## Results for the twelve months ended 31 December 2012

JSC "TransContainer" (the "Company" together with its consolidated subsidiaries) today publishes its management report together with the audited consolidated financial statements for the full year ended 31 December 2012. The financial statements presented in this announcement has 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 of 31 December 2012, the Company estimates it owns approximately 59% of Russia's flatcar fleet and accounts for an estimated 50% of all rail container transportation in Russia. It owns and operates 25,086 flatcars and more than 60,000 containers. TransContainer also owns a network of rail-side container terminals located at 46 railway stations across Russia and operates one terminal in Slovakia under a long-term lease agreement. The Company also operates 18 inland rail-side terminals in Kazakhstan via its subsidiary Kedentransservice. The Company's sales network is comprised of approximately 140 sales outlets across Russia with a presence in the CIS, Europe and Asia.

During the first ten months of 2012, the rail container market demonstrated strong growth, while in November and December market conditions substantially weakened due to an overall slowdown in the Russian economy. Nevertheless the Company's financial results for the year ended 31 December 2012 confirmed the Company's solid financial profile reflecting its strong market position and the Company's efforts to -improve efficiency.

The Company's rail container transportation volumes for the twelve months ended 31 December 2012 increased by 8.9% to 1,484 thousand TEU compared to 1,362 thousand TEU in the same period of 2011, whilst revenue-generating transportation[1] volumes increased by 9.8% to 1,120 thousand TEU. Terminal handling volumes decreased for the reporting period by 3.7% from 1,483 thousand TEU to 1,428 thousand TEU, mainly due to a 36.9% decrease in handling of medium-duty containers.

During the reporting period, the Company's total revenue increased by 17.9% to RUR 36,396 million, adjusted revenue increased by 13.0% to RUR 25,644 million, operating profit increased by 28.0% to RUR 7,341 million, and EBITDA grew by 22.4% to RUR 10,344 million. Profit for the period increased by 34.0% from RUR 3,843 million to RUR 5,151 million. Total comprehensive income for the period grew by 20.1% from RUR 4,115 million in 2011 to RUR 4,943 million in 2012.

As of 31 December 2012, the Company's total debt was RUR 9,188 million and net debt of only RUR 6,484 million, bringing the Net Debt/EBITDA ratio to a very comfortable 0.63.

Capital expenditure for the year ended 31 December 2012 increased by 34.1% to RUR 5,691 million mostly due to the modernisation of the Company's flatcar fleet and improvements to the fleet structure through the purchase of new 80' flatcars, the acquisition of containers and the modernisation of rail-side terminals. In accordance with the Company's policy, all capital expenditure in 2012 was financed by the Company's own cash flow.

### Recent developments and outlook

In February 2013, the Company successfully placed a new RUR 5 billion 5-year amortising bond with a coupon of 8.35% p.a., setting a new benchmark for the Company's yield curve. The proceeds from the offering were used to refinance the Company's debt including the bond issue series 01 and bank loans.

On the operational side, the Russian container market resumed its growth in March 2013 after a weak performance between November 2012 – February 2013. Since the overall economic environment is still uncertain and Russia's economy demonstrated a mixed performance at the beginning of 2013, the Company's management believes that growth in the Russian rail container market still has to

[1] transportation of clients' containers and own loaded containers

demonstrate its resilience. At the same time, the Company's management expects the rail container market to demonstrate middle single-digit growth rates for the year 2013 as a whole, subject to any external economic shocks, mainly due to continuing growth in Russia's consumer demand and the lower base for the second half of 2012.

Given the weaker demand for rail cargo transportation, higher levels of competition in the container segment may put operator tariffs under pressure. As well as looking to continue with its marketing efforts and making improvements to the quality of service, the Company's management will also look at its pricing policy as costs are optimised and operating efficiency improves, so that profitability levels achieved in 2012 are maintained.

The Company's management will continue to invest in rolling stock and terminal modernisation as well as opportunistic M&A in line with its strategy, subject to changes in the economic environment. In the long term we continue to believe that the Russian container transportation market is fundamentally attractive with sustainable growth potential, driven by Russia's economic development, its further involvement in international trade, WTO accession, growth in consumer demand and containerisation.

## Key operating results

The Company's rail container transportation volumes for the full year 2012 increased by 8.9% to 1,484 thousand TEU compared to 1,362 thousand TEU in 2011, mainly due to an increase in import and transit transportation. Domestic transportation volumes in 2012 grew by 1.9% to 793 thousand TEU.

*Transportation of containers by TransContainer's fleet for 2012 (ISO Loaded + Empty), 000' TEU*

| | 2012 | 2011 | Change | |
|---|---|---|---|---|
| | | | 000' TEU | Percent |
| Domestic Routes | 792.9 | 778.0 | 14.9 | 1.9% |
| Export | 353.2 | 328.6 | 24.7 | 7.5% |
| Import | 247.4 | 221.5 | 25.8 | 11.7% |
| Transit | 90.0 | 33.7 | 56.2 | 166.7% |
| **All Routes** | **1,483.5** | **1,361.8** | **121.7** | **8.9%** |

The Company's revenue-generating container transportation volumes grew by 9.8% to 1,120 thousand TEU, compared with 1,020 thousand TEU in 2011. TransContainer's estimated share of Russia's rail container transportation industry remained flat during 2012 at about 50%.

## Terminal handling

The Company's terminal handling volumes at Russian terminals amounted to 1,428 thousand TEU, representing a decrease of 3.7% YoY. A 1.4% increase in ISO container handling from 1,287 thousand TEU in 2011 to 1,305 thousand TEU in 2012 was offset by a decrease in MDC handling by 36.9% from 196 thousand TEU to 124 thousand TEU.

## Asset utilisation

The empty run ratio for flatcars decreased to 7.5% from 8.3% in 2011 and the empty run ratio for containers increased from 34.4% to 35.9% due to weaker performance in the first half of 2012. Some of the growth in turnover days of containers for 2012 is associated with the higher average transportation distances for the respective periods compared with 2011.

| | 2012 | 2011 |
|---|---|---|
| Turnover of containers, days | 23.1 | 21.9 |
| Turnover of flatcars, days | 13.3 | 13.1 |
| | | |
| Empty run* for containers, % | 35.9% | 34.4% |
| Empty run* for flatcars, % | 7.5% | 8.3% |

* Empty run ratio is calculated as an average empty run in kilometers divided by an average total run in kilometers

**Description of Key Consolidated Statement of Comprehensive Income Items**

The following table sets out the Company's results for the year ended 31 December 2012 and 2011.

| RUR million | 2012 | 2011 | Period on period change | Period on period percent change |
|---|---|---|---|---|
| Revenue | 36,396 | 30,876 | 5,520 | 17.9% |
| Other operating income | 417 | 610 | -193 | -31.6% |
| Operating expenses | -29,472 | -25,751 | -3,721 | 14.4% |
| **Operating profit** | **7,341** | **5,735** | **1,606** | **28.0%** |
| Interest expense | -885 | -841 | -44 | 5.2% |
| Interest income | 212 | 64 | 148 | 231.3% |
| Foreign exchange gain, net | -2 | 119 | -121 | -101.7% |
| Share of result of associates | -19 | -47 | 28 | -59.6% |
| Gain recognised on disposal of interest in former associate | 72 | 0 | 72 | - |
| **Profit before income tax** | **6,719** | **5,030** | **1,689** | **33.6%** |
| Income tax expense | -1,568 | -1,187 | -381 | 32.1% |
| **Profit for the period** | **5,151** | **3,843** | **1,308** | **34.0%** |
| **Attributable to:** | | | | |
| Equity holders of the parent | 5,102 | 3,810 | 1,292 | 33.9% |
| Non-controlling interest | 49 | 33 | 16 | 48.5% |
| **Other comprehensive income** | | | | |
| Exchange differences on translating foreign operations | -208 | 272 | -480 | -176.5% |
| **Total comprehensive income for the period** | **4,943** | **4,115** | **828** | **20.1%** |
| **Attributable to:** | | | | |
| Equity holders of the parent | 4,958 | 3,996 | 962 | 24.1% |
| Non-controlling interest | -15 | 119 | -134 | -112.6% |

The Company's financial results for the year ended 31 December 2012 reflect the market growth in rail container transportation in Russia, as well as the Company's efforts to improve operational efficiency and cost effectiveness.

Despite the weakening market in the fourth quarter of 2012 the Company's total revenue increased by 17.9% to RUR 36,396 million, adjusted revenue increased by 13.0% to 25,644 million. EBITDA grew by 22.4% to RUR 10,344 million, with profit for the period increasing from RUR 3,843 in 2011 to RUR 5,151 million in 2012.

The Company's debt position improved substantially during the year. Total debt decreased from RUR 9,348 million to 9,188 million, bringing Net debt/EBITDA ratio to 0.63 as at 31.12.2012 from 0.72 as at 31.12.2011. The increase in interest income exceeded the increase in interest expense by RUR 104 million.

***Non-IFRS financial information***

Adjusted Revenue, Adjusted Operating Expenses, EBITDA, Adjusted EBITDA Margin and Adjusted Operating Margin are not recognised under IFRS as measures of financial performance, but 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 IFRS.

| RUR million | 2012 | 2011 | Period on period change | Period on period percent change |
|---|---|---|---|---|
| Adjusted Revenue[1] | 25,644 | 22,701 | 2,943 | 13.0% |
| Adjusted operating expenses[2] | -18,720 | -17,576 | -1,144 | 6.5% |
| EBITDA[3] | 10,344 | 8,448 | 1,896 | 22.4% |
| Adjusted EBITDA margin[4] | 40.3% | 37.2% | 3.1% | - |
| Total debt | 9,188 | 9,348 | -160 | -1.7% |
| Net debt[5] | 6,484 | 6,107 | 377 | 6.2% |
| Net debt / EBITDA | 0.63 | 0.72 | -0.10 | - |

[1]Adjusted Revenue is calculated as total revenue less cost of integrated freight forwarding and logistics services.
[2] Adjusted Operating Expenses are calculated as operating expenses less cost of integrated freight forwarding and logistics services.
[3] EBITDA is defined as profit for the period before income tax, interest expense and depreciation and amortisation.
[4] Adjusted EBITDA Margin is defined as EBITDA divided by Adjusted Revenue.
[5] Net Debt is calculated as long-term debt, finance lease obligations, short-term debt and current portion of long-term debt less cash and cash equivalents and short-term investments.

***Revenue***

The following table sets out the breakdown of total revenue for the year ended 31 December 2012 and 2011 respectively.

| RUR million | 2012 | 2011 | Period on period change | Period on period percent change |
|---|---|---|---|---|
| Integrated freight forwarding and logistics services | 19,277 | 14,894 | 4,383 | 29.4% |
| Rail-based container shipping services | 10,014 | 9,312 | 702 | 7.5% |
| Terminal services and agency fees | 4,031 | 3,426 | 605 | 17.7% |
| Truck deliveries | 1,631 | 1,710 | -79 | -4.6% |
| Other freight forwarding services | 833 | 1,025 | -192 | -18.7% |
| Bonded warehousing services | 388 | 383 | 5 | 1.3% |
| Other | 222 | 126 | 96 | 76.2% |
| **Total revenue** | **36,396** | **30,876** | **5,520** | **17.9%** |

Total revenue increased by RUR 5,520 million, or 17.9%, from RUR 30,876 million for the year ended 31 December 2011 to RUR 36,396 million for the year ended 31 December 2012. This increase was primarily due to a higher demand for the Company's key services, mainly during the first three quarters of the year, on the back of strong consumer confidence which led to an increase in transportation volumes and support for a more favorable pricing environment. The increase in the Company's total revenue was partially offset by weakening in demand for container transportation during November-December 2012, as well as by a reduction in container handling volumes at the rail-side terminals of the Company in Russia, mainly due to the fading out of MDCs.

***Adjusted Revenue***

The following table sets out adjusted revenue calculations for the year ended 31 December 2012 and 2011 respectively.

| RUR million | 2012 | 2011 | Period on period change | Period on period percent change |
|---|---|---|---|---|
| Total revenue | 36,396 | 30,876 | 5,520 | 17.9% |
| Cost of integrated freight forwarding and logistics services | 10,752 | 8,175 | 2,577 | 31.5% |
| **Adjusted Revenue** | **25,644** | **22,701** | **2,943** | **13.0%** |

Adjusted revenue (as defined above) grew by 13.0% from RUR 22,701 million for the year ended 31 December 2011 to RUR 25,644 million for the year ended 31 December 2012. This was primarily due to a 9.8% increase in revenue-generating rail container transportation volumes by the Company's fleet to 1,120 thousand TEU for the year ended 2012, compared to 1,020 thousand TEU for the same period of 2011, with support also coming from the Company's pricing policy.

The following table sets out the components of relative contribution to adjusted revenue for the year ended 31 December 2012 and 2011.

| | 2012 | | 2011 | | Period on period change | |
|---|---|---|---|---|---|---|
| | **RUR mln** | **share, %** | **RUR mln** | **share, %** | **RUR mln** | **Percent** |
| Rail-based container shipping services | 10,014 | 39.1% | 9,312 | 41.0% | 702 | 7.5% |
| Adjusted integrated freight forwarding and logistics services | 8,525 | 33.2% | 6,719 | 29.6% | 1,806 | 26.9% |
| Terminal services and agency fees | 4,031 | 15.7% | 3,426 | 15.1% | 605 | 17.7% |
| Truck deliveries | 1,631 | 6.4% | 1,710 | 7.5% | -79 | -4.6% |
| Other freight forwarding services | 833 | 3.2% | 1,025 | 4.5% | -192 | -18.7% |
| Bonded warehousing services | 388 | 1.5% | 383 | 1.7% | 5 | 1.3% |
| Other | 222 | 0.9% | 126 | 0.6% | 96 | 76.2% |
| **Total adjusted revenue** | **25,644** | **100%** | **22,701** | **100%** | **2,943** | **13.0%** |

There were no substantial changes in the structure of the adjusted revenue during 2012. For the year ended 31 December 2012, rail-based container transportation services remained the largest component of adjusted revenue, representing 39.1% of adjusted revenue, compared to 41.0% in the same period of 2011. The share of integrated freight forwarding and logistics services net of cost of integrated freight forwarding and logistics services increased to 33.2% from 29.6%, the share of terminal services and agency fees increased to 15.7% whilst the shares of other services decreased marginally.

*Integrated freight forwarding and logistics services*

Revenue from integrated freight forwarding and logistics services increased by 29.4% to RUR 19,277 million in 2012.

The following table sets out adjusted integrated freight forwarding and logistics services calculation for the year ended 31 December 2012 and 2011.

| RUR million | 2012 | 2011 | Period on period change | Period on period percent change |
|---|---|---|---|---|
| Integrated freight forwarding and logistics services | 19,277 | 14,894 | 4,383 | 29.4% |

| | | | | |
|---|---|---|---|---|
| Cost of integrated freight forwarding and logistics services | 10,752 | 8,175 | 2,577 | 31.5% |
| **Adjusted revenue from integrated freight forwarding and logistics services** | **8,525** | **6,719** | **1,806** | **26.9%** |

Revenue from adjusted integrated freight forwarding and logistics services grew by 26.9% to RUR 8,525 million for the year ended 31 December 2012. This increase was primarily due to a growth in loaded container transportation volumes under integrated logistics contracts by 17.7% from 419 thousand TEU in 2011 to 493 thousand TEU in 2012, as well as an increase in average prices driven by higher customer demand.

*Rail-based container transportation services*

Revenue from rail-based container transportation increased by 7.5% to RUR 10,014 million for the reporting period from RUR 9,312 million for the same period of 2011 mainly due to an increase in revenue-generating transportation volumes, other than under integrated logistics contracts, in terms of TEU by 4.3% from 601 thousand TEU in 2011 to 627 thousand TEU in 2012, as well as due to an accrued price increase undertaken by the Company.

*Terminal services and agency fees*

Revenue from terminal services, including agency fees, increased by 17.7% to RUR 4,031 million for the year ended 31 December 2012 from RUR 3,426 million in 2011.

This increase was primarily due to the consolidation of JSC Kedentransservice, a leading operator of rail terminals in Kazakhstan, from 18 March 2011. Terminal throughput in Russia changed insignificantly due to a decrease in container handling volumes compensated by increased prices.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, increased by 1.0% to RUR 1,846 million for the year ended 31 December 2012 compared to RUR 1,828 million for 2011, as a result of a 3.7% decrease in TransContainer's terminal network throughput in Russia, offset by tariff indexing.

*Truck deliveries*

Revenue from truck deliveries decreased by RUR 79 million, or by 4.6%, to RUR 1,631 million for the year ended 31 December 2012 from RUR 1,710 million for 2011. This was due to a 8.3% reduction in container transportation volumes by the Company's own and outsourced truck fleet from 657 thousand TEU in 2011 to 602 thousand TEU in 2012, a result of a decrease in the Company's terminal throughput, partly offset by the increase of prices.

*Other freight forwarding and logistics services*

Revenue from other freight forwarding and logistics services, which are freight forwarding and logistics services of a non-integrated nature, decreased by 18.7% from RUR 1,025 million to RUR 833 million for the year ended 31 December 2012. This decrease was primarily due to changes in the structure of services provided by the Company's subsidiary JSC Kedentransservice due to an adjustment to the business model of the Company in Kazakhstan.

*Bonded warehousing services*

Revenue from bonded warehousing services increased by RUR 5 million, or 1.3%, to RUR 388 million for the year ended 31 December 2012 from RUR 383 million in 2011 This was primarily due to the consolidation of JSC Kedentransservice, a leading operator of rail terminals in Kazakhstan.

***Operating expenses***

The following table sets out a breakdown of the Company's operating expenses for the year ended 31 December 2012 and 2011 respectively.

| RUR million | 2012 | 2011 | Period on period change | Period on period percent change |
|---|---|---|---|---|
| Cost of integrated freight forwarding and logistics services | 10,752 | 8,175 | 2,577 | 31.5% |
| Freight and transportation services | 4,920 | 4,624 | 296 | 6.4% |
| Payroll and related charges | 5,106 | 4,728 | 378 | 8.0% |
| Depreciation and amortisation | 2,740 | 2,577 | 163 | 6.3% |
| Materials, repair and maintenance | 2,806 | 2,363 | 443 | 18.7% |
| Taxes other than income tax | 591 | 995 | -404 | -40.6% |
| Rent | 540 | 411 | 129 | 31.4% |
| Other expenses | 2,017 | 1,878 | 139 | 7.4% |
| **Total operating expenses** | **29,472** | **25,751** | **3,721** | **14.4%** |

TransContainer's total operating expenses grew by RUR 3,721 million, or 14.4%, to RUR 29,472 million for the year ended 31 December 2012 from RUR 25,751 million in 2011, primarily due to an increase in the cost of integrated freight forwarding and logistics services.

The following table sets out a breakdown of the Company's largest operating expenses for the year ended 31 December 2012 and 2011 respectively.

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | RUR mln | Percent of operating expenses | Percent of total revenue | RUR mln | Percent of operating expenses | Percent of total revenue |
| Cost of integrated freight forwarding and logistics services | 10,752 | 36.5% | 29.5% | 8,175 | 31.7% | 26.5% |
| Freight and transportation services | 4,920 | 16.7% | 13.5% | 4,624 | 18.0% | 15.0% |
| Payroll and related charges | 5,106 | 17.3% | 14.0% | 4,728 | 18.4% | 15.3% |
| Depreciation and amortisation | 2,740 | 9.3% | 7.5% | 2,577 | 10.0% | 8.3% |
| Materials, repair and maintenance | 2,806 | 9.5% | 7.7% | 2,363 | 9.2% | 7.7% |
| Taxes other than income tax | 591 | 2.0% | 1.6% | 995 | 3.9% | 3.2% |
| Rent | 540 | 1.8% | 1.5% | 411 | 1.6% | 1.3% |
| Other expenses | 2,017 | 6.8% | 5.5% | 1,878 | 7.3% | 6.1% |
| **Total operating expenses** | **29,472** | **100.0%** | **81.0%** | **25,751** | **100.0%** | **83.4%** |

As a percentage of the total revenue, total operating expenses decreased from 83.4% for the year ended 31 December 2011 to 81.0% for the year ended 31 December 2012, primarily due to an increase in total revenue exceeding an increase in operating expenses. As a percentage of total revenue, costs related to freight and transportation services decreased from 15.0% in 2011 to 13.5% in 2012; cost of integrated freight forwarding and logistics services increased from 26.5% in 2011 to 29.6% in 2012; share of costs for materials, repair and maintenance remained flat at 7.7% as a percentage of total revenue.

*Cost of integrated freight forwarding and logistics services*

Costs of integrated freight forwarding and logistics services increased by 31.5%, to RUR 10,752 million for the year ended 31 December 2012 from RUR 8,175 million for the same period of 2011, driven by a number of factors set out below:

i) a 17.7% increase in container transportation volumes under integrated logistics contracts from 419 thousand TEU in 2011 to 493 thousand TEU in 2012;

ii) an increase of share of the cost of integrated freight forwarding and logistics services in the end price of service due to change in the structure of service to a more complex one;

iii) an increase in infrastructure tariffs (including the tariffs paid to Russian Railways and JSC "National Company "Kazakhstan Temir Zholy").

***Adjusted operating expenses***

The following table sets out adjusted operating expenses for the year ended 31 December 2012 and 2011 respectively.

| RUR million | 2012 | 2011 | Period on period change | Period on period percent change |
|---|---|---|---|---|
| Total operating expenses | 29,472 | 25,751 | 3,721 | 14.4% |
| Cost of integrated freight forwarding and logistics services | 10,752 | 8,175 | 2,577 | 31.5% |
| **Adjusted operating expenses** | **18,720** | **17,576** | **1,144** | **6.5%** |

Adjusted operating expenses, as defined above, increased by a moderate 6.5% to RUR 18,720 million for the year ended 31 December 2012 from RUR 17,576 million for 2011, primarily due to the cost of materials, repair and maintenance; payroll and related charges; and freight and transportation services expenses. The effect of these factors was partially offset by a decrease in taxes other than income tax.

The following table sets out a breakdown of the Company's adjusted operating expenses, as defined above, for the year ended 31 December 2012 and 2011 respectively.

| | 2012 | | 2011 | | Period on period change | |
|---|---|---|---|---|---|---|
| | RUR mln | Percent of adjusted operatin g expenses | RUR mln | Percent of adjusted operating expenses | RUR mln | Percent change |
| Freight and transportation services | 4,920 | 26.3% | 4,624 | 26.3% | 296 | 6.4% |
| Payroll and related charges | 5,106 | 27.3% | 4,728 | 26.9% | 378 | 8.0% |
| Depreciation and amortisation | 2,740 | 14.6% | 2,577 | 14.7% | 163 | 6.3% |
| Materials, repair and maintenance | 2,806 | 15.0% | 2,363 | 13.4% | 443 | 18.7% |
| Taxes other than income tax | 591 | 3.2% | 995 | 5.7% | -404 | -40.6% |
| Rent | 540 | 2.9% | 411 | 2.3% | 129 | 31.4% |
| Other expenses | 2,017 | 10.8% | 1,878 | 10.7% | 139 | 7.4% |
| **Adjusted operating expenses** | **18,720** | **100.0%** | **17,576** | **100.0%** | **1,144** | **6.5%** |

There were no substantial changes in the structure of adjusted operating expenses. Freight and transportation services as a percentage of adjusted operating expenses remained at 26% for the year ended 31 December 2012; the share of other expenses was approximately 11% in 2012, the same as in 2011; whilst payroll and related charges changed marginally, increasing from 26.9% to 27.3%; and share of taxes other than income tax decreased from 5.7% to 3.2%.

*Payroll and related charges*

Payroll and related charges increased by RUR 378 million, or 8.0%, to RUR 5,106 million for the year ended 31 December 2012 from RUR 4,728 million for 2011. This increase was a result of several factors set out below:

i) wage indexing and an increase in performance-linked payments to employees due to an improvement in the Company's performance;
ii) a decrease in the average headcount of 4.1% in TransContainer;
iii) provisions created in respect of different payments to the Company's personnel;
iv) partial release of provisions related to the Company's stock option programme due to partial vesting of its first tranche;
v) the consolidation of JSC Kedentransservice on 18 March 2011.

*Freight and transportation services*

Expenses relating to freight and transportation services increased by RUR 296 million, or 6.4%, to RUR 4,920 million for the year ended 31 December 2012. This increase was mainly due to a number of factors set out below:

i) an increase in empty run ratio of containers from 34.4% in 2011 to 35.9% in 2012;
ii) an increase in rail-based transportation by the Company's own containers by 3.3% from 933 thousand TEU in 2011 to 963 thousand TEU in 2012;
iii) a 6% increase in tariffs charged for empty runs by Russian Railways;
iv) costs of JSC Kedentransservice for empty runs as a result of a launch of rail container transportation business in Central Asia. These factors were partially offset by a decrease in flatcar empty run ratio and a reduction in outsourced trucking costs.

*Depreciation and amortisation*

Depreciation and amortisation increased by 6.3% to RUR 2,740 million in 2012 from RUR 2,577 million in 2011. The increase was primarily due to the acquisition of new rolling stock and containers, lifting equipment and other fixed assets, as well as the consolidation of JSC Kedentransservice.

*Materials, repair and maintenance*

Expenses related to materials, repair and maintenance increased by 18.7%, to RUR 2,806 million in 2012 from RUR 2,363 million in 2011, primarily due to an average increase of prices for repairs of flatcars by 28.9% partially offset by a reduction in the number of repairs and a decrease in expenses related to the repair of buildings. Consolidation of JSC Kedentransservice also contributed to the cost item.

*Taxes other than income tax*

Taxes other than income tax reduced by 40.6% to RUR 591 million in 2012 from RUR 995 million in 2011. This was primarily due to VAT settlements that significantly exceeded an increase in corporate property tax and other taxes.

*Rent*

Rent expenses grew by RUR 129 million, or by 31.4% to RUR 540 million in the reporting period from RUR 411 million in the same period of 2011, primarily due to consolidation of JSC Kedentransservice.

*Other expenses*

Other expenses are an aggregate of various expense items such as security, consulting expenses, fuel and energy, licences and software, communication services, provisions for impairment etc. Other expenses increased by 7.4% to RUR 2,017 million in 2012 from RUR 1,878 million in 2011, primarily due to an increase in expenses related to charity, security, fuel and energy, payments for license and software, partly offset by a decrease in expenses for consulting services.

*Operating profit*

Operating profit increased by RUR 1,606 million, or 28.0%, to RUR 7,341 million in 2012 from RUR 5,735 million in the same period of 2011, as a result of the factors discussed above.

*Interest expense*

Interest expenses increased by RUR 44 million, or 5.2%, to RUR 885 million in 2012 from RUR 841 million in 2011 due to an increase in total debt throughout 2011 when the Company obtained loans from OJSC Alfa Bank for RUR 1,822 million to finance the acquisition of JSC Kedentransservice and from LLC Trust Union Asset Management for RUR 514 million to finance the Company's management stock option programme. These factors were partially offset by a reduction in bond expenses due to the redemption of bonds of JSC Kedentransservice in April 2012 and redemption of the financial lease obligations in 2012.

*Interest income*

Interest income increased by RUR 148 million to RUR 212 million in 2012 from RUR 64 million in 2011 due to an increase in cash balances in deposit accounts resulting from an increase in cash inflows from operating activities in 2012 as well as an accumulation of cash in anticipation of dividend payments in July 2012 and redemption of series 01 bond of JSC TransContainer in the beginning of 2013.

*Profit before income tax*

Profit before income tax increased by RUR 1,689 million, or by 33.6%, from RUR 5,030 million for year ended 31 December 2011 to RUR 6,719 million for the year ended 31 December 2012. This increase was due to the factors discussed above.

*Income tax expenses*

Income tax expenses increased by RUR 381 million, or 32.1%, to RUR 1,568 million in 2012 from RUR 1,187 million in 2011 primarily due to an increase in profit before income tax. The effective tax rate in the reporting period remained flat at 23.3% in 2012 compared to 23.6% in 2011.

*Profit and Total comprehensive income for the period*

As a result of the factors discussed above the profit for the year ended 31 December 2012 increased by RUR 1,308 million, or 34.0% and reached RUR 5,151 million as compared with RUR 3,843 million for the year ended 31 December 2011. Taking into account the exchange differences in translating foreign operations, the total comprehensive income for the year ended 31 December 2012 totaled RUR 4,943 million compared to RUR 4,115 million for the year ended 31 December 2011.

## Liquidity and Capital Resources

As of 31 December 2012 the Company's net cash and cash equivalents amounted to RUR 1,365 million and the Company's current liabilities exceeded current assets by RUR 2,036 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for, amongst other things, the purchase of flatcars and containers, the development of rail-side terminals and investment in the expansion and modernisation of its lifting equipment and truck fleet. During 2012 the Company's operations and its capital expenditures were financed from internally generated cash flows.

### *Cash flows*

The following table sets out the principal components of the Company's consolidated cash flows for the year ended 31 December 2012 and 2011 respectively.

| | **2012** | **2011** |
|---|---|---|
| Net cash provided by operating activities | 7,246 | 5,779 |
| Net cash used in investing activities | -6,061 | -6,163 |
| Net cash provided by financing activities | -2,067 | 1,287 |
| Net increase in cash and cash equivalents | -882 | 903 |
| **Net cash and cash equivalents at the end of the period** | **1,365** | **2,300** |

*Cash flow generated by operating activities*

Cash flow generated by operating activities increased by RUR 1,467 million, or 25.4%, to RUR 7,246 million in 2012 from RUR 5,779 million in 2011. This was primarily due to an increase in operating profit before working capital changes of RUR 1,896 million from RUR 8,290 million in 2011 to RUR 10,186 million in 2012. The cash flow generated by operating activities were negatively affected by changes in working capital as well as income tax payments.

*Cash flow used in investing activities*

Cash flow used in investing activities decreased by RUR 102 million, or 1.7% to RUR 6,061 million in 2012 from RUR 6,163 million in 2011. This decrease was primarily due to changes in payments for the acquisition of a stake in JSC Kedentransservice (RUR 103 million in 2012 as compared to RUR 1,551 million in 2011) as well as an increase of interest received by RUR 129 million. This decrease was partially offset by an increase in the purchase of property, plant and equipment by 34.1%, or RUR 1,447 million .

*Cash flow generated by financing activities*

Cash flow generated by financing activities turned to negative RUR 2,067 million in 2012 from positive RUR 1,287 million in 2011, primarily due to dividend payments of RUR 1,228 million, as well as no loans taken in 2012 as compared to RUR 2,336 million of loans the Company obtained in 2011.

## *Capital Expenditure*

Capital expenditure increased by RUR 1,447 million, or 34.1%, to RUR 5,691 million in 2012 from RUR 4,244 million in 2011. The majority of the capital expenditure was a result of the acquisition of flatcars and ISO containers. During 2012 the Company acquired 813 units of 80 foot flatcars and 450 units of 40' foot flatcars.

In 2012 the Company's capital expenditure included primarily construction, repair and modernisation of terminals, the purchase of buildings and the purchase of lifting equipment and trucks.

*Planned capital expenditure for 2013*

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

The total capital expenditure in 2013 is estimated at RUR 9.1 billion (excluding VAT), subject to market conditions, of which up to RUR 4.4 billion may be spent on the acquisition of new flatcars (including leasing); up to RUR 1.7 billion on the upgrade and modernisation of the Company's key rail-side terminals; up to RUR 1.2 billion on the acquisition of containers and up to RUR 1.8 billion on other capital expenditure items such as lifting equipment, trucks and other equipment.

## Capital resources

The Company's operations and capital expenditures have historically been financed primarily from internally generated cash flow and proceeds from issuing domestic debt. As of 31 December 2012, the Company's financial indebtedness consisted of two outstanding bond issues, bank loans, financial lease obligations and other borrowings in an aggregate amount of RUR 9,188 million compared to RUR 9,348 million as of 31 December 2011. As of 31 December 2012, the Company's net debt was RUR 6,484 million.

As of 31 December 2012, the major portion of the Company's financial indebtedness was unsecured, except for the obligations under finance leases, which were secured by the lessors' title to the lease assets. The Company's indebtedness is denominated in Russian Roubles and fixed-rated.

*RUR bonds series 1*

On 4 March 2008, the Company issued non-convertible five-year bonds for a total amount of RUR 3,000 million at a par value of RUR 1,000 each. The coupon rate set for 2011 and 2012 was 9.5% per annum. The carrying value of the bonds as of 31 December 2012 amounted to RUR 3,000 million (RUR 3,000 million as of 31 December 2011). The amount of accrued interest was RUR 98 million as at 31 December 2012 (RUR 96 million as at 31 December 2011).

These bonds were redeemed in February 2013 and for reporting purposes were classified as a short-term debt in the consolidated statement of financial position as at 31 December 2012.

*RUR bonds series 2*

On 10 June 2010, the Company issued non-convertible five-year amortising bonds for a total amount of RUR 3,000 million at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 2,975 million. The annual coupon on the bonds for five years is 8.8% with interest paid semi-annually. The series 2 bonds will be redeemed in four equal semi-annual installments during the fourth and fifth year. As a result, these bonds are classified as long-term borrowings as at the reporting date.

The carrying value of the bonds as at 31 December 2012 amounted to RUR 2,982 million (RUR 2,978 million at 31 December 2011). The carrying value of these bonds is classified as RUR 2,232 million of long-term debt and RUR 750 million of short-term debt in the consolidated statement of financial position. The amount of accrued interest is RUR 22 million (RUR 21 million as at 31 December 2011), and has been included as short-term debt in the consolidated statement of financial position.

*Kazakh Tenge-denominated bonds*

Due to the acquisition of the subsidiary, the Company accepted obligations on bonds issued on 3 March 2006 amounting to 1,694,320 coupon bonds at a par value of Kazakh Tenge (KZT) 1,000 each without any security. The bonds were redeemed on 3 April 2012 and as of 31 December 2012 were not included in the consolidated statement of financial position.

*Bank loans and other borrowings*

On 18 March 2011 and 17 June 2011, the Company obtained loans from Alfa Bank for the total principal amount of RUR 1,822 million at interest rates varying from 9.5% to 9.75% per annum. The amount of accrued interest is RUR 3 million and has been included as short-term debt in the consolidated statement of financial position. These loans were drawn down to finance the acquisition of JSC Kedentransservice. The loans are unsecured and have a seven year maturity. The Group is obliged to observe a Debt/EBITDA ratio and a minimum level of quarterly cash turnover with Alfa Bank. As of 31 December 2012, the Group was in compliance with the covenants. These loans were pre-paid in full in February 2013.

On 23 May 2011, the Company borrowed funds from LLC TrustUnion AM for the principal amount of RUR 514 million at an interest rate of 9.5% per annum with a five year maturity to finance the acquisition of the Company's ordinary shares for a share option plan for the Company's management. The outstanding debt as of 31 December 2012 was RUR 499 million (RUR 501 million as of 31 December 2011).

As of 31 December 2011 the Company also recognised financial obligations under the repurchase of previously sold shares for the amount of RUR 63 million in accordance with repurchase agreements between LLC Prostor Invest Group, a subsidiary of JSC TransContainer, and CJSC Investment company Troika Dialog.

*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 year ended 31 December 2012.

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| **Current assets** | | |
| Inventory | 334 | 278 |
| Trade and other receivables | 1,284 | 1,152 |
| Prepayments and other current assets | 4,435 | 3,702 |
| Prepaid income tax | 132 | 193 |
| Short-term investments | 1,339 | 941 |
| Cash and cash equivalents | 1,365 | 2,300 |
| Non-current Assets classified as held for sale | 0 | 0 |
| **Total current assets** | **8,889** | **8,566** |
| | | |
| **Current liabilities** | | |

| | | |
|---|---|---|
| Trade and other payables | 3,788 | 4,593 |
| Short-term debt | 5,695 | 553 |
| Income tax payable | 169 | 134 |
| Taxes other than income tax payable | 367 | 303 |
| Provisions | 10 | 5 |
| Finance lease obligations current maturities | 94 | 479 |
| Dividends payable | 0 | 0 |
| Accrued and other current liabilities | 802 | 689 |
| Deferred income | 0 | 13 |
| **Total current liabilities** | **10,925** | **6,769** |
| **Working capital** | **-2,036** | **1,797** |

Working capital decreased by RUR 3,833 million to negative RUR 2,036 million in 2012 from positive RUR 1,797 million at the beginning of the reporting period. This decrease was primarily due to an increase of RUR 5,142 million in short-term debt reclassified as debt falling due within 12 months from the reporting date within current liabilities. Such debt includes TransContainer series 01 bond issue, first installment of series 2 issue and bank loans prepaid in February 2013 from the proceeds from the issuance of TransContainer series 04 bonds.

**Downloads**

The consolidated financial statements for the year ended 31 December 2012 are available via the National Storage Mechanism at: http://www.hemscott.com/nsm.do or at the Company's website: http://www.trcont.ru

**25 April 2013**

**Enquiries:**


**TransContainer**

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