</u>	<u>Letter of credit</u>
<i>Neither past due nor impaired</i>	-	-	-	-	-	-
- A- to A+ rated	92	-	-	29	-	-
- BBB to A- rated	1,043	-	3	937	1,334	-
- Lower than BBB rated	115	112	-	-	-	-
Total	<u>1,250</u>	<u>112</u>	<u>3</u>	<u>966</u>	<u>1,334</u>	<u>-</u>

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15. EQUITY

Share Capital

Authorised and issued capital as at 31 December 2012 and 2011 comprises:

	<u>Number of outstanding ordinary shares</u>	<u>Value</u>
Ordinary shares (par value: RUR 1,000)	13,894,778	13,895

RZD is the controlling shareholder of the Company, holding 50%+2 of its ordinary shares.

Other Reserves

As discussed in Note 1, the Company was formed as a result of a spin-off by RZD which involved the contribution by RZD of containers, flatcars, buildings and constructions, VAT receivable related to these assets, and cash, in exchange for ordinary shares of the Company.

The difference between the fair value of net assets contributed and the nominal value of the shares issued by the Company of RUR 2,255m was recorded as other reserves.

In addition, any differences arising on transactions with shareholders are treated as equity transactions.

Retained Earnings, Dividends

In accordance with the Russian legislation, dividends may only be declared from the Company's accumulated undistributed and unreserved earnings as shown in the Company's statutory financial statements, which are prepared in accordance the Regulations on Accounting and Reporting of the Russian Federation. The Company had RUR 11,570m and RUR 8,145m of undistributed and unreserved earnings as at 31 December 2012 and 2011, respectively.

Dividends of RUR 87.68 per share (RUR 1,218m in total) were approved at the annual shareholders' meeting of the Company 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 RUR 2.91 per share (RUR 40m in total) were approved at the annual shareholders' meeting of the Company on 28 June 2011 relating to the Group's results for the year ended 31 December 2010. As at 31 December 2011, 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 29 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.

Dividends of KZT 168.12 per share were approved at the annual shareholders' meeting of JSC Kedentransservice on 4 July 2011 relating to the results for the year ended 31 December 2010. Dividends for the total amount of KZT 70m (RUR 13m at the Central Bank of Russia exchange rate as at 4 July 2011) were accrued to the shareholder of Kedentransservice JSC National Company Kazakh Temir Zholy. In October 2011 the dividends have been fully paid.

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15. EQUITY (CONTINUED)

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 the 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 cannot be distributed to shareholders. As at 31 December 2012 and 2011 the Company's reserve fund is RUR 478m and RUR 304m, respectively.

16. LONG-TERM AND SHORT-TERM DEBT

Long-term debt

	Effective interest rate	2012	2011
Bonds	8.8%	2,232	5,978
Bank loans	9.75-9.5%	499	2,323
Total		2,731	8,301

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

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 19). The loan matures in five years. As at 31 December 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 installments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

As at 31 December 2012 short-term portion of long-term bonds equals 750m and this amount has been included as short-term debt in the consolidated statement of financial position.

As at 31 December 2012 the carrying value of the bonds amounted to RUR 2,232m (RUR 2,978m as at 31 December 2011). The amount of accrued interest is RUR 22m (RUR 21m at 31 December 2011), and has been included as short-term debt in the consolidated statement of financial position.

Short-term debt

	Effective interest rate	2012	2011
Bonds	9.5-8.9%	3,098	371
Short-term portion of long-term bonds	-	772	117
Sale and repurchase agreements	-	-	63
Bank loans	9.5%	1,825	2
Total		5,695	553
Short-term borrowings of the Group denominated in:		2012	2011
- Kazakh Tenge		-	371
- Russian Roubles		5,695	119
- US Dollars		-	63
Total		5,695	553

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

Short-term debt (continued)

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 consolidated statement of financial position as at 31 December 2012. The loans mature in seven years. As at 31 December 2012 the total amount of loans was RUR 1,822m.

The loans were repaid in February 2013 (Note 31), and therefore have been included as short-term debt in the consolidated statement of financial position as at 31 December 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 31 December 2012 the Group is in compliance with the covenants.

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 year ended 31 December 2012 is 9.5% per annum (9.5% per annum for the year ended 31 December 2011).

As these bonds were redeemed in February 2013 (Note 31) they are classified as short-term debt in the consolidated statement of financial position as at 31 December 2012.

The carrying value of the bonds as at 31 December 2012 and 2011 amounted to RUR 3,000m. The amount of accrued interest is RUR 98m and RUR 96m as at 31 December 2012 and 2011, respectively, and has been included as short-term debt in the 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 KZT 1,000 each without any security.

As at 31 December 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 19).

17. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
Due within one year	99	534	94	479
Due after one year but not more than five years	369	17	279	15
More than five years	659	-	389	-
	1,127	551	762	494
Less future finance charges	(365)	(57)	-	-
Present value of minimum lease payments	762	494	762	494

During the year ended 31 December 2012 the Group repurchased railway flatcars acquired under the finance lease agreement with CJSC Sberbank Leasing in 2008.

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17. FINANCE LEASE OBLIGATIONS (CONTINUED)

During the year ended 31 December 2012 the Group repurchased trucks acquired under the financial leaseback agreement with CJSC Gorodskaya Innovacionno-Lizingovaya Kompaniya in 2009.

During the year ended 31 December 2012 the Group entered into a finance lease agreement on the acquisition of non-residential 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 the 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 to 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.

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.

18. EMPLOYEE BENEFIT LIABILITY

The employees of the Company are members of a state-managed pension plan operated by the government of the Russian Federation. The Group is required to contribute a specified percentage of payroll costs as part of the contributions to the Pension Fund of the Russian Federation to fund the benefits.

The Company also provides supplementary defined benefit and defined contribution retirement benefit plans covering substantially all of its employees, requiring contributions to be made to a separately administered non-state pension fund "Blagosostoyanie" ("Fund Blagosostoyanie"). The not-for-profit fund "Pochet" ("Fund Pochet") provides pensions to the Company's employees that retired before the defined benefit plans provided through the Fund Blagosostoyanie were introduced.

Benefits accrued through Fund Blagosostoyanie are partially funded, whilst benefits administered by the Fund Pochet are not funded. In addition, the Company provides other retirement and post employment benefits to its employees, covering compensation for transportation costs on long-distance trains, a one-time bonus on retirement ranging from one to six monthly salaries, depending on the duration of the service period and certain other requirements. These benefits are not funded.

In 2011, an additional program of long-term employee benefits, providing a benefit for dedication to the company was introduced. In accordance with the terms of this program the benefits are paid after three, five, ten, and then every five years of service. Payments started from 2012. The size of each benefit is equal to approximately one month's salary for each year of service of the employee since the previous payment.

Defined contribution plans

The total amount recognised as an expense in respect of payments to defined contribution plans for the years ended 31 December 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Pension Fund of the Russian Federation	558	488
Defined contribution plan "Blagosostoyanie"	<u>19</u>	<u>15</u>
Total expense for defined contribution plans	<u>577</u>	<u>503</u>

Defined benefit plans

There were 5,037 employees eligible for some part of the supplementary post-employment and post-retirement benefit program of the Group as at 31 December 2012 (2011: 5,189 employees), of which 372 employees (2011: 461) were considered active participants of the defined benefit pension plan. An active participant is a person making contributions to the pension plan at his/her own expense. Such contributions are matched by the Group. In addition, there were 88 and 94 retired employees eligible for the post-retirement benefit program of the Company through Fund Pochet as at 31 December 2012 and 2011, respectively.

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18. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

Defined benefit plans (continued)

The most recent actuarial valuation of the defined benefit obligation was carried out as at 31 December 2012 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 amounts recognised in the consolidated profit or loss for the year ended 31 December 2012 and 2011 in respect of these defined benefit plans, which are included in Payroll and related charges, are as follows:

	<u>2012</u>	<u>2011</u>
Current service cost	144	37
Interest on obligation	85	56
Expected return on plan assets	(3)	(2)
Actuarial losses recognised in the year	22	90
Amortisation of past service cost	3	2
Introduction of other employee benefits	-	208
Net losses arising on transfer of employees (i)	3	19
Net expense recognised in the consolidated profit or loss	<u>254</u>	<u>410</u>

(iii) The losses arising from transfer of employees represent the transfer of obligations on post-retirement benefits, which originated from the movement of employees from, as well as back to, the parent company. Net losses are the difference between the losses arising from transfer of employees and the assets arising from transfer of employees.

The amounts recognised in the consolidated statement of financial position as at 31 December 2012 and 2011 in respect of these defined benefit plans are as follows:

	<u>2012</u>	<u>2011</u>
Present value of funded defined benefit obligation	428	418
Fair value of plan assets	(58)	(47)
	<u>370</u>	<u>371</u>
Present value of unfunded defined benefit obligation	<u>725</u>	<u>624</u>
Deficit	1,095	995
Unrecognised past service cost	(2)	(5)
Net employee benefit liability	<u>1,093</u>	<u>990</u>

Movements in the present value of defined benefit obligation are as follows:

	<u>2012</u>	<u>2011</u>
Present value of defined benefit obligation as at 1 January	1,041	720
Current service cost	144	37
Interest on obligation	85	56
Benefits paid	(149)	(90)
Actuarial losses recognised in the year	21	91
Introduction of other employee benefits	-	208
Losses arising on transfer of employees (i)	11	19
Present value of defined benefit obligation as at 31 December	<u>1,153</u>	<u>1,041</u>

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18. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

Defined benefit plans (continued)

Movements in the fair value of defined benefit pension plan assets are as follows:

	<u>2012</u>	<u>2011</u>
Fair value of plan assets as at 1 January	47	36
Expected return on plan assets	3	2
Actuarial (loss)/gains	(1)	1
Contributions from the employer	150	98
Benefits paid	(149)	(90)
Assets arising on transfer of employees (i)	8	-
Fair value of plan assets as at 31 December	<u>58</u>	<u>47</u>

The major categories of plan assets administered by Fund Blagosostoyanie as a percentage of the fair value of total plan assets as at the balance sheet date were as follows:

	<u>Share in total plan assets</u>	
	<u>2012</u>	<u>2011</u>
Corporate bonds and stock of Russian legal entities	45%	44%
Shares in closed investment funds	33%	34%
Bank deposits	16%	18%
Sovereign and regional government bonds	-	1%
Other	6%	3%
	<u>100%</u>	<u>100%</u>

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<u>2012</u>	<u>2011</u>
Discount rate	7.2%	8.2%
Rate used for calculation of annuity value	4%	4%
Average remaining working life, years	17.2	17.3
Expected return on plan assets	7.0%	7.0%
Mortality tables	year 2011	year 2009

As at 31 December 2012 the Group assumed that salary growth rate will be equal to 9.5%, 9.4% and 7.9% in 2013, 2014 and 2015 respectively, and in future the salary will increase in line with the inflation rate.

The change in the discount rate, in the assumptions for salary growth and in the assumption for the contributions to the Pension Fund of the Russian Federation and other government social funds in general resulted in the recognition of an actuarial loss for the current period.

The overall expected rate of return on assets is a weighted average of the expected returns of the various categories of plan assets held. Assessment of the expected returns by management is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was RUR 2m and RUR 3m for the years ended 31 December 2012 and 2011, respectively.

The Group expects to make a contribution of RUR 200m to the defined benefit plans during the next financial year.

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19. 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 circumstances, 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.

The following number of share options is outstanding:

	<u>2012</u>	<u>2011</u>
Options outstanding at 1 January	208,421	-
Options granted during the year	-	208,421
Options exercised during the year	(36,548)	-
Options outstanding at 31 December	<u>171,873</u>	<u>208,421</u>

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.

	<u>Options granted as at 20 May 2011</u>
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)	<u>1,308-1,462</u>

The measure of volatility used in the Black-Scholes-Merton model is the annualized 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).

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19. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

During the year ended 31 December 2012, the Group recognised expenses of RUR 87m related to the options. These expenses were included into payroll.

Also during the year ended 31 December 2012 36,548 options in respect of shares were exercised, the weighted average exercise price was RUR 2,562, the weighted average share price at the date of exercise was RUR 3,680.

Movements in the reserve held for Share-based option plan during the year:

	2012	2011
Reserve as at 1 January	148	-
Expense recognised for the year	87	148
Exercised options under option plan during the year	(47)	-
Reserve as at 31 December	188	148

20. TRADE AND OTHER PAYABLES

	2012	2011
Trade payables	616	656
Amounts payable for the acquisition of property, plant and equipment	153	246
Liabilities to customers	3,019	3,691
Total trade and other payables	3,788	4,593

21. TAXES OTHER THAN INCOME TAX PAYABLE

	2012	2011
VAT	40	43
Property tax	144	116
Social insurance contribution	144	105
Personal income tax	29	32
Other taxes	10	7
Total taxes other than income tax payable	367	303

22. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2012	2011
Settlements with employees	704	501
Payable for acquisition of Kedentransservice's shares	-	113
Other liabilities	98	75
Total accrued expenses and other current liabilities	802	689

Settlements with employees as at 31 December 2012 and 2011 comprised accrued salaries and bonuses of RUR 516m and RUR 352m, respectively, and accruals for unused vacation of RUR 188m and RUR 149m, respectively.

23. 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 on a consolidated basis as a single reportable segment. The Group's internal management reports are prepared on the same basis as these consolidated financial statements.

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23. SEGMENT INFORMATION (CONTINUED)

Analysis of revenue by category

	<u>2012</u>	<u>2011</u>
Integrated freight forwarding and logistics services	19,277	14,894
Rail-based container shipping services	10,014	9,312
Terminal services and agency fees	4,031	3,426
Truck deliveries	1,631	1,710
Other freight forwarding services	833	1,025
Bonded warehousing services	388	383
Other	222	126
Total revenue	<u>36,396</u>	<u>30,876</u>

Analysis of revenue by location of customers

	<u>2012</u>	<u>2011</u>
Revenue from external customers		
Russia	28,992	25,896
Kazakhstan	2,641	1,547
Korea	1,493	955
Germany	954	816
China	579	650
Estonia	521	89
Uzbekistan	319	55
Cyprus	227	224
Switzerland	194	226
Other	476	418
Total revenue	<u>36,396</u>	<u>30,876</u>

During the year ended 31 December 2012, OJSC "RZD" and its subsidiaries accounted for RUR 2,954m or 8% of the Group's total revenue. During the year ended 31 December 2011, OJSC "RZD" and its subsidiaries accounted for RUR 3,095m or 10% of the Group's total revenue.

More than 90% of the Group's non-current assets are located in Russia, approximately 8% of non-current assets (mainly represented by property plant and equipment and intangible assets other than goodwill) are owned by JSC Kedentransservice and are located in Kazakhstan.

24. OPERATING EXPENSES

	<u>2012</u>	<u>2011</u>
Cost of integrated freight forwarding and logistics services	10,752	8,175
Payroll and related charges	5,106	4,728
Freight and transportation services	4,920	4,624
Materials, repair and maintenance	2,806	2,363
Depreciation and amortisation	2,740	2,577
Taxes other than income tax	591	995
Rent	540	411
Security	293	273
Fuel costs	200	179
Consulting services	178	301
Charity	144	23
License and software	140	135
Communication costs	99	97
Change in provision for impairment of receivables	-	116
Other expenses	963	754
Total operating expenses	<u>29,472</u>	<u>25,751</u>

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25. INTEREST EXPENSE

	<u>2012</u>	<u>2011</u>
Interest expense on RUR bonds	509	540
Interest expense on finance lease obligations	78	105
Interest expense on bank loans and borrowings	236	159
Discounting of accounts receivables	62	37
Total interest expense	<u>885</u>	<u>841</u>

26. INCOME TAX

	<u>2012</u>	<u>2011</u>
Current income tax charge	(1,564)	(1,330)
Deferred income tax (expense) / benefit	(4)	143
Income tax	<u>(1,568)</u>	<u>(1,187)</u>

The statutory tax rate effective in the Russian Federation was 20% for the years ended 31 December 2012 and 2011.

Profit before income tax for financial reporting purposes is reconciled to income tax expense for as follows:

	<u>2012</u>	<u>2011</u>
Profit before income tax	<u>6,719</u>	<u>5,030</u>
Theoretical tax charge at statutory rate of 20%	(1,344)	(1,006)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Benefits in-kind and other non-deductible payments to employees	(39)	(74)
Non-deductible post-employment benefits	(17)	(22)
Non-deductible charitable donations	(28)	(4)
Income tax adjustments for prior periods	-	31
Other non-deductible expenses	(140)	(123)
Changes in provision for tax risks – income tax	-	11
Income tax	<u>(1,568)</u>	<u>(1,187)</u>

Total accumulated temporary differences that arise between the Russian statutory tax base of assets and liabilities and their carrying amounts in the accompanying consolidated statements of financial position give rise to the following deferred tax effects:

	<u>1 January 2012</u>	<u>Charged to profit or loss</u>	<u>Exchange difference</u>	<u>31 December 2012</u>
Deferred income	(3)	3	-	-
Loans and borrowings	5	(1)	-	4
Intangible assets	126	(14)	(7)	105
Finance lease obligations	(95)	(55)	-	(150)
Property, plant and equipment	2,067	56	(23)	2,100
Employee benefits liability	(115)	(12)	-	(127)
Trade and other receivables	(55)	10	-	(45)
Trade and other payables	(146)	3	-	(143)
Other	(42)	11	-	(31)
Total net deferred tax liability	<u>1,742</u>	<u>1</u>	<u>(30)</u>	<u>1,713</u>
Total net deferred tax asset	<u>(4)</u>	<u>3</u>	<u>-</u>	<u>(1)</u>

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26. INCOME TAX (CONTINUED)

	1 January 2011	Business combination	Charged to profit or loss	Exchange difference	31 December 2011
Deferred income	(10)	-	7	-	(3)
Loans and borrowings	4	-	1	-	5
Intangible assets	17	107	(8)	10	126
Finance lease obligations	(187)	-	92	-	(95)
Property, plant and equipment	1,833	312	(109)	31	2,067
Employee benefits liability	(69)	-	(46)	-	(115)
Trade and other receivables	(22)	(8)	(25)	-	(55)
Trade and other payables	(86)	(4)	(56)	-	(146)
Investments					
Other	(42)	(1)	1	-	(42)
Total net deferred tax liability	1,438	406	(143)	41	1,742
Total net deferred tax asset	(4)	-	-	-	(4)

The Group did not recognise a deferred tax liability concerning temporary differences of RUR 180m (2011: RUR 172m) in respect of investments in subsidiaries, associates and joint ventures as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future.

27. 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 31 December 2012, are disclosed below:

Related party	Nature of relationship
OJSC Russian Railways (RZD)	Parent company
OJSC TransCreditBank	State-controlled entity
CJSC Sberbank Leasing	Subsidiary of Sberbank (state-controlled entity)
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.	Associate of the 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
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 these consolidated financial statements.

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27. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 Group also enters in transactions with government entities for goods and services like electricity, taxes and post services. These transactions are conducted on commercial terms. The majority of related-party transactions are with OJSC Russian Railways, its subsidiaries, joint ventures and associates (shown as "Other RZD group entites" in the table below), and OJSC TransCreditBank, which are also state-controlled.

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 consolidated profit or loss.

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27. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions and balances with related parties as at and for the year ended 31 December 2012 are shown below:

	<u>Total</u>	<u>Parent company (RZD)</u>	<u>Other RZD group entities</u>	<u>Group's associates</u>	<u>Group's joint ventures</u>	<u>Other related parties</u>
ASSETS						
Non-current assets						
Advances for acquisition of non-current assets	40	-	3	-	-	37
Trade receivables	453	-	453	-	-	-
	<u>493</u>	<u>-</u>	<u>456</u>	<u>-</u>	<u>-</u>	<u>37</u>
Current assets						
Short-term investments	1,293	-	-	-	-	1,293
Cash and cash equivalents	948	-	-	-	-	948
Trade receivables	593	210	358	11	12	2
Other receivables	91	7	81	-	-	3
Advances to suppliers	1,458	1,431	23	1	-	3
	<u>4,383</u>	<u>1,648</u>	<u>462</u>	<u>12</u>	<u>12</u>	<u>2,249</u>
Total assets	<u>4,876</u>	<u>1,648</u>	<u>918</u>	<u>12</u>	<u>12</u>	<u>2,286</u>
LIABILITIES						
Current liabilities						
Trade payables	104	52	7	2	16	27
Liabilities to customers	68	1	30	1	2	34
Other payables	44	1	-	-	-	43
	<u>216</u>	<u>54</u>	<u>37</u>	<u>3</u>	<u>18</u>	<u>104</u>
Total liabilities	<u>216</u>	<u>54</u>	<u>37</u>	<u>3</u>	<u>18</u>	<u>104</u>
Revenue						
Rail-based container shipping services	554	225	158	100	5	66
Terminal services and agency fees	1,846	1,833	6	2	-	5
Integrated freight forwarding and logistics services	853	5	663	90	24	71
Other services	209	48	72	58	1	30
	<u>3,462</u>	<u>2,111</u>	<u>899</u>	<u>250</u>	<u>30</u>	<u>172</u>
Interest income on deposits	168	-	95	-	-	73
Other interest income	15	-	12	-	-	3
Gain recognised on disposal of interest in former associate	72	-	72	-	-	-
Other operating income	91	76	9	-	-	6
	<u>346</u>	<u>76</u>	<u>188</u>	<u>-</u>	<u>-</u>	<u>82</u>
Total income	<u>3,808</u>	<u>2,187</u>	<u>1,087</u>	<u>250</u>	<u>30</u>	<u>254</u>
Operating Expenses						
Freight and transportation services	3,471	3,461	3	2	-	5
Third-party charges relating to integrated freight forwarding and logistics services	7,143	7,061	6	37	6	33
Repair services	1,465	260	1,202	-	-	3
Rent of property and equipment	41	38	1	-	-	2
Other expenses	310	110	75	4	-	121
	<u>12,430</u>	<u>10,930</u>	<u>1,287</u>	<u>43</u>	<u>6</u>	<u>164</u>
Interest expense on finance lease obligations	29	-	-	-	-	29
Discounting of accounts receivables	98	-	98	-	-	-
	<u>127</u>	<u>-</u>	<u>98</u>	<u>-</u>	<u>-</u>	<u>29</u>
Total expenses	<u>12,557</u>	<u>10,930</u>	<u>1,385</u>	<u>43</u>	<u>6</u>	<u>193</u>
Acquisition of property, plant and equipment	209	-	166	-	-	43
Purchase of materials	2	-	-	-	-	2
Contributions to non-state pension funds	67	-	-	-	-	67
	<u>278</u>	<u>-</u>	<u>166</u>	<u>-</u>	<u>-</u>	<u>112</u>
Total other transactions	<u>278</u>	<u>-</u>	<u>166</u>	<u>-</u>	<u>-</u>	<u>112</u>

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27. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions and balances with related parties as at and for the year ended 31 December 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	595	419	24	107	12	33
Terminal services and agency fees	1,828	1,816	2	6	-	4
Integrated freight forwarding and logistics services	1,178	7	751	156	232	32
Other services	203	36	39	87	3	38
	3,804	2,278	816	356	247	107
Interest income on deposits	38	-	31	-	-	7
Other interest income	12	-	12	-	-	-
Other operating income	75	9	63	-	1	2
	125	9	106	-	1	9
Total income	3,929	2,287	922	356	248	116
Operating Expenses						
Freight and transportation services	3,059	2,990	9	57	1	2
Third-party charges relating to integrated freight forwarding and logistics services	6,092	5,875	15	145	57	-
Repair services	1,214	684	526	-	-	4
Rent of property and equipment	39	38	1	-	-	-
Other expenses	281	92	79	(2)	-	112
	10,685	9,679	630	200	58	118
Interest expense on finance lease obligations	76	-	9	-	-	67
Discounting of accounts receivables	37	-	-	37	-	-
	113	-	9	37	-	67
Total expenses	10,798	9,679	639	237	58	185
Acquisition of property, plant and equipment	652	26	603	-	-	23
Purchase of materials	11	-	-	-	-	11
Contributions to non-state pension funds	71	-	-	-	-	71
Acquisition of treasury shares	514	-	-	-	-	514
Total other transactions	1,248	26	603	-	-	619

The amounts outstanding to and from related parties are unsecured 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.

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27. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Dividends

During the year ended 31 December 2012 RUR 609m and RUR 257m of dividends were paid to RZD and HALIMEDA INTERNATIONAL LIMITED, accordingly (as at 31 December 2011 RUR 20m and RUR 5m, respectively) (Note 15).

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 persons as at 31 December 2012 and 2011, respectively. Total gross compensation (including insurance contributions and before withholding of personal income tax) to key management personnel amounted to RUR 309m (including total insurance contributions of RUR 25m) and RUR 259m (including total insurance contributions of RUR 11m) for the years ended 31 December 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 19, during the year ended 31 December 2012, the Group recognised expenses of RUR 87m (148m as at 31 December 2011) 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 46m (73m as at 31 December 2011).

28. COMMITMENTS UNDER OPERATING LEASES

As at 31 December 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 13 and 12 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:

	<u>2012</u>	<u>2011</u>
Within one year	359	236
Within two to five years	381	332
After five years	614	705
Total minimum lease payments	<u>1,354</u>	<u>1,273</u>

29. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

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

	<u>2012</u>	<u>2011</u>
Acquisition of containers and flatcars	853	1,037
Construction of container terminal complexes and modernisation of existing assets	715	349
Acquisition of premisses in office building	-	204
Acquisition of lifting machines and other equipment	52	14
Total capital commitments	<u>1,620</u>	<u>1,604</u>

Operating environment of the Group – The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

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29. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

Transfer pricing – Amendments to Russian transfer pricing legislation are effective from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Tax liabilities arising from transactions between Group's companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

Environmental matters – The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Legal proceedings – During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which management believes could have a material effect on the result of operations or financial position of the Group, beyond those already recognised in these financial statements.

Compliance with covenants – As disclosed in Note 16, the Group is subject to certain covenants related to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group, including claims for early repayment. As at 31 December 2012 the Group is in compliance with all covenants.

Insurance – The Group holds no insurance policies in relation to its assets, operations, or in respect of public liability or other insurable risks, with the exception of insurance policies that partially cover its vehicles, flatcars and buildings, Directors and Officers liability insurance policy and a carrier's liability insurance policy. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

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30. RISK MANAGEMENT ACTIVITIES

Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the equity holder through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank loans, long-term and short-term bonds, finance lease obligations and equity, consisting of issued capital, reserves and retained earnings as disclosed in Note 15.

The management of the Group reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

Major Categories of Financial Instruments

The Group's financial assets include trade and other receivables, long-term and short-term investments, cash and cash equivalents and other current assets. All financial assets, except for deposits with no advanced payments allowed fall into the loans and receivables category under IAS 39 "Financial instruments: recognition and measurement". Deposits with no advanced payments allowed are classified as held to maturity investment.

	<u>2012</u>	<u>2011</u>
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	1,365	2,300
Trade and other receivables	1,735	1,880
Short-term investments	758	941
Other current assets	-	63
Long-term investments	14	10
<i>Held-to-maturity investments</i>		
Short-term investments	<u>581</u>	<u>-</u>
Total financial assets	<u>4,453</u>	<u>5,194</u>

The Group's principal financial liabilities are trade and other payables, payables to employees (which form part of accrued expenses and other current liabilities), finance lease obligations, and debt (which includes bonds, short-term and long-term borrowings). All financial liabilities are carried at amortised cost.

	<u>2012</u>	<u>2011</u>
Financial liabilities		
Trade and other payables	770	902
Other liabilities	98	189
Payables to employees	704	501
Long-term borrowings	2,731	8,301
Short-term borrowings	5,695	553
Finance lease obligations	<u>762</u>	<u>494</u>
Total financial liabilities	<u>10,760</u>	<u>10,940</u>

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30. RISK MANAGEMENT ACTIVITIES (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed by the treasury function. The Group has established budgeting and cash flow planning procedures to ensure it has adequate cash available to meet its payment obligations as they fall due. Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long-term perspective the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures. In February 2013 the Company placed five-year RUR bonds series 4 (Note 31) therefore loans from OJSC Alfa Bank were repaid (Note 16,31) and classified as short-term as at 31 December 2012 which affect current liquidity ratio of the Group.

The Group has both interest bearing and non-interest bearing financial liabilities. The interest bearing liabilities consist of finance lease obligations, debt and bond obligations. The non-interest bearing liabilities include trade and other payables and amounts payable to employees.

The following table details the Group's remaining contractual maturity for financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay or expect to make the payment.

	<u>Effective interest rate</u>	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>3 months- 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
2012							
Non-interest bearing liabilities		1,014	238	320	-	-	1,572
Long-term debt	9.5%	4	8	36	612	-	660
Bonds	8.8%-9.5%	-	3,142	1,013	2,448	-	6,603
Short-term debt	9.5%-9.75%	3	1,822	-	-	-	1,825
Finance lease liabilities	9.65% - 9.97%	8	15	77	369	659	1,128
Total		1,029	5,225	1,446	3,429	659	11,788
2011							
Non-interest bearing liabilities		915	555	122	-	-	1,592
Long-term debt	9.5%-9.75%	22	36	167	1,981	485	2,691
Bonds	8.8%-9.5%	-	142	788	6,603	-	7,533
Short-term debt		63	-	-	-	-	63
Finance lease liabilities	15.46%-28.3%	11	24	499	17	-	551
Total		1,011	757	1,576	8,601	485	12,430

The following table details the Group's expected maturity for its financial assets, with the exception of cash. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	<u>Effective interest rate</u>	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>3 months- 1 year</u>	<u>1-5 years</u>	<u>Total</u>
2012						
Loans and receivables						
Trade and other receivables		533	140	656	504	1,833
Short-term investments	8.22-8.5%	-	712	46	-	758
Long-term investments		-	-	-	14	14
Held-to-maturity investments						
Short-term investments	8.05-8.85%	311	270	-	-	581
Total		844	1,122	702	518	3,186

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30. RISK MANAGEMENT ACTIVITIES (CONTINUED)

Liquidity Risk (continued)

	Effective interest rate	Less than 1 month	1-3 months	3 months-1 year	1-5 years	Total
2011						
Trade and other receivables		799	207	146	765	1,917
Short-term investments	3.25-4.5%, 7.8-8%	811	87	43	-	941
Long-term investments		-	-	-	10	10
Other current assets		63	-	-	-	63
Total		1,673	294	189	775	2,931

Currency Risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group has export revenue, and purchases third party transportation services, which are denominated in foreign currencies. Certain receivable and payable balances, related primarily to settlements with customers, are denominated in currencies other than the Russian Rouble, the functional currency of the Company.

During 2012 and 2011 the Group's financial assets denominated in foreign currency have exceeded its foreign currency financial liabilities.

For the year ended 31 December 2012 the Russian Rouble appreciated against the US Dollar by 6%, and against EURO by 3% (depreciated against the US Dollar by 6% and against the EURO by 3% for the year ended 31 December 2011). The Group does not have or use any formal arrangements (i.e. derivatives) to manage foreign currency risk exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at the reporting date are as follows:

	USD		EUR		Other	
	2012	2011	2012	2011	2012	2011
Assets						
Cash and cash equivalents	250	441	141	203	72	74
Trade and other receivables	219	911	193	111	5	9
Other current assets	-	63	-	-	-	-
Total assets	469	1,415	334	314	77	83
Liabilities						
Trade and other payables	169	255	46	66	2	2
Short-term borrowings	-	63	-	-	-	-
Total liabilities	169	318	46	66	2	2

The table below details the Group's sensitivity to strengthening of the Russian Rouble against the US Dollar and EURO by 10%, all other variables being held constant. The analysis was applied to monetary items at the balance sheet dates denominated in respective currencies.

	USD – impact		EUR – impact	
	2012	2011	2012	2011
Loss	(30)	(110)	(29)	(25)

The weakening of the Russian Rouble in relation to the same currencies by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

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30. RISK MANAGEMENT ACTIVITIES (CONTINUED)

Interest rate risk

Interest rate risk is the risk that movement in interest rates for borrowed funds will have an adverse effect on the Group's financial performance. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable by ensuring the Group has financial liabilities with both floating and fixed interest rates, and maintaining an appropriate mix between debt and equity.

As at 31 December 2012 the Group's borrowed funds consist of long-term and short-term bonds (Note 16), long-term and short-term debt (Note 16) and finance lease liabilities (Note 17).

With respect to RUR bonds series 1, issued in March 2008, the Group was exposed to interest rate risk during 2010, because in accordance with terms of the bond offering the coupon rate for these bonds was reset after the second (March 2009) and the fourth (March 2010) semi-annual coupon payment, respectively, due to the accompanying put options at these dates. In March 2010 the coupon rate was reset to 9.5%, and there are no further changes to interest rate for these bonds until their maturity in February 2013 (Note 16).

The annual coupon rate for RUR bonds, series 2 has been set at 8.8% for the entire five-year maturity period of the bonds, with no subsequent changes. The effective interest rate for these bonds is 9.01%.

As at 31 December 2012, loans from Alfa Bank and LLC TrustUnion Asset Management were recognised by the Group. These borrowings were granted at fixed interest rates, therefore the Group did not have an additional interest risk.

In December 2011 the Group entered into the lease agreement of five wheel-mounted cranes with JSC Raiffeisen Leasing Kazakhstan for a three-year period with floating interest rate.

In 2012, the Group entered into the lease agreement of premises in a Moscow office building for a six-year period. The rent under the agreement includes a fixed fee for the possession and use of leased premises, as well as compensation of utility expenses. The effective interest rate under the agreement is 9.65% (Note 17). As these finance lease obligations are financial instruments bearing a fixed interest rate, therefore, they do not subject the Group to an additional interest risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not hedge its credit risk.

The Group's exposure to credit risk arises primarily with respect to receivables in connection with container shipping activities.

Credit exposure is managed by establishing credit limits for the most significant customers that are reviewed and approved by management. Deferred payment terms are offered only to the most significant customers of the Group with proven credit history. Sales to other customers are made on a prepayment basis.

The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

The Group's business is dependent on a few large key customers. As at 31 December 2012 74% of the total net amount of trade and other receivables related to the seven largest counterparties of the Group (31 December 2011: 75%).

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30. RISK MANAGEMENT ACTIVITIES (CONTINUED)

Credit risk (continued)

The largest receivables outstanding as at the balance sheet date are as follows:

	2012
	Outstanding
	balance, net
	<hr/>
OJSC RZD Logistics	803
RZD	212
Far East Land Bridge Ltd.	93
LLC Volkswagen Group Rus	88
Schenker Rail Automotive GmbH	84
UNICO LOGISTICS	56
LLC Unico Logistics Rus	23
	<hr/>
Total	1,359
	<hr/>
	2011
	Outstanding
	balance, net
	<hr/>
Far East Land Bridge Ltd.	797
RZD	252
OJSC RZD Logistics	101
UNICO LOGISTICS	100
LLC Volkswagen Group Rus	82
LLC Unico Logistics Rus	42
LLC Sollers – Elabuga	28
	<hr/>
Total	1,402
	<hr/>

As at 31 December 2012 and 2011 no impairment of accounts receivable has been identified for all these customers, except for OJSC RZD Logistics as at 31 December 2012 and FELB as at 31 December 2011. Accounts receivable of FELB to the Company were transferred to OJSC RZD Logistics and discounted in accordance with confirmed schedule for the repayment of debts (Note 11).

Credit risk on liquid funds is limited because these funds are placed only with financial institutions well known to the Group. 69% of total cash and cash equivalents as at 31 December 2012 (2011: 72%), were held with one bank which is related to the Group.

31. SUBSEQUENT EVENTS

Issue of bonds - In February 2013 the Company placed five-year RUR bonds series 4 for a total amount of RUR 5,000m at a par value of RUR 1,000 each and annual coupon rate of 8.35%. The bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years.

Loans redemption – In February 2013 the Company repaid its loans of OJSC Alfa Bank for the sum of RUR 1,830m (Note 16).

Bond's redemption – In February 2013 the Company redeemed its obligations on bonds series 1 for the sum of RUR 3,000m (Note 16).