

**Open Joint Stock Company
“TransContainer”**

**Interim Condensed
Consolidated Financial Statements**

For the six-month period ended 30 June 2007

OJSC “TransContainer”
Interim Condensed Consolidated Financial Statements
For the Six-Month Period Ended 30 June 2007

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Report on Review of Interim Condensed Consolidated Financial Statements

To the shareholders of Open Joint Stock Company "TransContainer"

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of OJSC "TransContainer" and its joint venture (hereinafter "the Company") as at 30 June 2007 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. The corresponding figures in the interim consolidated statements of income, changes in equity and cash flows and the related notes have not been reviewed.

Scope of Review


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

Conclusion

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

Emphasis of Matter

We draw attention to Note 18 to the interim condensed consolidated financial statements, which discloses a significant concentration of the Company's business transactions with related parties.


10 October 2007

OJSC "TransContainer"

Interim Condensed Consolidated Balance Sheet

(in thousands of Russian Roubles)

	Notes	30 June 2007 (Unaudited)	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	4	14,208,947	11,943,461
Intangible assets		87,496	35,179
Total non-current assets		14,296,443	11,978,640
Current assets			
Inventories		84,030	48,985
Trade and other receivables	5	875,403	927,200
Receivables from shareholder	13	—	2,141,996
Prepayments and other current assets	6	1,874,784	864,861
Prepaid income tax		92,116	13,564
Short-term bank deposits	8	257,880	500,000
Cash and cash equivalents	7	2,071,877	1,231,980
Total current assets		5,256,090	5,728,586
Total assets		19,552,533	17,707,226
EQUITY AND LIABILITIES			
Equity			
Share capital	14	13,894,778	13,894,778
Other reserves		(2,254,346)	(2,254,346)
Retained earnings		1,877,881	1,241,459
Total equity		13,518,313	12,881,891
Non-current liabilities			
Finance lease obligations, net of current maturities	9	380,877	407,939
Employee benefit liability	10	253,216	237,378
Deferred tax liability	17	1,963,233	1,838,388
Total non-current liabilities		2,597,326	2,483,705
Current liabilities			
Trade and other payables	11	2,162,020	1,750,590
Income tax payable		105,873	26,785
Taxes other than income tax payable	12	312,694	145,456
Finance lease obligations, current maturities	9	131,882	135,803
Dividends payable	14	144,228	—
Accrued and other liabilities	13	580,197	282,996
Total current liabilities		3,436,894	2,341,630
Total equity and liabilities		19,552,533	17,707,226

Baskakov P.V.

General Director

Kalmykov K.S.

Chief Accountant

10 October 2007

The accompanying notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

OJSC "TransContainer"

Interim Condensed Consolidated Statement of Income

(in thousands of Russian Roubles)

		Six months ended 30 June 2007 (Unaudited)	Period from 4 March (inception) to 30 June 2006 (Not reviewed)
	Notes		
Revenues	15	6,008,150	-
Operating expenses			
Freight and transportation services		(1,457,957)	-
Depreciation and amortisation		(950,079)	(498)
Payroll and related charges		(939,552)	(2,198)
Materials, repair and maintenance		(786,533)	-
Taxes other than income tax		(226,785)	(8,366)
Rent		(112,716)	-
Bad debt reserve		(41,456)	-
Other expenses, net	16	(368,681)	(2)
Total operating expenses		(4,883,759)	(11,064)
Operating income / (loss)		1,124,391	(11,064)
Interest income		49,778	-
Interest expense on finance lease obligations		(43,339)	(4,653)
Foreign exchange loss		(6,550)	-
Profit / (loss) before income tax		1,124,280	(15,717)
Income tax (expense)/ benefit	17	(343,630)	3,772
Profit / (loss) for the period		780,650	(11,945)

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10 October 2007

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OJSC "TransContainer"

Interim Condensed Consolidated Statement of Cash Flows

(in thousands of Russian Roubles)

Notes	Six months ended 30 June 2007 (Unaudited)	Period from 4 March (inception) to 30 June 2006 (Not reviewed)
Cash flows from operating activities:		
Profit / (loss) before income tax	1,124,280	(15,717)
Adjustments for:		
Depreciation and amortisation	950,079	498
Bad debt reserve	41,456	-
Gain on disposal of property, plant, equipment	(281)	-
Interest expense	43,339	4,653
Interest income	(49,778)	-
Foreign exchange loss on cash and cash equivalents balance	6,550	-
Provision for tax liabilities, other than income tax	99,093	-
Operating cash flows before working capital changes	2,214,738	(10,566)
(Increase) in inventories	(35,045)	(12)
Decrease / (increase) in trade and other receivables	10,341	(11)
(Increase) in prepayments and other current assets	(969,424)	(10,958)
Increase in trade and other payables	138,032	71,921
Increase in taxes other than income tax	167,238	8,868
Increase in accrued and other liabilities	64,131	1,641
Increase in employee benefit obligations	15,838	-
Net cash from operating activities before income taxes	1,605,849	60,883
Interest paid	(43,339)	-
Income tax paid	(348,738)	-
Net cash from operating activities	1,213,772	60,883
Cash flows from investing activities		
Capital expenditure	(1,543,940)	-
Proceeds from disposal of property, plant and equipment	837	-
Placement of short-term bank deposits	(257,880)	-
Withdrawal of short term bank deposits	500,000	-
Purchase of intangibles	(57,395)	-
Interest received	49,778	-
Cash collected for shares issued	973,090	18,007
Net cash (used in) / from investing activities	(335,510)	18,007
Cash flows from financing activities		
Repayment of finance lease obligations	(31,815)	-
Net cash (used in) financing activities	(31,815)	-
Net increase in cash and cash equivalents	846,447	78,890
Cash and cash equivalents at the beginning of the period	1,231,980	-
Foreign exchange loss on cash and cash equivalents	(6,550)	-
Cash and cash equivalents at the end of the period	2,071,877	78,890

Baskakov P.V.

General Director

Kalmykov K.S.

Chief Accountant

10 October 2007

The accompanying notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

OJSC "TransContainer"

Interim Condensed Consolidated Statement of Changes in Equity

(in thousands of Russian Roubles)

	Notes	Share capital	Other reserves	Retained earnings	Total
As of 4 March 2006 (inception)		-	-	-	-
Issue of share capital	14	13,894,778	(2,254,346)	-	11,640,432
Loss for the period from 4 March (inception) to 30 June 2006 (Not reviewed)		-	-	(11,945)	(11,945)
Balance at 30 June 2006 (Not reviewed)		13,894,778	(2,254,346)	(11,945)	11,628,487
Profit for the six-month period ended 31 December 2006		-	-	1,253,404	1,253,404
Balance at 31 December 2006		13,894,778	(2,254,346)	1,241,459	12,881,891
Profit for the six-month period ended 30 June 2007 (Unaudited)		-	-	780,650	780,650
Dividends declared		-	-	(144,228)	(144,228)
Balance at 30 June 2007 (Unaudited)		13,894,778	(2,254,346)	1,877,881	13,518,313

/ Baskakov P.V.

General Director

Kalmykov K.S.

Chief Accountant

10 October 2007

The accompanying notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements

as of 30 June 2007 and for the six month period then ended

(in thousands of Russian Roubles)

1. Description of Business and Russian Environment

Corporate Information

OJSC "TransContainer" (hereinafter "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 Railroads" ("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 is contributing to the share capital of the Company containers, flatcars, buildings and constructions in the amount of Rbls 13,057,061, the amounts of VAT related to these assets of Rbls 104,001, and cash of Rbls 991,097. The amount of contributions receivable as of 31 December 2006 equated to Rbls 2,141,996 (for details refer to Note 13). Further, employees previously employed by RZD were hired by the Company. With regard to these employees the Company assumed certain employee benefit liabilities. Pursuant to this spin-off, RZD maintained the functions of the carrier, whilst the Company assumed the functions of a forwarding agent.

TransContainer's principal activities, which largely commenced from 1 July 2007, include container shipping and intermodal services using rolling stock and containers. The Company operates 47 container terminals along the railway network in Russia. The registered office of the Company is located at 6/2, Kalanchevskaya street, Moscow, 107174, Russian Federation.

In 2006 the Company together with VR Ltd., a Finnish rail carrier, established a joint venture, Oy TransContainer Scandinavia Ltd., registered in Finland, to handle containerized shipments between Finland and Russia.

These interim condensed consolidated financial statements of OJSC "TransContainer" and its joint venture "Oy TransContainer Scandinavia Ltd." (together referred to as "the Group") as of 30 June 2007 and for the six-month period then ended were authorized for issue by the General Director of the Company on 10 October 2007.

2. Basis of Preparation of the Financial Statements

These interim condensed consolidated financial statements for the six months ended 30 June 2007 have been prepared in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ("IAS 34").

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

2. Basis of Preparation of the Financial Statements (continued)

Basis of Accounting

These interim condensed consolidated financial statements are prepared on the basis of standalone financial statements of the Company and its joint venture. Such financial statements are prepared in accordance with the statutory accounting principles adopted in the entity's country of incorporation.

The Company maintains its accounting records in Russian Roubles and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation. The accompanying interim condensed consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the Company's books, which are appropriate to present the financial position, results of operations and cash flows of the Company and its joint venture in accordance with IFRS. The principal adjustments relate to valuation of unrecoverable assets, valuation and depreciation of property, plant and equipment, deferred income taxes, recognition of employee benefits, use of fair values and accounting for business combinations.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as of 31 December 2006 and for the period from 4 March 2006 (inception) to 31 December 2006.

Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements as at 31 December 2006 and for the year then ended, except for the adoption of new Standards and Interpretations, noted below. Adoption of these Standards and Interpretations did not have any effect on the financial position or results of operations of the Company:

- **IFRS 7 Financial Instruments: Disclosures**
The Company adopted IFRS 7 as of 1 January 2007, which requires new disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments.
- **Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures**
The Company adopted Amendment to IAS 1 as of 1 January 2007 which requires new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

2. Basis of Preparation of the Financial Statements (continued)

Significant Accounting Policies (continued)

- **IFRIC 8 Scope of IFRS 2**
The Company adopted IFRIC 8 as of 1 January 2007, which requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value.
- **IFRIC 9 Reassessment of Embedded Derivatives**
The Company adopted IFRIC Interpretation 9 as of 1 January 2007, which states that the date to assess the existence of an embedded derivative is the date that the entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.
- **IFRIC 10 Interim Financial Reporting and Impairment**
The Company adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that the entity must not reverse an impairment loss recognized in previous interim periods in respect of goodwill or an investment in either an equity instrument or a financial assets carried at cost.

Functional Currency

The consolidated financial statements are presented in Russian Roubles (Rbbls), which is the Company's functional and presentation currency. Functional currency for each Group companies has been determined as the currency of the primary economic environment in which the company operates.

3. Significant Accounting Judgments and Estimates

3.1. Use of Management Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and costs during the reporting period.

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest available, reliable information. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

The most significant estimates relate to the realisability and depreciable lives of property, plant and equipment, the realisability of long-term financial investments, allowance for doubtful accounts, provision for obsolete inventory, provision for tax contingencies and deferred taxation. Actual results could differ from these estimates.

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Significant Accounting Judgments and Estimates (continued)

3.2 Estimation Uncertainty

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

Useful Life 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.

No changes in change in estimates of useful lives of property, plant and equipment took place during the six months ended 30 June 2007.

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessment of the time value of money and the risks specific to the assets.

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large 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. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the fair value and ultimately the amount of any property, plant and equipment impairment.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Significant Accounting Judgments and Estimates (continued)

3.2 Estimation Uncertainty (continued)

Allowance for Doubtful Accounts

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of 30 June 2007, allowance for doubtful accounts was recognised in the amount of Rbls 60,620 (31 December 2006: Rbls 19,164) (Refer to Note 5).

Pension Obligations

The Company uses actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. This 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 benefit 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 affected materially. More details are provided in Note 10.

Current Taxes

Russian tax, currency and customs legislation is subject to varying interpretations and changes occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of management. As a result, tax authorities may challenge transactions and the Company may be assessed additional taxes, penalties and interest, which can be significant. Periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As of 30 June 2007 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. More details are provided in Note 19.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Significant Accounting Judgments and Estimates (continued)

3.2 Estimation Uncertainty (continued)

Deferred Tax Assets

Management judgment is required for the calculation of current and deferred income taxes. Deferred tax assets are recognized to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in respective tax jurisdiction. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from that estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that an assessment of future utilization indicates that the carrying amount of deferred tax assets must be reduced, this reduction is recognized in the statement of income.

3.3 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, 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 percent of the economic life of the asset, or at the inception of the lease the present value of the minimum lease payments amount to at least 90 percent of the fair value of the leased asset, the lease is classified by the Company as a finance lease, unless it is clearly demonstrated otherwise.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

4. Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation comprised the following:

	Land, buildings and constructions	Containers and flatcars	Vehicles and other property, plant and equipment	Construction in progress and equipment for installation	Total
Cost					
Balance at 31 December 2006	1,632,413	10,467,271	274,913	305,965	12,680,562
Additions	101,928	246,655	1,096,725	371,515	1,816,823
Addition through contribution in kind (Note 18)	–	1,394,228	–	–	1,394,228
Disposals	(553)	–	(11)	–	(564)
Balance at 30 June 2007 (Unaudited)	1,733,788	12,108,154	1,371,627	677,480	15,891,049
Accumulated Depreciation and Impairment					
Balance at 31 December 2006	(146,092)	(553,668)	(37,341)	–	(737,101)
Depreciation charge	(148,359)	(704,005)	(92,645)	–	(945,009)
Disposals	–	–	8	–	8
Balance at 30 June 2007 (Unaudited)	(294,451)	(1,257,673)	(129,978)	–	(1,682,102)
Net Book Value at 30 June 2007 (Unaudited)	1,439,337	10,850,481	1,241,649	677,480	14,208,947

	Land, Buildings and constructions	Containers and flatcars	Vehicles and other property, plant and equipment	Construction in progress and equipment for installation	Total
Cost					
Balance at 4 March 2006 (inception)	–	–	–	–	–
Additions	73,474	605,150	36,655	303,081	1,018,360
Addition through contribution in kind (Note 18)	1,558,939	9,862,752	238,258	2,884	11,662,833
Disposals	–	(631)	–	–	(631)
Balance at 31 December 2006	1,632,413	10,467,271	274,913	305,965	12,680,562
Accumulated Depreciation and Impairment					
Balance at 4 March 2006	–	–	–	–	–
Depreciation charge	(146,092)	(553,704)	(33,633)	–	(733,429)
Impairment	–	–	(3,708)	–	(3,708)
Disposals	–	36	–	–	36
Balance at 31 December 2006	(146,092)	(553,668)	(37,341)	–	(737,101)
Net Book Value at 31 December 2006	1,486,321	9,913,603	237,572	305,965	11,943,461

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

4. Property, Plant and Equipment (continued)

Included in land, buildings and constructions as of 30 June 2007 and 31 December 2006 is the amount of Rbls 16,469, which represents the value of land plots owned by the Company.

Leased assets as of 30 June 2007 and 31 December 2006, included above where the Company is a lessee under a finance lease, comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
Cost - capitalized finance leases	605,150	605,150
Accumulated depreciation	(20,085)	(10,629)
Net book value	585,065	594,521

Leased assets above were obtained from entities considered related to the Company (Note 18). Refer to Note 9 for further details regarding finance leases.

5. Trade and Other Receivables

Trade and other receivables as of 30 June 2007 and 31 December 2006 comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
Trade receivables, net	839,736	925,012
Other receivables	35,667	2,188
Total trade and other receivables	875,403	927,200

Trade receivables as of 30 June 2007 and 31 December 2006 comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
Trade receivables	900,356	944,176
Less: provision for impairment of receivables	(60,620)	(19,164)
Total trade receivables, net	839,736	925,012

Included in trade receivables as of 30 June 2007 and 31 December 2006 are Rbls 712,083 and Rbls 749,410, which represent receivables from RZD, the Company's principal shareholder. A provision for impairment of Rbls 60,620 and Rbls 19,164 was recognised by the Company with regard to these receivables as of 30 June 2007 and 31 December 2006, respectively.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

6. Prepayments and Other Current Assets

Prepayments and other current assets as of 30 June 2007 and 31 December 2006 comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
VAT receivable	946,573	484,131
Advances to suppliers	781,981	377,216
Other current assets	146,230	3,514
Total prepayments and other current assets	1,874,784	864,861

Included in advances to suppliers above is the amount of prepayments made to RZD of Rbels 593,127 and Rbels 286,030 as of 30 June 2007 and 31 December 2006, respectively. This amount comprises primarily payments made by the Company on behalf of its customers for transportation services to be rendered by RZD.

7. Cash and Cash Equivalents

Cash and cash equivalents as of 30 June 2007 and 31 December 2006 comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
Russian rouble cash in hand and balances with banks	227,314	390,594
Foreign currency denominated balances with banks	44,412	191,386
Russian rouble short-term bank deposits	1,400,000	650,000
Foreign currency short-term bank deposits	400,151	-
Total cash and cash equivalents	2,071,877	1,231,980

Foreign currency denominated balances with banks as of 30 June 2007 and 31 December 2006 comprised US dollar denominated balances in the amount of US\$ 1,670 thousand (Rbels 43,103 at the exchange rate as of 30 June 2007) and US\$ 7,167 thousand (Rbels 188,723 at the exchange rate as of 31 December 2006), respectively, held by the Company, and Euro denominated balances in the amount of EUR 38 thousand (Rbels 1,309 at the exchange rate as of 30 June 2007) and EUR 75 thousand (Rbels 2,663 at the exchange rate as of 31 December 2006), respectively, held by a joint venture - Oy TransContainer Scandinavia Ltd.

The terms of Russian rouble denominated short-term bank deposits vary from four days to three months depending on the immediate cash requirements of the Company. As of 30 June 2007 the average interest rates on bank deposits ranged from 0.5% to 8.75% per annum depending on the durations of the deposits. Included in Russian rouble denominated short-term bank deposits are deposits in the amount of Rbels 900,000 placed with JSC TransCreditBank, a related party (refer to Note 18).

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

7. Cash and Cash Equivalents (continued)

Foreign currency short-term bank deposits as of 30 June 2007 comprised US dollar denominated short-term deposits in the amount of US\$ 10 million (Rbls 258,162 at the exchange rate as of 30 June 2007) placed with GlobexBank, and US\$ 5.5 million (Rbls 141,989 at the exchange rate as of 30 June 2007) placed with TransCreditBank, a related party (refer to Note 18). As of 30 June 2007 the average interest rate on these deposits ranged from 4.25% to 6.75% per annum.

8. Short-Term Bank Deposits

Short-term bank deposits as of 30 June 2007 comprise Russian rouble denominated bank deposits in the amount of Rbls 250,000 placed with Zheldorbank at 7.50% per annum and Rbls 7,880 placed with TransCreditBank, a related party (refer to Note 18) at 8.00% per annum. The latter deposits were pledged as collateral for bank guarantees issued by TransCreditBank in favour of third parties.

9. Finance Leases

The Company has finance leases for containers and flatcars. The lease agreements are for the period of 5 years with the effective interest rate varying from 15.85% to 16.91% per annum. All lease agreements are signed with an entity, which is considered related to the related parties disclosed in Note 18. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	30 June 2007 (Unaudited)	
	Minimum payments	Present value of payments
Within one year	146,028	131,882
After one year but not more than five years	625,175	380,877
Total minimum lease payments	771,203	512,759
Less: amounts representing interest	(258,444)	-
Present value of minimum lease payments	512,759	512,759
	31 December 2006	
	Minimum payments	Present value of payments
Within one year	150,454	135,803
After one year but not more than five years	696,682	407,939
Total minimum lease payments	847,136	543,742
Less: amounts representing interest	(303,394)	-
Present value of minimum lease payments	543,742	543,742

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

10. Employee Benefit Liabilities

The Company provides defined benefit and defined contribution pension plans covering substantially all of its employees. Pension entitlements are accrued using the projected unit credit method.

The amounts recognised in the consolidated balance sheet as of 30 June 2007 are as follows:

(Unaudited)	Blago- sostoyanie	Pochet	Other post- employment benefits	Total
Present value of defined benefit obligations	197,650	3,077	114,815	315,542
Fair value of plan assets	(17,396)	-	-	(17,396)
Present value of unfunded defined benefit obligations	180,254	3,077	114,815	298,146
Unrecognised past service cost	(40,332)	-	(4,598)	(44,930)
Net pension liability in the balance sheet	139,922	3,077	110,217	253,216

The amounts recognised in the consolidated balance sheet as of 31 December 2006 are as follows:

	Blago- sostoyanie	Pochet	Other post- employment benefits	Total
Present value of defined benefit obligations	186,388	3,242	108,019	297,649
Fair value of plan assets	(8,081)	-	-	(8,081)
Present value of unfunded defined benefit obligations	178,307	3,242	108,019	289,568
Unrecognised past service cost	(47,174)	-	(5,016)	(52,190)
Net pension liability in the balance sheet	131,133	3,242	103,003	237,378

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

10. Employee Benefit Liabilities (continued)

The amounts recognised in the condensed consolidated statement of income for the six months ended 30 June 2007, which are included in "Payroll and related charges", are as follows:

(Unaudited)	Blago- sostoyanie	Pochet	Other post- employment benefits	Total
Current service cost	4,026	–	2,647	6,673
Interest on benefit obligations	7,235	127	4,223	11,585
Expected return on plan assets	(645)	–	–	(645)
Amortization of past service cost	6,843	–	419	7,262
Net expense for the year	17,459	127	7,289	24,875
<i>Actual return on plan assets:</i>	<i>645</i>			

The amounts recognised in the interim condensed consolidated statement of income for the period from 4 March (inception) to 30 June 2006 equated to nil (**Not reviewed**).

Movements in the net liability recognised in the consolidated balance sheets are as follows:

For the Six months ended 30 June 2007

	2007 (Unaudited)
Net liability at 1 January	237,378
Net expense recognised in the statement of income	24,875
Contributions	(9,037)
Net liability at 30 June	253,216

For the period 4 March (inception) to 31 December 2006

	2006
Net liability at the 4 March (inception)	–
Net liability assumed through business combination	217,520
Net expense recognised in the statement of income	23,820
Contributions	(3,962)
Net liability at 31 December	237,378

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

10. Employee Benefit Liabilities (continued)

Movements in the net assets of defined benefit pension plans were as follows:

For the six months ended 30 June 2007

	2007 (Unaudited)
Fair value of plan assets at 1 January	8,081
Actual return on plan assets	645
Employer contributions	9,037
Benefits paid	(367)
Fair value of plan assets at 30 June	17,396

For the period 4 March (inception) to 31 December 2006

	2006
Fair value of plan assets at 4 March (inception)	-
Fair value of plan assets acquired in a business combination	4,087
Actual return on plan assets	408
Employer contributions	3,962
Benefits paid	(376)
Fair value of plan assets at 31 December	8,081

The major categories of plan assets administered by non-state pension fund "Blagosostoyanie" as a percentage of the fair value of total plan assets were as follows as of 30 June 2007 and 31 December 2006:

	2007 (%)	2006 (%)
Bank deposits	23%	22%
Corporate bonds of Russian legal entities	35%	37%
Promissory notes of Russian legal entities	27%	30%
Moscow City Government bonds	7%	8%
Other	8%	3%

As of 30 June 2007 and 31 December 2006 actuarial assumptions used were as follows:

	Blago- sostoyanie	Pochet	Other post- employment benefits
Discount rate	7.5%	7.5%	7.5%
Rate used for calculation of annuity value	4%	4%	4%
Average remaining working life	19 years	19 years	19 years
Expected return on plan assets	8.52%	8.52%	8.52%
Mortality tables	year 1994	year 1994	year 1994

The Company further assumed that salary will increase in future in line with inflation rate.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable for the period over which the obligations are to be settled, and the structure of the plan assets portfolio.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

11. Trade and Other Payables

Trade and other payables as of 30 June 2007 and 31 December 2006 comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
Trade payables	519,877	225,455
Liabilities to customers	1,642,143	1,525,135
Total trade and other payables	2,162,020	1,750,590

12. Taxes Other than Income Tax Payable

Taxes other than income tax payable as of 30 June 2007 and 31 December 2006 comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
VAT payable	180,545	-
Property tax	100,295	94,829
Unified social tax	31,854	42,036
Personal income tax	-	8,456
Other taxes	-	135
Total taxes other than income tax	312,694	145,456

13. Accrued and Other Current Liabilities

Accrued and other current liabilities as of 30 June 2007 and 31 December 2006 comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
Provision for tax liabilities (Note 18)	327,905	94,835
Settlements with employees	212,333	139,269
Other liabilities	39,959	48,892
Total accrued and other liabilities	580,197	282,996

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

14. Equity

Share Capital

The total authorised and issued capital as of 30 June 2007 and 31 December 2006 comprised 13,894,778 shares with par value of Rbls 1 thousand.

As of 30 June 2007 and 31 December 2006 all shares have been issued. As of 30 June 2007 the share capital was fully paid. The amount receivable from the shareholders for the shares issued equated to Rbls 2,141,996 as of 31 December 2006.

The Company shareholder structure as of 30 June 2007 and 31 December 2006 was as follows:

	30 June 2007 (Unaudited)		31 December 2006	
	Number of outstanding ordinary shares	Percentage of ownership	Number of outstanding ordinary shares	Percentage of ownership
RZD	13,894,777	99.99999%	13,894,777	99.99999%
OJSC "Baminvest", RZD subsidiary	1	0.00001%	–	–
Non-commercial organisation "Zheldorreforma"	–	–	1	0.00001%
Total	13,894,778	100%	13,894,778	100%

Dividends

Dividends of Rbls 144,228 were declared in 2007 in respect of 2006.

15. Revenues

Revenues for the six months ended 30 June 2007 and for the period from 4 March (inception) to 30 June 2006 comprised the following:

	2007 (Unaudited)	2006 (Not reviewed)
Container shipping services	4,824,900	–
Agency fees	747,533	–
Operating lease of rolling stock	364,547	–
Other	71,170	–
Total revenues	6,008,150	–

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

16. Other Expenses

Other expenses for the six months ended 30 June 2007 and for the period from 4 March (inception) to 30 June 2006 comprised the following:

	2007 (Unaudited)	2006 (Not reviewed)
Security	77,145	–
Advertising costs	54,542	–
Storage	29,644	–
Consulting services	19,608	–
Communication	18,643	–
Energy costs	17,866	–
Business trip costs	12,842	–
Other, net	138,391	2
Total operating expenses	368,681	2

Other expenses comprise a variety of general and administrative costs.

17. Income Tax

Income taxes for the six months ended 30 June 2007 comprised the following:

	Six months ended 30 June 2007 (Unaudited)
Income tax expense – current	461,214
Deferred tax (credit) – origination and reversal of temporary differences	(139,621)
	321,593
Tax penalties and fines	22,037
Income tax expense	343,630

Income taxes for the period from 4 March (inception) to 30 June 2006 comprised the following:

	Period from 4 March (inception) to 30 June 2006 (Not reviewed)
Income tax expense – current	–
Deferred tax (credit) – origination and reversal of temporary differences	(3,772)
Income tax (benefit)	(3,772)

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

17. Income Tax (continued)

Income before taxation for financial reporting purposes is reconciled to tax expense as follows:

	Six months ended 30 June 2007 (Unaudited)
Income before taxation	1,124,280
Theoretical tax charge at statutory rate of 24%	269,827
Non-deductible expenses	16,760
Provision for tax risks	23,781
Income on recognition of input VAT on fixed assets contributed	11,225
Income tax expense	321,593

Total accumulated temporary differences that arise between the Russian statutory tax base of assets and liabilities and their carrying amounts in the accompanying consolidated balance sheets, which relate primarily to valuation of property, plant and equipment for tax purposes, give rise to the following deferred tax effects:

Six months ended 30 June 2007 (Unaudited)

	31 December 2006	Effect of business combination	Recognition and reversal of temporary differences	30 June 2007 (Unaudited)
Tax effects of deductible temporary differences:				
Trade and other receivables	(12,554)	-	5,749	(6,805)
Finance lease obligations	(130,698)	-	7,636	(123,062)
Trade and other payables	(68,332)	-	18,662	(49,670)
Accrued and other liabilities	-	-	(58,035)	(58,035)
Employee benefits liabilities	(31,472)	-	(2,109)	(33,581)
	(243,056)		(28,097)	(271,153)
Tax effects of taxable temporary differences:				
Property, plant and equipment	2,079,352	264,466	(119,930)	2,223,888
Intangible assets	2,092	-	8,406	10,498
Net tax effect of temporary differences	2,081,444	264,466	(111,524)	2,234,386
Total net deferred tax liability	1,838,388	264,466	(139,621)	1,963,233

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

17. Income Tax (continued)

For the period from 4 March (inception) to 31 December 2006

	4 March 2006 (inception)	Effect of business combination	Recognition and reversal of temporary differences	31 December 2006
Tax effects of deductible temporary differences:				
Trade and other receivables	–	–	(12,554)	(12,554)
Finance lease obligations	–	–	(130,698)	(130,698)
Trade and other payables	–	–	(68,332)	(68,332)
Employee benefits liabilities	–	(28,186)	(3,286)	(31,472)
	–	(28,186)	(214,870)	(243,056)
Tax effects of taxable temporary differences:				
Property, plant and equipment	–	2,057,927	21,425	2,079,352
Intangible assets	–	–	2,092	2,092
Net tax effect of temporary differences	–	2,057,927	23,517	2,081,444
Total net deferred tax liability	–	2,029,741	(191,353)	1,838,388

18. 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.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

18. Balances and Transactions with Related Parties (continued)

The nature of the related party relationships for those related parties with whom the Company entered into significant transactions or had significant balances outstanding at 30 June 2007 are disclosed below:

<u>Related party</u>	<u>Nature of relationship</u>
OJSC "Russian Railroads" (RZD)	Parent company An entity related to OJSC "Russian Railroads" through participation of the latter in the Board of Directors
JSC "TransCreditBank"	
OOO "FinanceBusinessGroup" (Note 9)	An entity related to JSC "TransCreditBank"
OOO "Refservice"	Fellow subsidiary of RZD
Blagosostoyanie	Post-employment benefit plan for the benefit of employees of the Company
Pochet	Post-employment benefit plan for the benefit of employees of the Company

The following table provides the total amount of transactions, which have been entered into with related parties during the six months ended 30 June 2007:

<u>Related party</u>	<u>Type of transaction</u>	<u>Amount</u>	<u>% in total similar transactions</u>
Revenues from rendering of services			
RZD	Agency fees	747,533	100%
RZD	Operating lease of rolling stock	280,210	77%
RZD	Other transportation	12,086	-
RZD	Other services	9,702	14%
Other	Other services	3,230	
Purchases			
RZD	Transportation services	1,076,140	74%
RZD	Purchase of property, plant and equipment	940,370	52%
RZD	Repair services	589,912	93%
RZD	Rent of property and equipment	72,835	65%
RZD	Other services	21,085	6%
RZD	Purchase of inventory	4,883	
Other	Advertising services	20,151	
Other	Other services	5,013	
Other income			
TransCreditBank	Interest income on deposits	1,077	
Other transactions			
Pochet	Pension contributions	367	
Blagosostoyanie	Pension contributions	8,670	

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

18. Balances and Transactions with Related Parties (continued)

The following table provides the total amount of transactions, which have been entered into with related parties during the period from 4 March (inception) through 31 December 2006:

Related party	Type of transaction	Amount	% in total similar transactions
Revenues from rendering of services			
RZD	Agency fees	712,093	100%
RZD	Operating lease of rolling stock	175,392	68%
RZD	Other services	22,718	70%
Other	Other services	7,415	23%
Purchases			
RZD	Transportation services	754,736	68%
RZD	Repair services	509,918	86%
RZD	Rent of property and equipment (A)	139,760	88%
Other	Repair services	3,891	
Other income			
TransCreditBank	Interest income on deposits	2,395	
Other transactions			
Pochet	Pension contributions	228	
Blagosostoyanie	Pension contributions	3,586	

(A) As of 30 June 2007 substantially all equipment rented from RZD during the six months then ended was purchased by the Company.

As of 30 June 2007 and 31 December 2006 the Company has the following significant balances with related parties:

	30 June 2007 (Unaudited)	31 December 2006
Trade and other receivables		
RZD, net of provision for impairment (Note 5)	651,463	730,246
Other	1,965	2,188
	653,428	732,434
Receivable from shareholder for shares issued		
RZD	–	2,141,996
Prepayments and other current assets		
Advances to RZD (Note 6)	593,127	286,030
Advances to other related parties	1,027	–
	594,154	286,030
Trade and other payables		
RZD	218,395	131,868
Other	21,577	7,949
	239,972	139,817
Accrued and other liabilities		
RZD	–	8,371

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

18. Balances and Transactions with Related Parties (continued)

During the six month period ended 30 June 2007 and during the period from 4 March (inception) to 31 December 2006 the Company maintained several bank accounts in state-controlled credit institutions. The amount of cash and deposits held in these institutions as of 30 June 2007 and 31 December 2006 equated to Rbls 1,307,962 and Rbls 1,725,619, respectively, and comprised the following:

	30 June 2007	31 December
	(Unaudited)	2006
Cash	258,093	575,619
Cash equivalents (Note 7)	1,041,989	650,000
Total cash and cash equivalents	1,300,082	1,225,619
Short-term deposits	7,880	500,000
Total	1,307,962	1,725,619

Relationships with Open Joint Stock Company "Russian Railroads"

The Company performs a variety of transactions with RZD ("the Parent"), which is the sole owner and provider of railroad infrastructure and locomotive services in Russia. Further, RZD owns the vast majority of rail-cars repair facilities in Russia, which are used by the Company to maintain its rolling stock in the operational condition.

In addition, under the provisions of the existing Russian regulations, certain functions associated with arrangement of container transportation process can only be performed by RZD. Pursuant to the transfer of the assets required for performance of such functions to the Company, RZD engaged TransContainer to act as its agent in performance of these functions. Revenues generated by the Company from such transactions with RZD are reported as Agency Fees in the accompanying interim condensed consolidated statement of income.

Compensation to Key Management Personnel

Key management personnel comprise members of the Board of Directors of the Company, the General Director and his deputies, totalling 10 persons as of 30 June 2007 (31 December 2006: 10 persons). Total compensation to key management personnel included in payroll and related charges in the statement of income amounted to Rbls 16,631 for the six month period ended 30 June 2007 (Rbls 16,808 for the period from 4 March (inception) to 31 December 2006). Such compensation comprises primarily short-term benefits. Post-employment and other long-term benefits of key management personnel were immaterial.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

19. Contingencies, Commitments and Operating Risks

Operating Environment of the Group

Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product and a reduced rate of inflation, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed.

Management believes that it has adequately provided for tax liabilities in the accompanying consolidated balance sheet as of 30 June 2007. Where uncertainty exists, the Group has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities (refer also to Note 13). However, the general risk remains that relevant authorities could take different positions with regard to interpretative issues and the effect could be significant.

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.

Contractual Commitments

In December 2006 the Company signed a long-term contract with Tekhwagonmash regarding reconstruction of Gryazinsky Container Manufacturing Plant for the total amount of Rbls 26,472. Reconstruction works are expected to be completed in 2007.

Insurance

The Company does not have insurance in relation to its assets, operations, or in respect of public liability or other insurable risks, with the exception of insurance policies covering export shipments. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

19. Contingencies, Commitments and Operating Risks (continued)

Legal Proceedings

During the year, the Company 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 could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these consolidated financial statements.

20. Financial Risk Management

The Group's principal financial instruments comprise short-term bank deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. During the year the Group did not undertake trading in financial instruments.

Credit Risk

Credit risk is the risk that a counter party will fail to discharge an obligation and cause the Company to incur a financial loss.

Financial assets, which potentially subject the Company entitles to credit risk, consist principally of trade receivables. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. The Company has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the provision already recorded.

The Company constantly monitors the status of accounts receivable collection and the credit worthiness of the customers. In addition, the Company requires prepayments from certain customers.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

Foreign Exchange Risk

A part of Company's receivable and payable balances, related primarily to settlements with customers, is denominated in currencies other than the Russian Rouble. This exposes the Company to foreign exchange risk. Foreign currency denominated deposits (see Note 7) also give rise to foreign exchange risk exposure.

The Company does not have formal arrangements to mitigate foreign exchange risks of the Company's operations.

OJSC "TransContainer"

Notes to Interim Condensed Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

20. Financial Risk Management (continued)

Interest Rate Risk

As of 30 June 2007 and 31 December 2006 the Company has no short-term and long-term borrowings. The Company has significant interest-bearing assets as disclosed in Notes 7 and 17.

Fair Values of Financial Instruments

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (except for forced sale or liquidation). Market prices are considered to be the best evidence of fair value.

Management believes that the carrying values of financial assets and liabilities approximate their fair values due to their short maturity.

In case management becomes aware that carrying value materially exceeds the fair value of certain financial assets, specific valuation allowances will be recorded to provide for the specific assets.

21. Post Balance Sheet Events

Borrowings

On 20 July 2007 the Board of Directors approved the issue of non-convertible Russian Rouble denominated bonds (at par value of 1,000 rouble each) totalling Rbls 3 billion. The bonds mature in 5 years from the date of issue.

Joint Ventures

Subsequent to 30 June 2007, the Board of Directors approved establishment of a joint venture with Deutsche Bahn. The new company Trans-Eurasia Logistics GmbH was established for further development of containerized shipments and handling services between Russia and foreign countries (Europe, China and CIS).