

FOR IMMEDIATE RELEASE

29 August 2018

PJSC TransContainer

Results for the second quarter and six months ended 30 June 2018

PJSC "TransContainer" ("TransContainer" or the "Company" together with its consolidated subsidiaries) today publishes its management report together with the reviewed interim condensed consolidated financial statements for the second quarter and six months ended 30 June 2018. The financial statements presented in this announcement have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

Operating and financial review

Summary

TransContainer is the leading intermodal container transportation company in Russia. As at 30 June 2018, the Company accounted for approximately 43% of Russia's rail container transportation market. It owned and leased 25,405 flatcars and 67,909 ISO containers, respectively, as at the end of the reporting period. TransContainer also owns a network of rail-side container terminals, located at 40 railway stations across Russia and operates one terminal in Slovakia under a long-term lease agreement. The Company's joint venture JSC KedenTransService ("KedenTransService", or "KDTS") also operates 19 inland rail-side terminals in Kazakhstan. TransContainer's sales network comprises 101 sales outlets in Russia, along with additional outlets across the CIS, Europe and Asia.

In the second quarter of 2018, Russia's container market continued to demonstrate a strong growth of 11.9% year-on-year. This was mainly driven by a 19.9% year-on-year increase in international transportation, with export and transit segments demonstrating solid growth.

For the first six months of 2018, the Russian rail container market grew by 12.1% year-on-year to 2,065 thousand TEU. In terms of segment breakdown for the six month period, domestic transportation volumes increased by 2.8% year-on-year and export transportation by 18.1% year-on-year, while import transportation volumes surged by 19.3% year-on-year and transit by 28.5% year-on-year.

Amid the favorable market environment, the Company's revenue-generating¹ transportation volumes increased by 7.1% year-on-year to 376 thousand TEU in the second quarter and by 6.3% year-on-year to 724 thousand TEU for the first six months of the reporting year. As a result, the Company's adjusted revenue increased by 6.1% year-on-year in the second quarter of 2018 and by 8.1% year-on-year for the first half of 2018.

Transportation volumes by the Company's flatcar and container fleet grew by 4.8% and 3.8% in the second quarter and the first half of 2018, respectively. Key expense items such as empty run costs, salaries and administrative expenses, were kept under control, reflecting the results of the Company's improved fleet management, as well as logistics and optimisation measures taken at the Company's terminals.

The continuing market growth combined with the Company's business optimisation measures were the key factors contributing to the improvements of TransContainer's financial performance during the reporting period, as presented in the table below:

| | 6M 2018 | 6M 2017 | Year-on- year change | 2Q 2018 | 2Q 2017 | Year-on-year change |
|--|--------------------|--------------------|---------------------------------|--------------------|--------------------|--------------------------------|
|--|--------------------|--------------------|---------------------------------|--------------------|--------------------|--------------------------------|

| | | | RUB mln | Percent | | | RUB mln | Percent |
|--|--------|--------|------------|---------|--------|--------|------------|---------|
| Total revenue | 35,331 | 30,673 | +4,658 | +15.2% | 18,838 | 16,611 | +2,227 | +13.4% |
| Adjusted revenue ¹ | 14,041 | 12,985 | +1,056 | +8.1% | 7,395 | 6,969 | +426 | +6.1% |
| Adjusted operating expenses ² | 10,000 | 9,836 | +164 | +1.7% | 4,883 | 5,117 | -234 | -4.6% |
| EBITDA ³ | 5,888 | 5,192 | +696 | +13.4% | 3,454 | 3,050 | +404 | +13.2% |
| Adjusted EBITDA margin ⁴ | 41.9% | 40.0% | | | 46.7% | 43.8% | | |
| Profit for the period | 3,191 | 2,836 | +355 | +12.5% | 1,947 | 1,770 | +177 | +10.0% |
| Net income margin | 22.7% | 21.8% | | | 26.3% | 25.4% | | |
| Total debt | 11,299 | 7,703 | +3,596 | +46.7% | 11,299 | 7,703 | +3,596 | +46.7% |
| Net debt ⁵ | 2,249 | 1,292 | +957 | +74.1% | 2,249 | 1,292 | +957 | +74.1% |
| LTM EBITDA ⁶ | 12,170 | 9,099 | +3,071 | +33.8% | 5,888 | 5,192 | +696 | +13.4% |
| Net debt / LTM EBITDA | 18% | 14% | +4% | | 38% | 25% | +13% | |

¹Adjusted Revenue is calculated as total revenue less the third-party charges related to principal activities.

²Adjusted Operating Expenses are calculated as operating expenses less the third-party charges related to principal activities.

³EBITDA is defined as profit for the period before income tax, interest expense and depreciation and amortisation.

⁴Adjusted EBITDA Margin is defined as EBITDA divided by Adjusted Revenue.

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

⁶LTM EBITDA is calculated as EBITDA for the last twelve month period

In the reporting quarter, the Company's EBITDA increased by 13.2% year-on-year to RUB 3,454 million from RUB 3,050 million in the second quarter of 2017. For the six months ended 30 June of 2018, TransContainer's EBITDA was up 13.4% year-on-year to RUB 5,888 million compared to RUB 5,192 for the corresponding period of 2017. The net profit increased by 10.0% year-on-year to RUB 1,947 million in the second quarter, and by 12.5% year-on-year to 3,191 for the first half of 2018.

Adjusted EBITDA margin increased to 46.7% in the second quarter of 2018 and to 41.9% for the first six months of 2018, while the net profit margin improved to 26.3% and 22.7%, respectively.

In January 2018, the Company issued the five-year amortising RUB-denominated bonds in the amount of RUB 6 billion at a coupon rate of 7.5% to refinance a portion of existing debt and to finance the capital expenditures for 2018. As a result, as at 30 June 2018, the Company's total debt was RUB 11,299 million with net debt of only RUB 2,249 million, resulting from shifting of the capital expenditures to the later periods of 2018.

Capital expenditure for the six months ended 30 June 2018 decreased by 9.4% compared to the same period of 2017 and amounted to RUB 1,426 million, mainly due to manufacturers delaying the delivery of flatcars. The major part of CAPEX was spent on the acquisition of flatcars and ISO containers. In accordance with the Company's policy, all capital expenditure during the reporting period was financed by the Company's own cash flow.

Recent developments and outlook

In July and August of 2018, the Russian rail container market continues to demonstrate strong performance. The market is expected to grow approximately 13% year-on-year for the first eight months of 2018. The Company anticipates the market to grow at a low double-digit rate in 2018, subject to the global economic conditions and changes in the geopolitical environment.

With that in mind, the Company's management will continue implementing its expansion investment programme and strengthening its efforts in business optimisation, while further improving fleet efficiency and the quality of customer service.

The rail container market performance confirms the Company's view that the Russian container transportation market is fundamentally attractive with significant long-term growth prospects, driven by the growth in cargo containerisation, as well as expected economic uplift in Russia in the medium term.

Key operating results

In the reporting quarter, container volumes transported by the Company's flatcars and containers (including provision of own containers to the third-party flatcars) were up 4.8% year-on-year to 458 thousand TEU. This was mainly due to the continued growth in international transportation, which was up 13.1% year-on-year, with export and transit segments growing by 13.9% and 29.7%, respectively. Lower domestic transportation volumes were partly due to the optimisation of TransContainer's empty runs that led to a 9.5% year-on-year decrease in the Company's own empty containers domestic transportation. The partial reallocation of flatcar fleet in favour of the international transportation was also one of the factors contributing to lower domestic transportation. This was done in order to support the fast-growing volumes on transit routes amid a shortage of the flatcar supply.

Transportation of containers using TransContainer's assets in 2Q 2018 (ISO Loaded + Empty), 000' TEU

| | 2Q 2018 | 2Q 2017 | Year-on-year change | |
|-------------------|--------------|--------------|---------------------|--------------|
| | | | 000' TEU | Percent |
| Domestic Routes | 219.6 | 226.0 | -6.4 | -2.8% |
| Export | 117.1 | 102.8 | +14.3 | +13.9% |
| Import | 81.6 | 77.4 | +4.2 | +5.4% |
| Transit | 39.3 | 30.3 | +9.0 | +29.7% |
| All Routes | 457.5 | 436.4 | +21.1 | +4.8% |

Container volumes transported by the Company's flatcar fleet in the second quarter of 2018 increased by 6.8% year-on-year to 434 thousand TEU from 406 thousand TEU a year earlier. The Company's revenue-generating container transportation volumes in Russia amounted to 376 thousand TEU in the reporting quarter, up 7.1% year-on-year.

For the first six months of 2018, container volumes transported by the Company's flatcar and container fleet, as described above, grew by 3.8% year-on-year to 893 thousand TEU, mainly as a result of an increase in transit and export transportation.

Transportation of containers using TransContainer's assets in 1H 2018 (ISO Loaded + Empty), 000' TEU

| | 1H 2018 | 1H 2017 | Year-on-year change | |
|-------------------|--------------|--------------|---------------------|--------------|
| | | | 000' TEU | Percent |
| Domestic Routes | 423.3 | 439.7 | -16.4 | -3.7% |
| Export | 236.6 | 215.6 | +21.0 | +9.7% |
| Import | 160.1 | 151.3 | +8.8 | +5.8% |
| Transit | 72.7 | 53.4 | +19.3 | +36.2% |
| All Routes | 892.7 | 860.0 | +32.7 | +3.8% |

Container volumes transported by the Company's flatcar fleet in the first half of 2018 increased by 5.9% year-on-year to 848 thousand TEU from 800 thousand TEU a year earlier. The Company's revenue-generating container transportation volumes in Russia amounted to 724 thousand TEU in the first half of 2018, up 6.3% year-on-year.

In the second quarter of 2018, the Company's throughput in the Russian rail container terminal network decreased by 3.1% to 322 thousand TEU, compared to 332 thousand TEU for the same period of 2017. For the first six months of 2018, the Company's container terminal throughput was down 2.9% year-on-year and amounted to 604 thousand TEU compared to 622 thousand TEU for the first half of 2017.

The Company's container handling lagged behind the market dynamics mainly due to the following factors: (i) the fast-growing transit volumes have limited impact on the container terminal handling; (ii) closure of

the Company's terminals located in the centre of the city of Moscow and (iii) continuing growth of the container freight going directly from/to the producers' own freight yards.

In the second quarter of 2018, container empty run ratios improved from 17.4% to 16.0%, while empty run for flatcars decreased from 3.8% to 2.6%. These improvements were largely as a result of a continuing optimisation of the fleet efficiency.

Asset utilisation

| | 2Q 2018 | 2Q 2017 | 1H 2018 | 1H 2017 |
|--|----------------|----------------|----------------|----------------|
| Turnover of containers, days | 30.4 | 35.7 | 33.5 | 38.2 |
| Turnover of flatcars, days | 11.7 | 12.0 | 12.1 | 12.1 |
| Empty run ² for containers, % | 16.0% | 17.4% | 18.2% | 19.8% |
| Empty run for flatcars, % | 2.6% | 3.8% | 3.1% | 3.6% |

Turnover of flatcars improved from 12.0 days for the second quarter of 2017 to 11.7 days in the reporting quarter, while turnover of containers decreased from 35.7 to 30.4 days, respectively due to the reason described above.

Description of Key Consolidated Statement of Comprehensive Income Items

The following table sets out the Company's key results for the second quarter and six months ended 30 June 2018 and 2017.

Summary of the Company's results for the second quarter and six months ended 30 June 2018 and 2017, respectively:

| RUB million | Year-on-year change | | | | Year-on-year change | | | |
|--|----------------------------|----------------|----------------|------------------|----------------------------|----------------|----------------|---------------|
| | 6M 2018 | 6M 2017 | RUB mln | % | 2Q 2018 | 2Q 2017 | RUB mln | % |
| Revenue | 35,331 | 30,673 | +4,658 | +15.2% | 18,838 | 16,611 | +2,227 | +13.4% |
| Other operating income | 345 | 226 | +119 | +52.7% | 217 | 147 | +70 | +47.6% |
| Operating expenses | -31,290 | -27,524 | -3,766 | +13.7% | -16,326 | -14,759 | -1,567 | +10.6% |
| Operating profit | 4,386 | 3,375 | +1,011 | +30.0% | 2,729 | 1,999 | +730 | +36.5% |
| Interest expense | -433 | -350 | -83 | +23.7% | -229 | -172 | -57 | +33.1% |
| Interest income | 221 | 181 | +40 | +22.1% | 129 | 92 | +37 | +40.2% |
| Foreign exchange gain, net | 191 | 25 | +166 | +664.0% | 201 | 94 | +107 | +113.8% |
| Share of result of associates and JVs | -323 | 304 | -627 | -206.3% | -319 | 198 | -517 | -261.1% |
| Other financial results, net | 0 | 7 | -7 | -100.0% | 0 | 7 | -7 | -100.0% |
| Profit before income tax | 4,042 | 3,542 | +500 | +14.1% | 2,511 | 2,218 | +293 | +13.2% |
| Income tax expense | -851 | -706 | -145 | +20.5% | -564 | -448 | -116 | +25.9% |
| Profit for the period | 3,191 | 2,836 | +355 | +12.5% | 1,947 | 1,770 | +177 | +10.0% |
| Other comprehensive income/loss | 229 | 12 | +217 | +1,808.3% | 127 | 89 | +38 | +42.7% |
| Remeasurements and other reserves for post-employment benefit plans | 14 | -16 | +30 | -187.5% | 44 | -1 | +45 | |
| Exchange differences on translating foreign operations (TRCN) | 15 | 6 | +9 | +150.0% | 8 | 25 | -17 | -68.0% |
| Exchange differences on translating foreign operations (Associates & JV) | 200 | 22 | +178 | +809.1% | 0 | 65 | -65 | -100.0% |
| Other effects | 0 | 0 | +0 | | 75 | 0 | +75 | - |
| Total comprehensive income for the period | 3,420 | 2,848 | +572 | +20.1% | 2,074 | 1,859 | +215 | +11.6% |
| Attributable to: | | | | | | | | |
| Equity holders of the parent | 0 | 0 | - | - | 0 | 0 | - | - |

| | | | | | | | | |
|--------------------------|---|---|---|---|---|---|---|---|
| Non-controlling interest | 0 | 0 | - | - | 0 | 0 | - | - |
|--------------------------|---|---|---|---|---|---|---|---|

Adjustments and additional financial information

The majority of the Company's services are provided with the use of third-party services. Accordingly, third-party charges for such services are presented within the Company's revenues and expenses. Such third-party charges include the value of rail infrastructure tariffs and the charges of the Company's other subcontractors and contracted partners involved in the process of providing the Company's services.

Third-party charges other than ones related to integrated freight forwarding and logistics services are presented within revenues as a separate line item "Cargo transportation and handling services with involvement of third parties".

All third-party charges, including ones related to integrated freight forwarding and logistics services, are presented within expenses as "Third-party charges related to principal activities".

Summary of 3rd-party charges involved in TransContainer's revenues

| Item | 6M 2018 | 6M 2017 | Year-on-year change | | 2Q 2018 | 2Q 2017 | Year-on-year change | |
|--|---------------|---------------|---------------------|---------------|---------------|--------------|---------------------|---------------|
| | | | RUB mln | % | | | RUB mln | % |
| 3rd-party charges related to integrated freight forwarding and logistics | 21,290 | 15,852 | +5,438 | +34.3% | 11,443 | 8,767 | +2,676 | +30.5% |
| Cargo transportation and handling services with involvement of third parties | 0 | 1,836 | -1,836 | -100.0% | 0 | 875 | -875 | -100.0% |
| Third-party charges related to principal activities | 21,290 | 17,688 | +3,602 | +20.4% | 11,443 | 9,642 | +1,801 | +18.7% |

In order to enhance the analysis, we apply adjustments to the components of the Company's revenues and expenses to derive the values that are net of the third-party charges involved in providing the Company's services.

Total revenue adjustment

| Item | 6M 2018 | 6M 2017 | Year-on-year change | | 2Q 2018 | 2Q 2017 | Year-on-year change | |
|---|---------------|---------------|---------------------|--------------|--------------|--------------|---------------------|--------------|
| | | | RUB mln | % | | | RUB mln | % |
| Total revenue | 35,331 | 30,673 | +4,658 | +15.2% | 18,838 | 16,611 | +2,227 | +13.4% |
| Third-party charges related to principal activities | -21,290 | -17,688 | -3,602 | +20.4% | 11,443 | -9,642 | -1,801 | +18.7% |
| Adjusted Revenue | 14,041 | 12,985 | +1,056 | +8.1% | 7,395 | 6,969 | +426 | +6.1% |

Integrated freight forwarding and logistics services revenue adjustment

| Item | 6M 2018 | 6M 2017 | Year-on-year change | | 2Q 2018 | 2Q 2017 | Year-on-year change | |
|--|---------------|--------------|---------------------|---------------|--------------|--------------|---------------------|---------------|
| | | | RUB mln | % | | | RUB mln | % |
| Integrated freight forwarding and logistics services | 32,897 | 25,061 | +7,836 | +31.3% | 17,498 | 13,858 | +3,640 | +26.3% |
| 3rd-party charges related to integrated freight forwarding and logistics | -21,290 | 15,852 | -5,438 | +34.3% | 11,443 | -8,767 | -2,676 | +30.5% |
| Adjusted integrated freight forwarding and logistics services | 11,607 | 9,209 | +2,398 | +26.0% | 6,055 | 5,091 | +964 | +18.9% |

Operating expenses adjustment

| Item | 6M 2018 | 6M 2017 | Year-on-year change | | 2Q 2018 | 2Q 2017 | Year-on-year change | |
|---|---------------|--------------|------------------------|--------------|--------------|--------------|---------------------|--------------|
| | | | RUB mln | % | | | RUB mln | % |
| Total operating expenses | 31,290 | 27,524 | +3,766 | +13.7% | 16,326 | 14,759 | +1,567 | +10.6% |
| Third-party charges related to principal activities | -21,290 | - | -3,602 | +20.4% | - | -9,642 | -1,801 | +18.7% |
| Adjusted Operating Expenses | 10,000 | 9,836 | +164 | +1.7% | 4,883 | 5,117 | -234 | -4.6% |

Adjusted Revenue, Adjusted Operating Expenses, EBITDA, Adjusted EBITDA Margin and Adjusted Operating Margin are not recognised under the IFRS as measures of financial performance, but are calculated on the basis of the IFRS figures and are presented as supplemental indicators of the Company's operating performance. These supplemental measures have limitations as analytical tools, and investors should not consider any of them in isolation, or any combination of them, as a substitute for analysis of our results as reported under the IFRS.

Revenue

In the first quarter of 2018, the Company changed the way it presents its revenue structure, reflecting an increased role of the integrated services in TransContainer's business, as well as higher share of the integrated services in its revenues. Starting from 31 March 2018, the Company's revenue breakdown comprises three main segments: revenue from integrated freight forwarding and logistics services, agency fees and revenue from other services.

Agency fees line item was formerly a part of the Terminal services, bonded warehousing and agency fees line item.

Revenue from other services line item combines revenues formerly reported as the Rail based container shipping services, Cargo transportation and handling services with involvement of third parties, Truck deliveries, Other.

The following table sets out the breakdown of total revenue for the second quarter and six months ended 30 June 2018 and 2017, respectively.

Revenue breakdown

| RUB million | 6M 2018 | 6M 2017 | Year-on-year change | | 2Q 2018 | 2Q 2017 | Year-on-year change | |
|---|---------------|---------------|------------------------|---------------|---------------|---------------|---------------------|---------------|
| | | | RUB mln | % | | | RUB mln | % |
| Integrated freight forwarding and logistics services | 32,897 | 25,061 | +7,836 | +31.3% | 17,498 | 13,858 | +3,640 | +26.3% |
| Cargo transportation and handling services with involvement of third parties | 0 | 1,836 | -1,836 | -100.0% | 0 | 875 | -875 | -100.0% |
| Agency fees | 1,338 | 1,141 | +197 | +17.3% | 733 | 669 | +64 | +9.6% |
| Revenue from other services | 1,096 | 2,635 | -1,539 | -58.4% | 607 | 1,209 | -602 | -49.8% |
| Total revenue | 35,331 | 30,673 | +4,658 | +15.2% | 18,838 | 16,611 | +2,227 | +13.4% |

Total revenue increased by RUB 4,658 million, or 15.2% year-on-year, to RUB 35,331 million for the six months ended 30 June 2018, from RUB 30,673 million in the corresponding period of 2017. In the second quarter of 2018, total revenue grew by 13.4% year-on-year to RUB 18,838 million. This primarily resulted from an increase in transportation volumes by the Company's assets on the back of the growing rail container transportation market.

The following table sets out the components of adjusted revenue (as described in *Adjustments and additional financial information* above) and their relative contribution to the adjusted revenue for the six months ended 30 June 2018 and 2017, respectively.

Adjusted revenue breakdown for the six months ended 30 June 2018 and 2017, respectively

| | 6M 2018 | | 6M 2017 | | Year-on-year change | |
|---|---------------|-------------|---------------|-------------|---------------------|--------------|
| | RUB mln | share, % | RUB mln | share, % | RUB mln | Percent |
| Adjusted integrated freight forwarding and logistics services | 11,607 | 82.7% | 9,209 | 70.9% | +2,398 | +26.0% |
| Agency fees | 1,338 | 9.5% | 1,141 | 8.8% | +197 | +17.3% |
| Revenue from other services | 1,096 | 7.8% | 2,635 | 20.3% | -1,539 | -58.4% |
| Total adjusted revenue | 14,041 | 100% | 12,985 | 100% | +1,056 | +8.1% |

Adjusted revenue grew by 8.1% year-on-year to RUB 14,041 million in the first half of 2018 from RUB 12,985 million in the corresponding period of 2017. This mainly resulted from an increase in revenue from integrated freight forwarding and logistics services, driven by higher revenue-generating transportation volumes and flexible pricing policy.

Adjusted revenue increased by 6.1% year-on-year to RUB 7,395 million in the second quarter of 2018 from RUB 6,969 million in the second quarter of 2017, primarily due to the growing integrated freight forwarding and logistic services, as well as revenue from other services.

The following table sets out the components of relative contribution to adjusted revenue for the three months ended 30 June 2018 and 2017, respectively.

Adjusted revenue breakdown for the three months ended 30 June 2018 and 2017, respectively

| | 2Q 2018 | | 2Q 2017 | | Year-on-year change | |
|---|--------------|-------------|--------------|-------------|---------------------|--------------|
| | RUB mln | share, % | RUB mln | share, % | RUB mln | Percent |
| Adjusted integrated freight forwarding and logistics services | 6,055 | 81.9% | 5,091 | 73.1% | +964 | +18.9% |
| Agency fees | 733 | 9.9% | 669 | 9.6% | +64 | +9.6% |
| Revenue from other services | 607 | 8.2% | 1,209 | 17.3% | -602 | -49.8% |
| Total adjusted revenue | 7,395 | 100% | 6,969 | 100% | +426 | +6.1% |

Integrated freight forwarding and logistics services

Revenue from integrated freight forwarding and logistics services increased by 31.3% year-on-year to RUB 32,897 million and by 26.3% year-on-year to RUB 17,498 million for the six months and three months ended 30 June 2018, respectively.

Adjusted revenue from integrated freight forwarding and logistics services was up 26.0% year-on-year to RUB 11,607 million for the six months of 2018, on the back of growing revenue-generating volumes and changes in transportation services structure. In the second quarter of 2018, this revenue item grew by 18.9% year-on-year to RUB 6,055 million, mainly as a result of an increase in revenue-generating transportation volumes.

Agency fees

Revenue from agency fees increased by 17.3% year-on-year to RUB 1,338 million for the first half of 2018 from RUB 1,141 million for the same period of 2017. In the second quarter of 2018, revenue from agency fees grew by 9.6% year-on-year to RUB 669 million. This was primarily driven by infrastructure tariff indexation, as well as changes in the structure of services performed under agency agreement with Russian Railways.

Revenue from other services revenue

Revenue from other services item comprises revenues formerly reported as Rail based container shipping services, Cargo transportation and handling services with involvement of third parties, Truck deliveries, Other. This item fell by 58.4% year-on-year to RUB 1,096 million for the six months of 2018, compared to RUB 2,635 million for the corresponding period of 2017, mainly due to a shift of the revenue components to integrated logistics services.

Revenue from other services for the three months ended 30 June 2018 decreased by 49.8% year-on-year to RUB 607 million compared to RUB 1,209 million for the corresponding period of 2017, due to the reasons described above.

Operating expenses

The following tables provides a breakdown of the Company's operating expenses for the second quarter and six months ended 30 June 2018 and 2017, respectively.

Operating expenses structure for the three months ended 30 June 2018 and 2017, respectively

| | 2Q2018 | | | 2Q2017 | | |
|---|----------------|--------------------------------|---------------------------|----------------|--------------------------------|---------------------------|
| | RUB mln | % of operating expenses | % of total revenue | RUB mln | % of operating expenses | % of total revenue |
| Third-party charges related to principal activities | 11,443 | 70.1% | 60.7% | 9,642 | 65.3% | 58.0% |
| Freight and transportation services | 1,323 | 8.1% | 7.0% | 1,636 | 11.1% | 9.8% |
| Payroll and related charges | 1,453 | 8.9% | 7.7% | 1,373 | 9.3% | 8.3% |
| Depreciation and amortisation | 714 | 4.4% | 3.8% | 660 | 4.5% | 4.0% |
| Materials, repair and maintenance | 878 | 5.4% | 4.7% | 754 | 5.1% | 4.5% |
| Taxes other than income tax | 108 | 0.7% | 0.6% | 272 | 1.8% | 1.6% |
| Rent | 63 | 0.4% | 0.3% | 61 | 0.4% | 0.4% |
| Other expenses | 344 | 2.1% | 1.8% | 361 | 2.4% | 2.2% |
| Total operating expenses | 16,326 | 100.0% | 86.7% | 14,759 | 100.0% | 88.9% |

Operating expenses structure for the six months ended 30 June 2018 and 2017, respectively

| | 6M 2018 | | | 6M2017 | | |
|---|----------------|--------------------------------|---------------------------|----------------|--------------------------------|---------------------------|
| | RUB mln | % of operating expenses | % of total revenue | RUB mln | % of operating expenses | % of total revenue |
| Third-party charges related to principal activities | 21,290 | 68.0% | 60.3% | 17,688 | 64.3% | 57.7% |
| Freight and transportation services | 2,763 | 8.8% | 7.8% | 3,246 | 11.8% | 10.6% |
| Payroll and related charges | 2,897 | 9.3% | 8.2% | 2,701 | 9.8% | 8.8% |
| Depreciation and amortisation | 1,413 | 4.5% | 4.0% | 1,300 | 4.7% | 4.2% |
| Materials, repair and maintenance | 1,580 | 5.0% | 4.5% | 1,334 | 4.8% | 4.3% |
| Taxes other than income tax | 381 | 1.2% | 1.1% | 403 | 1.5% | 1.3% |
| Rent | 130 | 0.4% | 0.4% | 128 | 0.5% | 0.4% |
| Other expenses | 836 | 2.7% | 2.4% | 724 | 2.6% | 2.4% |
| Total operating expenses | 31,290 | 100.0% | 88.6% | 27,524 | 100.0% | 89.7% |

TransContainer's total operating expenses increased by RUB 3,766 million, or 13.7% year-on-year, to RUB 31,290 million for the six months ended 30 June 2018, from RUB 27,524 million for the corresponding period of the previous year. This was mainly due to a significant increase in the third-party charges related to principal activities.

In the second quarter of 2018, the Company's total operating expenses grew by 10.6% year-on-year, or by RUB 1,567 million, to RUB 16,326 million for the reason stated above.

Cost of third-party charges related to principal activities

Costs of third-party charges related to principal activities increased by 20.4% year-on-year to RUB 21,290 million for the six months ended 30 June 2018, from RUB 17,688 million for the same period of 2017. This was predominantly driven by a higher volume of the Company's operations, tariff indexing by Russian Railways and other subcontractors, as well as by an increase in international transportations with the involvement of outsourced transportation services.

For the same reason, the costs of third-party charges related to principal activities increased in the second quarter of 2018 by 18.7% year-on-year to RUB 11,443 million, from RUB 9,642 million in the corresponding quarter of 2017.

Adjusted operating expenses

Adjusted operating expenses, as defined in the *Adjustments and additional financial information* section above, grew by 1.7% year-on-year to RUB 10,000 million for the six months ended 30 June 2018, from RUB 9,836 million in the corresponding period of 2017, primarily due to an increase in payroll and related charges, materials, repair and maintenance costs, depreciation and amortisation and other expenses. This, in turn, was partially offset by a decrease in freight and transportation services and taxes other than income tax.

In the second quarter of 2018, adjusted operating expenses decreased by 4.6% year-on-year to RUB 4,883 million, from RUB 5,117 million in the second quarter of 2017, due to the reasons described above.

The following tables provide a breakdown of the Company's adjusted operating expenses for the second quarter and six months ended 30 June 2018 and 2017, respectively.

Adjusted operating expenses structure and dynamics for three months ended 30 June 2018 and 2017

| | 2Q2018 | | 2Q2017 | | Year-on-year change | |
|-------------------------------------|--------------|---------------|--------------|---------------|---------------------|----------------|
| | RUB mln | % | RUB mln | % | RUB mln | Percent change |
| Freight and transportation services | 1,323 | 27.1% | 1,636 | 32.0% | -313 | -19.1% |
| Payroll and related charges | 1,453 | 29.8% | 1,373 | 26.8% | +80 | +5.8% |
| Depreciation and amortisation | 714 | 14.6% | 660 | 12.9% | +54 | +8.2% |
| Materials, repair and maintenance | 878 | 18.0% | 754 | 14.7% | +124 | +16.4% |
| Taxes other than income tax | 108 | 2.2% | 272 | 5.3% | -164 | -60.3% |
| Rent | 63 | 1.3% | 61 | 1.2% | +2 | +3.3% |
| Other expenses | 344 | 7.0% | 361 | 7.1% | -17 | -4.7% |
| Adjusted operating expenses | 4,883 | 100.0% | 5,117 | 100.0% | -234 | -4.6% |

Adjusted operating expenses structure and dynamics for the six months ended 30 June 2018 and 2017

| | 6M2018 | | 6M2017 | | Year-on-year change | |
|-------------------------------------|---------|-------|---------|-------|---------------------|----------------|
| | RUB mln | % | RUB mln | % | RUB mln | Percent change |
| Freight and transportation services | 2,763 | 27.6% | 3,246 | 33.0% | -483 | -14.9% |
| Payroll and related charges | 2,897 | 29.0% | 2,701 | 27.5% | +196 | +7.3% |
| Depreciation and amortisation | 1,413 | 14.1% | 1,300 | 13.2% | +113 | +8.7% |
| Materials, repair and maintenance | 1,580 | 15.8% | 1,334 | 13.6% | +246 | +18.4% |

| | | | | | | |
|------------------------------------|---------------|---------------|--------------|---------------|-------------|--------------|
| Taxes other than income tax | 381 | 3.8% | 403 | 4.1% | -22 | -5.5% |
| Rent | 130 | 1.3% | 128 | 1.3% | +2 | +1.6% |
| Other expenses | 836 | 8.4% | 724 | 7.4% | +112 | +15.5% |
| Adjusted operating expenses | 10,000 | 100.0% | 9,836 | 100.0% | +164 | +1.7% |

In the first six months of 2018, there were moderate fluctuations in the structure of the Company's adjusted costs, however, they were within the range inherent to the Company's business model.

Freight and transportation services

Expenses related to freight and transportation services decreased by RUB 483 million, or 14.9% year-on-year, to RUB 2,763 million for the six months ended 30 June 2018. This resulted from a 5.2% decrease in empty container transportation volumes and improved empty run ratio, which more than compensated the effect of tariff indexing by Russian Railways.

Expenses related to freight and transportation services decreased by 19.1% year-on-year, or by RUB 313 million, to RUB 1,323 million in the second quarter of 2018 for the reason described above.

Payroll and related charges

Payroll and related charges increased by RUB 196 million, or by 7.3% year-on-year, to RUB 2,897 million for the six months ended 30 June 2018, compared to RUB 2,701 million for the corresponding period of 2017. This increase was mainly due to the base salary indexing and performance-linked payments, which was partially offset by a decrease in TransContainer's average headcount from 3,547 to 3,522 and an effect of pension plan reserve adjustments.

For the reasons stated above, in the second quarter of 2018, payroll and related charges grew by 5.8% year-on-year, or by RUB 80 million, to RUB 1,453 million.

Depreciation and amortisation

Depreciation and amortisation increased by RUB 113 million, or 8.7% year-on-year, to RUB 1,413 million in the six months of 2018, from RUB 1,300 million for the corresponding period of 2017, reflecting investments made in the second half of 2017 and the first half of 2018.

In the second quarter of 2018, depreciation and amortisation increased by 8.2% year-on-year, or RUB 54 million, to RUB 714 million.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance were up by 18.4% year-on-year to RUB 1,580 million for the six months of 2018, compared to RUB 1,334 million for the corresponding period of 2017, mainly due to an increase in average repair price and higher prices for flatcar components. This expense item was also affected by maintenance and repair works in the Company's terminals during the construction season.

In the second quarter of 2018, expenses related to materials, repair and maintenance were up 16.4% year-on-year to RUB 878 million, due to the reasons mentioned above.

Taxes other than income tax

Taxes other than income tax decreased by 5.5% year-on-year to RUB 381 million for the six months ended 30 June 2018, from RUB 403 million for the corresponding period of 2017, primarily due to the reduction in property tax payments.

In the second quarter of 2018, taxes other than income tax down 60.3% year-on-year to RUB 108 million from RUB 272 million in the corresponding quarter of 2017.

Rent

Rent expenses increased by RUB 2 million, or by 1.6% year-on-year, to RUB 130 million for the first six months of 2018 from RUB 128 million in the corresponding period of 2017, mainly due to the flatcar short-term operating lease contracts.

Rent expense for the second quarter of 2018 increased by 3.3% year-on-year to RUB 63 million.

Other operating expenses

Other operating expenses are an aggregate of various expense items such as security, consulting expenses, fuel and energy, licenses and software, communication service and loss of sale of fixed assets. In the first half of 2018, other expenses increased by 15.5% year-on-year to RUB 836 million, from RUB 724 million in the corresponding period of 2017, mainly due to the growth of the charity expenses, license and software, communication and other expenses. In the second quarter of 2018, other operating expenses were down RUB 17 million, or 4.7% year-on-year, mainly due to a decrease in other expenses item, which was partially offset by an increase in charity and consulting expenses.

Interest expenses

Interest expenses grew by RUB 83 million, or 23.7% year-on-year, to RUB 433 million for the six months of 2018 from RUB 350 million for the corresponding period of 2017, mainly due an increase in total debt.

For the same reason, interest expense in the second quarter of 2018 increased by RUB 57 million, or 33.1% year-on-year, to RUB 229 million from 172 million in the corresponding period of 2017.

Interest income

Interest income grew by RUB 40 million, or 22.1% year-on-year, to RUB 221 million in the six months of 2018 from RUB 181 million for the corresponding period of 2017, despite a decrease in average interest rates, mainly due to an increase in the amount of RUB-denominated deposits with banks.

Interest income in the second quarter therefore increased by RUB 37 million, or 40.2% year-on-year, to RUB 129 million.

Share of profit of associates and joint ventures

Share of profit of associates and joint ventures for the second quarter of 2018 turned to negative RUB 319 million from positive RUB 198 million a year earlier, due to an increase in provisions for impairment of receivables and financial investments created by one of the Company's JVs. The management of the JV in cooperation with its shareholders is working on the recovery of these receivables and investments.

Profit before income tax

As a result of the reasons described above, the Company's profit before income tax increased by RUB 500 million, or by 14.1% year-on-year, to RUB 4,042 million for the six months ended 30 June 2018 from RUB 3,542 million for the corresponding period of 2017.

In the second quarter of 2018, profit before income tax increased by RUB 293 million, or by 13.2% year-on-year, to RUB 2,511 million from RUB 2,218 million in the corresponding period of 2017, as a result of the factors mentioned above.

Income tax expenses

Income tax expenses increased by RUB 145 million, or 20.5% year-on-year, to RUB 851 million for the six months of 2018 from RUB 706 million for the corresponding period of 2017, due to an increase in taxable profit.

For the same reason, in the second quarter of 2018, income tax expenses grew by RUB 116 million, or by 25.9% year-on-year, to RUB 564 million from RUB 448 million in the corresponding quarter of 2017.

The effective tax rate for the six months ended 30 June 2018 increased to 21.1% from 19.9% in the same period of 2017, while it also grew to 21.1% in the reporting quarter compared to 20.2% in the second quarter of 2017.

Total profit and comprehensive income for the period

As a result of the factors discussed above, the profit for the six months ended 30 June 2018 increased by RUB 355 million, or 12.5% year-on-year, to RUB 3,191 million compared to RUB 2,836 million for the same period of 2017. Taking into account the exchange rate differences relating to foreign operations and other effects, the total comprehensive income for the first six month period increased by 20.1% and amounted to RUB 3,420 million, compared to RUB 2,848 million for the corresponding period of 2017.

The profit for the second quarter 2018 increased by RUB 177 million, or 10.0% year-on-year, to RUB 1,947 million from RUB 1,770 million for the same period of 2017. Taking into account the exchange rate differences relating to foreign operations and other effects, the Company generated the total comprehensive profit of RUB 2,074 million in the second quarter of 2018 compared to RUB 1,859 million in the second quarter of 2017.

Liquidity and Capital Resources

As of 30 June 2018, the Company's net cash and cash equivalents amounted to RUB 8,544 million, while its current liabilities exceeded current assets by RUB 8,057 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for the purchase of flatcars and containers, for the development of rail-side terminals and modernising its lifting equipment and truck fleet, as well as other purposes. During the reporting period, the Company's operations and its capital expenditures were financed from internally generated cash flows.

Cash flows

The following table sets out the principal components of the Company's consolidated cash flows for the six months ended 30 June 2018 and 2017, respectively.

Cash flows structure

| RUB million | 6M 2018 | 6M 2017 |
|---|----------------|----------------|
| Net cash provided by operating activities | 4,868 | 3,497 |
| Net cash used in investing activities | -1,373 | -2,839 |
| Net cash used in financing activities | 663 | -1,317 |
| Net increase in cash and cash equivalents | 4,158 | -659 |
| Foreign exchange effect on cash and cash equivalents | 215 | 47 |
| Net cash and cash equivalents at the end of the period | 8,544 | 4,913 |

Cash flow generated by operating activities increased by RUB 1,371 million, or 39.2% year-on-year, to RUB 4,868 million for the six months ended 30 June 2018 from RUB 3,497 million for the corresponding period of 2017, mainly due to an increase in revenue-generating transportation volumes.

Cash outflow used in investing activities decreased by RUB 1,466 million, or 51.6% year-on-year, to RUB 1,373 million for the six months ended 30 June 2018 from RUB 2,839 million for the corresponding period of 2017. This was primarily as a result of an decrease in capital expenditures from RUB 1,574 million to RUB 1,426 million, respectively, as well as due to a decrease in short-term financial investments from RUB 1,498 million to RUB 506 million, respectively.

Cash outflow from financing activities increased considerably - from negative RUB 1,317 million in the six months ended 30 June 2017 to positive RUB 663 million for the first half of 2018, primarily as a result of RUB 6.0 billion bond placement in January 2018.

Capital Expenditure

Capital expenditure decreased by RUB 148 million, or by 9.4% year-on-year, to RUB 1,426 million in the six months of 2018 from RUB 1,574 million in the corresponding period of 2017. The majority of the capital expenditure was spent on acquiring new ISO containers and flatcars.

Planned capital expenditure for 2018

The Company's capital expenditure programme is aimed at maintaining TransContainer's position as a market leader in the Russian container sector, strengthening its competitive advantages, as well as optimising its asset structure and key operational metrics.

The total capital expenditure for 2018 is budgeted at RUB 12.3 billion (excluding VAT), however, the actual amount of capital expenditure is subject to the market conditions. The 2018 CAPEX programme is focused on the acquisition of flatcars and ISO containers and further improvement of the terminal infrastructure.

Capital resources

The Company's operations and capital expenditure have historically been financed from internally generated cash flow and proceeds from issuing domestic debt. As of 30 June 2018, the Company's financial indebtedness consisted of two outstanding bond issues in an aggregate amount of RUB 11,299 million, compared to RUB 7,703 million as of 30 June 2017. The Company's net debt at the end of the reporting period was RUB 2,249 million.

As of 30 June 2018, the major portion of the Company's financial indebtedness was unsecured. The Company's debt is rouble-denominated and has a fixed interest rate.

RUB-denominated bonds series 4

On 1 February 2013, the Company issued non-convertible five-year bonds for a total amount of RUB 5,000 million at a par value of RUB 1,000 each. Net proceeds from the issuance after the deduction of related offering costs amounted to RUB 4,988 million. The annual coupon rate of the bonds for five years is 8.35% with interest paid semi-annually.

The series 4 bonds were redeemed in four equal semi-annual installments within the fourth and fifth years. The Company fully repaid its obligation in the amount of RUB 1,295 million (including the amount of accrued interest of RUB 45 million) in January 2018.

RUB-denominated bonds series BO-02

On 22 September 2016, the Company issued non-convertible five-year bonds for a total amount of RUB 5,000 million at a par value of RUB 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUB 4,987 million. The annual coupon rate of the bonds for five years is 9.4% with interest paid semi-annually.

The series BO-02 bonds will be redeemed in four equal semi-annual instalments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

As of 30 June 2018, the carrying value of the bonds amounted to RUB 5,121 million. The amount of accrued interest stood at RUB 129 million and has been included as current portion of long-term debt in the interim condensed consolidated statement of the financial position.

RUB-denominated bonds series BO-01

On 25 January 2018, the Company issued non-convertible five-year bonds for a total amount of RUB 6,000 million at a par value of RUB 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUB 5,985 million. The annual coupon rate of the bonds for five years is 7.5% with interest paid semi-annually.

The series BO-01 bonds will be redeemed in four equal semi-annual instalments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

As of 30 June 2018, the carrying value of the bonds amounted to RUB 6,178 million, including the amount of accrued interest of RUB 192 million. The amount of accrued interest has been included as current portion of long-term debt in the interim condensed consolidated statement of the financial position.

Working Capital

The Company's working capital is defined as the difference between its current assets and current liabilities. The table below sets out the key components of TransContainer's working capital for the six months ended 30 June 2018 and 2017.

Working capital structure

| RUB million | 30 June 2018 | 30 June 2017 |
|---|---------------------|---------------------|
| Current assets | | |
| Inventory | 232 | 249 |
| Trade and other receivables | 1,246 | 2,040 |
| Prepayments and other current assets | 3,575 | 4,142 |
| Prepaid income tax | 0 | 5 |
| Short-term investments | 506 | 1,498 |
| Cash and cash equivalents | 8,544 | 4,913 |
| Non-current Assets classified as held for sale | 0 | 0 |
| Total current assets | 14,103 | 12,847 |
| Current liabilities | | |
| Trade and other payables | 4,572 | 5,495 |
| Short-term debt and current portion of long-term debt | 321 | 2,716 |
| Income tax payable | 140 | 160 |
| Taxes other than income tax payable | 366 | 334 |
| Provisions | 0 | 37 |
| Finance lease obligations, current maturities | 0 | 0 |
| Dividends payable | 0 | 650 |
| Accrued and other current liabilities | 647 | 560 |
| Deffered income | 0 | 0 |
| Total current liabilities | 6,046 | 9,952 |
| Working capital | 8,057 | 2,895 |

Working capital increased by RUB 5,162 million to RUB 8,057 million at the end of the reporting period from RUB 2,895 million as at 30 June 2017, primarily due to a rise in cash and cash equivalents.

Downloads

The consolidated financial statements for the second quarter and six months ended 30 June 2018 are available via the National Storage Mechanism at: <http://www.hemscott.com/nsm.do> or at the Company's website <http://www.trcont.com>.

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About TransContainer

TransContainer (LSE ticker: TRCN) is the leading intermodal container transportation company in Russia with a market share of approximately 43%. It is the market leader in Russia by flatcar fleet size, container transportation by rail and rail-side container terminal throughput. As at 30 June 2018, it owned and leased 25,405 flatcars and 67,909 ISO containers. TransContainer also owns a network of rail-side container terminals, located at 40 railway stations across Russia and operates one terminal in Slovakia under a long-term lease agreement. The Company's joint venture JSC Kedentransservice ("Kedentransservice", or "KDTS") also operates 19 inland rail-side terminals in Kazakhstan. The Company's sales network comprises of 101 sales outlets in Russia, along with additional outlets across the CIS, Europe and Asia. TransContainer is listed at Moscow Exchange and LSE. The Company's major shareholder with 50% +2 shares is United Transportation and Logistics Company, established by Russian Railways, Belorussian Railway and Kazakhstan Temir Zholy.

Legal Disclaimer

Some of the information in this announcement may contain projections or other forward-looking statements regarding future events or the future financial performance of the Company. You can identify forward-looking statements by terms such as 'expect', 'believe', 'anticipate', 'estimate', 'intend', 'will', 'could', 'may' or 'might', the negative of such terms or other similar expressions. PJSC "TransContainer" wishes to caution you that these statements are only predictions and that actual events or results may differ materially. PJSC "TransContainer" does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of PJSC "TransContainer", including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, rapid technological and market change in the industries PJSC "TransContainer" operates in, as well as many other risks specifically related to PJSC "TransContainer" and its operations.

¹Transportation of clients' containers by the Company's rolling stock and own loaded containers by its own and third-party flatcars

² The empty run ratio is calculated as an average empty run in kilometers divided by an average total run in kilometers

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