

FOR IMMEDIATE RELEASE

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PJSC TransContainer

Results for full year ended 31 December 2018

PJSC "TransContainer" ("TransContainer" or the "Company" together with its consolidated subsidiaries) today publishes its management report together with the audited consolidated financial statements for full year ended 31 December 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 31 December 2018, the It owned and leased 26,457 flatcars and 70,478 ISO containers, respectively, as at the end of the reporting period. The Company's assets accounted for approximately 42% of Russia's rail container transportation market. TransContainer also owns a network of rail-side container terminals, located at 39 railway stations across Russia. The Company also owns and operates terminals through its subsidiaries and JVs: TransContainer Slovakia a.s. operates one terminal in Slovakia, LLC FVKS operates two terminals in Russia, JSC Logistika-Terminal operates one terminal in Russia, JSC KedenTransService ("KedenTransService", or "KDTS"), operates 19 inland rail-side terminals in Kazakhstan. TransContainer's sales network comprises 95 sales outlets in Russia, along with additional outlets across the CIS, Europe and Asia.

In the reporting year, the Russian rail container market grew by 14.4% year-on-year and reached the record high level of 4,441 thousand twenty-foot equivalent units ("TEU"). In terms of segment breakdown, domestic transportation volumes were up 5.1% year-on-year, export transportation increased by 17.3% year-on-year, while import and transit transportation volumes surged by 22.0% and 35.1%, respectively.

The implementation of the Company's strategy aimed at improving competitiveness and operational efficiency resulted in the historical high operating and financial results for the Company. Amid the favorable market environment, the Company focused on providing its customers with high-quality transportation services, pursued a moderate pricing policy and worked towards improving fleet management, while enhancing its logistics and undertaking cost optimisation measures.

As a result, in 2018, the transportation volumes by Company's assets grew by 6.1% year-on-year to 1,886 thousand TEU; revenue-generating volumes increased by 8.4% year-on-year to 1,544 thousand TEU; adjusted revenue increased by 12.6% year-on-year to RUB 31,288 million; operating profit surged by 48.6% year-on-year to RUB 11,559 million and net profit increased by 45.5% year-on-year amounting to RUB 9,509 million.

In terms of profitability metrics, all the key ratios - net profit margin and return on equity, met the targets outlined in the Company's strategy, expanding to 30.4%, and 20.6%, respectively.

The summary of the Company's key financial metrics is presented in the table below:

	FY2018	FY2017	Year-on-year change	
RUB million			RUB mln	Percent
Total revenue	76,959	65,567	+11,392	+17.4%
Adjusted revenue ¹	31,288	27,782	+3,506	+12.6%
Adjusted operating expenses ²	21,215	20,653	+562	+2.7%
EBITDA ³	13,342	10,252	+3,090	+30.1%

EBITDA margin ⁴	42.6%	36.9%	6%	
Profit for the period	9,509	6,534	+2,975	+45.5%
Net income margin	30.4%	23.5%	7%	
Total debt	11,306	6,412	+4,894	+76.3%
Net debt ⁵	1,779	2,241	-462	-20.6%
LTM EBITDA ⁶	13,342	10,252	+3,090	+30.1%
Net debt / LTM EBITDA	13%	22%	-15%	

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

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

³ EBITDA is defined as profit for the period before income tax, interest expense and depreciation and amortisation less interest received, effect of foreign exchange, share of result of associates and JVs, gain on the sale and disposal of property, plant and equipment and goodwill.

⁴ 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.

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

On the back of a strong customer demand for transportation services, the Company's capital expenditure tripled in 2018 and amounted to RUB 7,032 million. During the reporting period, TransContainer spent, however, less than it budgeted mainly due to a delay in delivery of flatcars by manufacturers. The major part of CAPEX was spent on the acquisition of flatcars and ISO containers.

As at 31 December 2018, the Company's total debt was RUB 11,306 million with net debt of only RUB 1,779 million, bringing the Net debt/EBITDA ratio to 13%.

Recent developments and outlook

In the first quarter of 2019, the Russian rail container market has continued its robust growth, expanding by approximately 12% year-on-year for the first two months of 2019. The Company currently expects the Russian rail container market to grow at a high single-digit rate this year. TransContainer will continue closely monitoring current market trends and developments.

To facilitate the market growth, the Company has budgeted its capital expenditure programme for 2019 amounting to RUB 13.3 billion. The vast majority of CAPEX is expected to be invested in acquisition of new flatcars and containers. The Company notes risks of higher than expected prices for the new flatcars and cast amid the strong operator's demand and shortage of production capacities in Russia. Therefore, it will work on improving productivity of its existing fleet to meet customers' demand for container transportation.

The Company believes that Russia's rail container transportation market has a long-term growth potential driven by ongoing rail cargo containerisation, growth of the Russian economy and further growth of China-Europe transit. Thus, TransContainer will continue focusing on investment in transportation assets, further business optimisation, improving management efficiency, asset utilisation and the quality of customer service in order to increase the attractiveness of container transportation for existing and potential clients.

Key operating results

Rail container transportation

In 2018, container volumes transported by the Company's flatcar and/or container fleet grew by 6.1% year-on-year to 1,886 thousand TEU, mainly as a result of an increase in import and export transportation.

Container transportation by TransContainer's assets for full year 2018 (ISO Loaded + Empty), 000' TEU

	FY2018	FY2017	Year-on-year change	
			000' TEU	Percent
Domestic Routes	886.6	903.7	-17.2	-1.9%
Export	476.7	432.1	+44.6	+10.3%
Import	355.5	315.5	+40.0	+12.7%
Transit	166.7	126.0	+40.7	+32.3%
All Routes	1,885.5	1,777.3	+108.2	+6.1%

Container volumes transported by the Company's flatcar fleet for the full year of 2018 increased by 8.4% year-on-year to 1,806 thousand TEU from 1,665 thousand TEU a year earlier. The Company's revenue-generating container transportation volumes in Russia amounted to 1,544 thousand TEU in 2018, up 8.3% year-on-year. The total volume of rail container transportation performed under the Company's management amounted to 1,958 thousand TEU in 2018, up 4.6% year-on-year.

Terminal handling

In 2018, the Company's container terminal throughput was up 5.2% and amounted to 1,279 thousand TEU compared to 1,294 thousand TEU in 2017.

The Company's container handling lagged the level of growth witnessed in the container transportation market as a result of a higher share of the export and transit transportation, especially through Mongolia and Kazakhstan. It was also due to closing of the Company's two terminals in Moscow in the second half of 2017, in line with the Moscow government's policy to reduce number of freight terminals located within the city.

Asset utilisation

In 2018, Company's container empty run ratio improved to 17.6% from 19.2% in 2017, due to the optimisation of sales and operations planning and tariffs adjustments on main empty run routes. Flatcars empty run ratio improved from 3.9% in 2017 to 3.0% in the reporting year, reflecting the continuing optimisation of fleet management and favourable market trends.

	FY 2018	FY 2017
Turnover of containers, days	32.5	37.8
Turnover of flatcars, days	11.9	12.1
Empty run ¹ for containers, %	17.6%	19.2%
Empty run ² for flatcars, %	3.0%	3.9%

¹ The empty run ratio is calculated as an average empty container*kilometers divided by an average total container*kilometers

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

The turnover of flatcars improved from 12.1 days in 2017 to 11.9 days in 2018, while the turnover of containers decreased from 37.8 to 32.5 days, respectively, as a result of the management's efforts to boost the Company's assets utilisation.

Description of Key Consolidated Statement of Comprehensive Income Items

Summary of the Company's key results for full year ended 31 December 2018 and 2017, respectively:

RUB million	FY 2018	FY 2017	Year-on-year change	
			RUB mln	%
Revenue	76,959	65,567	+11,392	+17.4%
Other operating income	1,486	647	+839	+129.7%
Operating expenses	-66,886	-58,438	-8,448	+14.5%
Operating profit	11,559	7,776	+3,783	+48.6%
Interest expense	-885	-634	-251	+39.6%
Interest income	465	301	+164	+54.5%
Foreign exchange gain, net	417	-23	+440	-
Share of result of associates and JVs	268	704	-436	-61.9%
Other financial results, net	154	48	+106	+220.8%
Profit before income tax	11,978	8,172	+3,806	+46.6%
Income tax expense	-2,469	-1,638	-831	+50.7%
Profit for the period	9,509	6,534	+2,975	+45.5%
Other comprehensive income/loss	312	-26	+338	-
Remeasurements and other reserves for post-employment benefit plans	117	102	+15	+14.7%
Exchange differences on translating foreign operations (TRCN)	49	14	+35	+250.0%
Exchange differences on translating foreign operations (Associates & JV)	146	-142	+288	-
Other effects	0	0	-	-
Total comprehensive income for the period	9,821	6,508	+3,313	+50.9%

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 third-party charges included in TransContainer's revenues

Item	FY 2018	FY 2017	Year-on-year change	
			RUB mln	%
3rd-party charges related to integrated freight forwarding and logistics	45,671	35,805	+9,866	+27.6%
Cargo transportation and handling services with involvement of third parties	0	1,980	-1,980	-100.0%
Third-party charges related to principal activities	45,671	37,785	+7,886	+20.9%

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

Total revenue adjustments

Item	FY 2018	FY 2017	Year-on-year change	
			RUB mln	%
Total revenue	76,959	65,567	+11,392	+17.4%
Third-party charges related to principal activities	-45,671	-37,785	-7,886	+20.9%
Adjusted Revenue	31,288	27,782	+3,506	+12.6%

Integrated freight forwarding and logistics services revenue adjustment

Item	FY 2018	FY 2017	Year-on-year change	
			RUB mln	%
Integrated freight forwarding and logistics services	71,158	57,052	+14,106	+24.7%
3rd-party charges related to integrated freight forwarding and logistics	-45,671	-35,805	-9,866	+27.6%
Adjusted integrated freight forwarding and logistics services	25,487	21,247	+4,240	+20.0%

Operating expenses adjustment

Item	FY 2018	FY 2017	Year-on-year change	
			RUB mln	%
Total operating expenses	66,886	58,438	+8,448	+14.5%
Third-party charges related to principal activities	-45,671	-37,785	-7,886	+20.9%
Adjusted Operating Expenses	21,215	20,653	+562	+2.7%

Adjusted Revenue, Adjusted Operating Expenses, Operating profit, EBITDA, 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. In addition, in 2018, the Company reported significant one-off effects related to the disposal of property, plant and equipment. Therefore, EBITDA presented in this report is net of one-off effects and more accurately represents the Company's core business.

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 a breakdown of total revenue for the full year ended 31 December 2018 and 2017, respectively.

Revenue breakdown

RUB million	FY 2018	FY 2017	Year-on-year change	
			RUB mln	%
Integrated freight forwarding and logistics services	71,158	57,052	+14,106	+24.7%
Cargo transportation and handling services with involvement of third parties	0	1,980	-1,980	-100.0%
Agency fees	2,988	2,608	+380	+14.6%
Revenue from other services	2,813	3,927	-1,114	-28.4%
Total revenue	76,959	65,567	+11,392	+17.4%

Total revenue increased by RUB 11,392 million, or 17.4% year-on-year, to RUB 76,959 million for year ended 31 December 2018, from RUB 65,567 million in the corresponding period of 2017. This primarily resulted from an increase in transportation volumes by the Company's assets, as well as terminal handling volumes on the back of the growing rail container transportation market. In 2018, the Company provided more integrated freight forwarding and logistics services to the customers and stopped providing cargo transportation and handling services with involvement of third parties.

The following table sets out the components of adjusted revenue and their relative contribution to adjusted revenue for the full year ended 31 December 2018 and 2017, respectively.

	FY 2018		FY 2017		Year-on-year change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent
Adjusted integrated freight forwarding and logistics services	25,487	81.5%	21,247	76.5%	+4,240	+20.0%
Agency fees	2,988	9.5%	2,608	9.4%	+380	+14.6%
Revenue from other services	2,813	9.0%	3,927	14.1%	-1,114	-28.4%
Total adjusted revenue	31,288	100%	27,782	100%	+3,506	+12.6%

Adjusted revenue grew by 12.6% year-on-year to RUB 31,228 million for the full year of 2018 from RUB 27,782 million in 2017. This mainly resulted from an increase in revenue from integrated freight forwarding and logistics services, driven by higher revenue-generating transportation volumes and strong pricing policy.

Integrated freight forwarding and logistics services

Revenue from integrated freight forwarding and logistics services increased by 24.7% year-on-year to RUB 71,158 million for the full year ended 31 December 2018.

Adjusted revenue from integrated freight forwarding and logistics services was up 20.0% year-on-year to RUB 25,487 million in 2018, mainly on the back of growing revenue-generating volumes and continuing shift of customers' preferences towards complex and integrated transportation services.

Agency fees

Revenue from agency fees increased by 14.6% year-on-year to RUB 2,988 million for the full year of 2018 from RUB 2,608 million in 2017. This was primarily driven by infrastructure tariff indexation, as well as changes in the structure of services performed under the agency agreement with Russian Railways.

Revenue from other services

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 28.4% year-on-year to RUB 2,813 million for the full year of 2018, compared to RUB 3,927 million for the corresponding period of 2017, mainly due to a shift of the revenue components to integrated freight forwarding and logistics services.

Other operating income

Other operating income increased by RUB 839 million year-on-year to RUB 1,486 million for the full year of 2018, compared to RUB 647 million in 2017, mainly due to the sale of assets of the St. Petersburg Vitebsky terminal in December 2018.

Operating expenses

Operating expenses structure for the full year ended 31 December 2018 and 2017, respectively

	FY 2018			FY 2017		
	RUB mln	% of operating expenses	% of total revenue	RUB mln	% of operating expenses	% of total revenue
Third-party charges related to principal activities	45,671	68.3%	59.3%	37,785	64.7%	57.6%
Freight and transportation services	5,407	8.1%	7.0%	6,549	11.2%	10.0%
Payroll and related charges	6,422	9.6%	8.3%	5,809	9.9%	8.9%
Depreciation and amortisation	2,927	4.4%	3.8%	2,668	4.6%	4.1%
Materials, repair and maintenance	3,427	5.1%	4.5%	3,182	5.4%	4.9%
Taxes other than income tax	725	1.1%	0.9%	581	1.0%	0.9%
Rent	410	0.6%	0.5%	279	0.5%	0.4%
Other expenses	1,897	2.8%	2.5%	1,585	2.7%	2.4%
Total operating expenses	66,886	100.0%	86.9%	58,438	100.0%	89.1%

TransContainer's total operating expenses increased by RUB 8,448 million, or 14.5% year-on-year, to RUB 66,886 million in 2018, from RUB 58,438 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.

Cost of third-party charges related to principal activities

Costs of third-party charges related to principal activities increased by 20.9% year-on-year to RUB 45,671 million for the full year ended 31 December 2018, from RUB 37,785 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, and growth in international transportations with the involvement of outsourced transportation services. The weakening of the Russian rouble against the US dollar and Euro in 2018 as compared to 2017, contributed to this increase related to FX-denominated expenses, primarily charges of foreign rail administrations and sea shipping companies.

Adjusted operating expenses

Adjusted operating expenses, as defined in the *Adjustments and additional financial information* section above, grew by 2.7% year-on-year to RUB 21,215 million in 2018, from RUB 20,653 million in 2017, primarily due to an increase in payroll and related charges, taxes other than income tax, rent. This, in turn, was partially offset by a decrease in freight and transportation services.

The following table provides a breakdown of the Company's adjusted operating expenses for the full year ended 31 December of 2018 and 2017, respectively.

Adjusted operating expenses structure and dynamics for the full year ended 31 December 2018 and 2017, respectively

	FY2018		FY2017		Year-on-year change	
	RUB mln	%	RUB mln	%	RUB mln	Percent change
Freight and transportation services	5,407	25.5%	6,549	31.7%	-1,142	-17.4%
Payroll and related charges	6,422	30.3%	5,809	28.1%	+613	+10.6%
Depreciation and amortisation	2,927	13.8%	2,668	12.9%	+259	+9.7%
Materials, repair and maintenance	3,427	16.2%	3,182	15.4%	+245	+7.7%
Taxes other than income tax	725	3.4%	581	2.8%	+144	+24.8%
Rent	410	1.9%	279	1.4%	+131	+47.0%
Other expenses	1,897	8.9%	1,585	7.7%	+312	+19.7%
Adjusted operating expenses	21,215	100.0%	20,653	100.0%	+562	+2.7%

Freight and transportation services

Expenses related to freight and transportation services decreased by RUB 1,142 million, or 17.4% year-on-year, to RUB 5,407 million for the full year of 2018. This resulted from: (i) the Company improved empty run ratios, which more than compensated the effect of tariff indexing by Russian Railways; (ii) the Company provided customers with more Integrated freight forwarding and logistics services which caused changes in Freight and transportation expenses structure.

Payroll and related charges

Payroll and related charges increased by RUB 613 million, or by 10.6% year-on-year, to RUB 6,422 million for the full year 2018, compared to RUB 5,809 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 3,533 to 3,502 and an effect of pension plan reserve adjustments.

Depreciation and amortisation

Depreciation and amortisation increased by RUB 259 million, or 9.7% year-on-year, to RUB 2,927 million for the full year of 2018, from RUB 2,668 million in 2017, reflecting higher capital expenditures and the consolidation of JSC Logistika-Terminal and SpecTransContainer LLC.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance were up by 7.7% year-on-year to RUB 3,427 million in 2018, compared to RUB 3,182 million in 2017. This was due to an increase in a number of flatcar repairs resulted from a higher fleet utilisation. Higher average repair price also contributed to this increase mainly as prices for cast went up amid the growing customer demand in Russia.

Taxes other than income tax

Taxes other than income tax increased by 24.8% year-on-year to RUB 725 million in 2018, from RUB 581 million for the full year of 2017, primarily reflecting the VAT settlement dynamics.

Rent

Rent expenses increased by RUB 131 million, or by 47.0% year-on-year, to RUB 410 million for the full year of 2018 from RUB 279 million in 2017, mainly due to the increase of container short-term operating lease.

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 2018, other expenses increased by 19.7% year-on-year to RUB 1,897 million, from RUB 1,585 million for the full year of 2017. This primarily resulted from an increase in license and software, fuel costs, which was offset by a decrease in consulting services and security costs.

Interest expenses

Interest expenses increased by RUB 251 million, or 39.6% year-on-year, to RUB 885 million for the full year of 2018 from RUB 634 million in 2017, mainly due an increase in the amount of total debt outstanding.

Interest income

Interest income grew by RUB 164 million, or 54.5% year-on-year, to RUB 465 million in 2018 from RUB 301 million in 2017, mainly due to an increase in the amount of RUB-denominated deposits with banks resulted from lower than planned capital expenditures.

Profit before income tax

As a result of the reasons described above, the Company's profit before income tax increased by RUB 3,806 million, or by 46.6% year-on-year, to RUB 11,978 million for 2018 from RUB 8,172 million in 2017.

Income tax expenses

Income tax expenses increased by RUB 831 million, or 50.7% year-on-year, to RUB 2,469 million for the full year of 2018 from RUB 1,638 million in 2017, due to an increase in taxable profit.

The effective tax rate for 2018 increased to 20.6% from 20.0% in 2017.

Total profit and comprehensive income for the period

As a result of the factors discussed above, the profit for the full year of 2018 increased by RUB 2,975 million, or 45.5% year-on-year, to RUB 9,509 million compared to RUB 6,534 million for the full year of 2017. Taking into account the exchange rate differences relating to foreign operations and other effects, the total comprehensive income for the reporting period increased by 50.9% year-on-year and amounted to RUB 9,821 million, compared to RUB 6,508 million in 2017.

Liquidity and Capital Resources

As of 31 December 2018, the Company's net cash and cash equivalents amounted to RUB 9,527 million, while its current assets exceeded current liabilities by RUB 7,727 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 for modernising its lifting equipment and truck fleet and 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 full year ended 31 December 2018 and 2017, respectively.

Cash flows structure

RUB million	FY 2018	FY 2017
Net cash provided by operating activities	11,390	8,466
Net cash used in investing activities	-7,197	-6,568
Net cash used in financing activities	663	-3,282
Net increase in cash and cash equivalents	4,856	-1,384
Foreign exchange effect on cash and cash equivalents	500	30
Net cash and cash equivalents at the end of the period	9,527	4,171

Cash flow generated by operating activities increased by RUB 2,924 million, or 34.5% year-on-year, to RUB 11,390 million for the year ended 31 December 2018 from RUB 8,466 million in 2017, mainly due to an increase in operating profit, as discussed above.

Cash flow used in investing activities increased by RUB 629 million, or by 9.6% year-on-year, to RUB 7,197 million for the full year of 2018 from RUB 6,568 million in 2017. This primarily resulted from an increase in capital expenditures from RUB 6,896 million to RUB 7,032 million, respectively, as well as the acquisition of JSC Logistika-Terminal.

Cash flow used in financing activities increased considerably from negative RUB 3,282 million in 2017 to positive RUB 663 million for the full year ended 31 December 2018, primarily as a result of RUB 6.0 billion bond placement in January 2018.

Capital expenditure

Capital expenditure increased by RUB 136 million, or by 2.0% year-on-year, to RUB 7,032 million in 2018 from RUB 6,896 million in 2017. The majority of the capital expenditure was spent on acquiring new ISO containers and flatcars.

Planned capital expenditure for 2019

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 2019 is budgeted at RUB 13.3 billion (excluding VAT and long-term financial investments). The 2019 CAPEX programme is focused on the acquisition of flatcars and ISO containers and further improvement of the Company's 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 31 December 2018, the Company's financial indebtedness consisted of two outstanding bond issues in an aggregate amount of RUB 11,306 million, compared to RUB 6,412 million as of 31 December 2017. The Company's net debt at the end of the reporting period was RUB 1,779 million.

As of 31 December 2018, all the Company's financial indebtedness was unsecured. The Company's debt is rouble-denominated and has a fixed interest rate.

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 the deduction of related offering costs amounted to RUB 5,985 million. The annual coupon rate of the bonds for five years is set at 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 at 31 December 2018, the carrying value of the bonds amounted to RUB 6,183 million, including the amount of accrued interest of RUB 195 million. The amount of accrued interest has been included as current portion of the long-term debt in the consolidated statement of the Company's financial position.

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 the deduction of related offering costs amounted to RUB 4,987 million. The annual coupon rate of the bonds for five years was set at 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.

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 was set at 8.35% with interest paid semi-annually.

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

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 year ended 31 December 2018 and 2017.

Working capital structure

RUB million	31 December 2018	31 December 2017
Current assets		
Inventory	222	287
Trade and other receivables	1,744	1,323
Prepayments and other current assets	4,480	3,975
Prepaid income tax	0	0
Short-term investments	0	0
Cash and cash equivalents	9,527	4,171
Non-current Assets classified as held for sale	0	0
Total current assets	15,973	9,756
Current liabilities		
Trade and other payables	5,485	4,562
Short-term debt and current portion of long-term debt	326	1,425
Income tax payable	440	87
Taxes other than income tax payable	491	370
Provisions	0	0
Finance lease obligations, current maturities	0	0
Dividends payable	0	0
Accrued and other current liabilities	1,504	1,049
Deferred income	0	0
Total current liabilities	8,246	7,493

Working capital increased by RUB 5,464 million to RUB 7,727 million at the end of the reporting year from RUB 2,263 million as at 31 December 2017, primarily due to an increase in cash and cash equivalents.

Downloads

The consolidated financial statements for the fourth quarter and the full year of 2018 were uploaded for the review to the National Storage Mechanism (<http://www.morningstar.co.uk/uk/NSM>) and are available on the Company's website: <http://www.trcont.com>.

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About TransContainer

TransContainer (LSE: TRCN; MOEX: TRCN) is the leading intermodal container transportation company in Russia with a market share of approximately 42%. It is the market leader in Russia by flatcar fleet size, container transportation by rail and rail-side container terminal throughput. As at 31 December 2018, it owned and leased 26,457 flatcars and 70,478 ISO containers. TransContainer owns a network of rail-side container terminals, located at 39 railway stations across Russia. The company's joint ventures and subsidiaries also operate one terminal in Slovakia, three terminals in Russia and 19 inland rail-side terminals in Kazakhstan. The Company's sales network comprises of 95 sales outlets in Russia, along with additional outlets across the CIS, Europe and Asia. TransContainer is listed on the Moscow Exchange and London Stock Exchange. 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.