

FOR IMMEDIATE RELEASE

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JSC TransContainer

Results for the year ended 31 December 2013

JSC "TransContainer" ("TransContainer" or the "Company" together with its consolidated subsidiaries) today publishes its management report together with the audited financial statements for the year ended 31 December 2013. 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. In 2013 the Company accounted for approximately 47% of all rail container transportation in Russia. As of 31 December 2013, it owns and operates 26,305 flatcars and 62,367 ISO 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 4,641 flatcars via its joint-venture KedenTransService (excluding 500 flatcars provided by the Company to KedenTransService under operating lease agreement), as well as 19 inland rail-side terminals in Kazakhstan. The Company's sales network is comprised of approximately 140 sales outlets across Russia, along with a presence in the CIS, Europe and Asia.

The year was challenging for both the rail freight transportation market and its container segment. The accelerating slowdown of the Russian economy, weaker customer demand and increasing competition amongst rail operators put transportation tariffs under pressure. Against this backdrop the Company took additional steps to enhance quality and reliability of transportation and logistics services provided to the market.

TransContainer focused on pursuing the best balance between maintaining market share and profitability in these circumstances. The Company also paid special attention to cost control and improvement of operating efficiency. The increased contribution of the Company's business in Kazakhstan to the overall financial performance should also be noted. As a result, TransContainer's financial results for the year ended 31 December 2013 demonstrated the Company's solid financial profile, reflecting its leading market position, as well as efforts to improve efficiency.

On the operational side, the Company's rail container transportation volumes in Russia for the year ended 31 December 2013 decreased by 2.0% to 1,454 thousand TEU compared to 1,484 thousand TEU in 2012, whilst revenue-generating transportation¹ volumes slightly decreased by 0.7% year-on-year to 1,113 thousand TEU. Terminal handling volumes in Russia decreased by 7.6% from 1,428 thousand TEU in 2012 to 1,319 thousand TEU in the year, mainly due to a 78.7% decline in handling of medium-duty containers. At the same time, container transportation volumes in Kazakhstan grew by nearly 10 times from 24 thousand TEU in 2012 to 236 thousand TEU in 2013, while container terminal handling at terminals operated by KedenTransService increased by 10.7% from 168 thousand TEU in 2012 to 186 thousand TEU in 2013.

As a result, in 2013 the Company's total revenue increased by 7.7% year on year to RUB 39,164 million, adjusted revenue decreased by 1.0% year on year to RUB 25,328 million and EBITDA decreased by 3.4% year on year to RUB 10,074 million. However, profit for the period increased by 14.2% from RUB 5,232

¹ Transportation of clients' containers and own loaded containers

million in 2012 to RUB 5,974 million in 2013. Total comprehensive income for the period grew by 24.9% from RUB 4,925 million in 2012 to RUB 6,152 million in 2013.

During the year, the Company managed to sustain the levels of profitability achieved in the successful 2012. In 2013, the adjusted EBIDTA margin stood at 39.8% compared to 40.8% in 2012, while the net profit margin increased to 23.6% from 20.5%.

At 31 December 2013, the Company's total debt was RUB 8,438 million and its net debt was only RUB 6,554 million. The Net Debt/EBITDA ratio remained at a very comfortable 65%.

Capital expenditure for the year ended 31 December 2013 increased by 16.5% year on year to RUB 6,632 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 Russia and Kazakhstan. In accordance with the Company's policy, all capital expenditure in 2013 was financed by the Company's own cash flow.

On 23 December 2013, the Company completed the transaction with Kazakhstan Temir Zholy ("KTZ"), a Kazakh national rail operator, in respect of the planned disposal of a 17% stake in KedenTransService. As a result of this transaction, TransContainer's stake in KedenTransService decreased to 50%. Following this transaction, KedenTransService's assets, liabilities, operating results and cash flow statements were excluded from TransContainer's consolidated results.

Recent developments and outlook

In the first three months of 2014, the Russian container market grew by approximately 9% year on year, according to the preliminary data. To a significant extent this growth is attributable to the low base of the previous year. The Russian rouble devaluation, which started in the beginning of 2014, supported domestic and export container transportation, but growth in these segments was partially offset by the negative impact of the weaker rouble on container imports.

Since the overall economic environment is very uncertain with Russia's economy demonstrating weak performance in the first quarter of 2014 and the market expecting further economic slowdown in the country, the Company's management believes that the growth in the Russian rail container market still has to prove its resilience despite the strong first quarter results. Currently, the Company's management expects the rail container market to demonstrate middle single-digit growth rates for the full year of 2014, subject to any external effects.

Given the weaker demand for rail cargo transportation, increasing 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 review its pricing policy as costs are optimised and operating efficiency continues to improve further.

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 significant growth potential, driven by Russia's economic development, its further involvement in international trade, growth in consumer demand and containerisation.

Key operating results

Rail container transportation

The Company's rail container transportation volumes in Russia for the full year of 2013 amounted to 1,454 thousand TEU, compared to 1,484 thousand TEU for 2012, down 2.0% year on year. This decrease was mainly driven by an 8.3% drop in domestic transportation volumes, partly compensated by a 5.3% growth in international transportation. The decline in the Company's domestic transportation primarily resulted from the factors described above.

The following table sets out container transportation volumes by the Company's fleet (both loaded and empty) for the year ended 31 December 2013 and 2012.

	2013	2012	Change	
			000' TEU	Percent
Domestic Routes	727.4	792.9	-65.6	-8.3%
Export	360.0	353.2	+6.8	+1.9%
Import	266.9	247.4	+19.6	+7.9%
Transit	100.1	90.0	+10.1	+11.2%
All Routes	1,454.3	1,483.5	-29.2	-2.0%

Revenue-generating container transportation volumes were down 0.7% to 1,113 thousand TEU for the full year 2013, compared to 1,120 thousand TEU for 2012.

TransContainer's estimated share of Russia's rail container transportation for the full year of 2013 decreased to 47.0% compared to 50.4% in 2012.

Rail container transportation volumes carried out by KedenTransService, the Company's joint venture in Kazakhstan, was 234 thousand TEU, representing a near 10-fold rise to the previous year's transportation volumes, as a result of a substantial increase in the flatcar fleet in operation.

Terminal handling

Throughput of the Company's rail container terminal network in Russia for the full year of 2013 amounted to 1,319 thousand TEU, a decrease of 7.6% year on year, while medium-duty containers (MDC) handling volumes dropped by 78.7% year on year.

Container handling by KedenTransService at the Dostyk rail side terminal grew to 114 thousand TEU in 2013 from 82 thousand TEU, or by 39.3% year on year, predominantly due to an acquisition of an additional handling yard under a long-term lease agreement. Container handling at other company's inland terminals decreased from 86 thousand TEU in 2012 to 72 thousand TEU in 2013 due to a 44% year on year decline in MDC handling volumes.

Handling of non-container cargoes at KedenTransService's terminals was 3.5 million tonnes for the year ended 31 December 2013, representing a 17.0% year on year increase.

Asset utilisation

In 2013, both flatcar and container empty runs improved considerably, due to management efforts to optimise the fleet utilisation amid a challenging operating environment.

Growth in the container turnover period is mainly associated with the market environment of 2013, while turnover of flatcars remained largely flat.

	2013	2012
Turnover of containers, days	27.1	23.1
Turnover of flatcars, days	13.7	13.3
Empty run ² for containers, %	30.5%	35.9%
Empty run for flatcars, %	6.7%	7.5%

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The following table sets out the Company's results for the year ended 31 December 2013 and 2012.

RUB million	2013	2012	Year on Year change	Year on Year change (%)
Revenue	39,164	36,365	2,799	7.7%
Other operating income	747	417	330	79.1%
Operating expenses	(32,859)	(29,359)	(3,500)	11.9%
Interest expense	(782)	(885)	103	(11.6%)
Interest income	223	212	11	5.2%
Foreign exchange gain, net	65	(1)	66	-
Share of result of associates and JVs	2	(19)	21	-
Gain on disposal of controlling interest in subsidiary	757	0	757	-
Gain from disposal of associate	0	72	(72)	-
Gain from early termination of finance lease obligations	32	0	32	-
Profit before income tax	7,349	6,802	547	8.0%
Income tax expense	(1,375)	(1,570)	195	(12.4%)
Profit for the period	5,974	5,232	742	14.2%
Attributable to:				
Equity holders of the parent	5,865	5,183	682	13.2%
Non-controlling interest	109	49	60	2.2x
Other comprehensive income for the period	178	(307)	485	(158.0%)
Remeasurements of post-employment benefit plans	119	(104)	223	-
Remeasurements of investment property	70	0	70	-
Income tax effect	(20)	5	-25	-
Exchange differences on translating foreign operations	9	(208)	217	-
Total comprehensive income for the period	6,152	4,925	1,227	24.9%
Attributable to:				
Equity holders of the parent	5,995	4,940	1,055	21.4%
Non-controlling interest	157	-15	172	-

The Company's financial results for the year ended 31 December 2013 reflect primarily the relatively weak operating and pricing environment in the rail container transportation market in Russia, which were however compensated by the Company's efforts to improve its operational efficiency, cost optimisation and one-off gain on disposal of a 17% stake in KedenTransService.

On the back of the challenging market conditions during 2013, the Company's total revenue increased by 7.7% year on year to RUB 39,164 million, while adjusted revenue was down 1.0% year on year to RUB 25,328 million. EBITDA declined by 3.4% from RUB 10,427 for the year ended 31 December 2012 to RUB 10,074 million for the year ended 31 December 2013, with profit for the period increasing by 14.2% from RUB 5,232 million to RUB 5,974 million respectively.

Non-IFRS financial information

Adjusted Revenue, Adjusted Operating Expenses, EBITDA, Adjusted EBITDA Margin and Adjusted Net Profit 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.

RUB million	2013	2012	Year on Year change	Year on Year change (%)
Adjusted Revenue ¹	25,328	25,574	(246)	(1.0%)
Adjusted operating expenses ²	19,023	18,568	455	2.5%
EBITDA ³	10,074	10,427	(353)	(3.4%)
Adjusted EBITDA margin ⁴	39.8%	40.8%		
Adjusted Net Profit Margin ⁵	23.6%	20.5%		
Total debt	8,438	9,188	(750)	(8.2%)
Net debt ⁶	6,554	6,531	23	0.4%
Net debt/ EBITDA	0.65	0.63		

¹Adjusted 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 Adjusted Net Profit Margin is defined as profit for the period divided by Adjusted Revenue

⁶ 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 2013 and 2012 respectively.

RUB million	2013	2012	Year on Year change	Year on Year change (%)
Integrated freight forwarding and logistics services	24,273	19,307	4,966	25.7%
Rail-based container shipping services	8,154	9,962	(1,808)	(18.1%)
Terminal services and agency fees	4,181	4,031	150	3.7%
Truck deliveries	1,367	1,631	(264)	(16.2%)
Other freight forwarding services	571	824	(253)	(30.7%)
Bonded warehousing services	317	388	(71)	(18.3%)
Other	301	222	79	35.6%
Total revenue	39,164	36,365	2,799	7.7%

Total revenue increased by RUB 2,799 million, or 7.7%, from RUB 36,365 million for the year ended 31 December 2012 to RUB 39,164 million for the year ended 31 December 2013. This was primarily a result of an increase in integrated freight and transportation services, driven by higher transportation volumes under through-rate contracts in Russia and the solid growth of operations in Kazakhstan.

The increase in revenues from the Company's integrated freight forwarding and logistics services was partially offset by a drop in revenues from Rail-based container shipping services, Other freight forwarding services and Truck deliveries, driven by a weaker pricing environment and by a decrease in the Company's rail container transportation and terminal handling volumes in Russia.

Adjusted Revenue

The following table sets out adjusted revenue calculations for the year ended 31 December 2013 and 2012 respectively.

RUB million	2013	2012	Year on Year change	Year on Year change (%)
Total revenue	39,164	36,365	2,799	7.7%
Cost of integrated freight forwarding and logistics services	13,836	10,791	3,045	28.2%
Adjusted Revenue	25,328	25,574	(246)	(1.0%)

Adjusted revenue (as defined above) declined by 1.0% from RUB 25,574 million for the year ended 31 December 2012 to RUB 25,328 million for the year ended 31 December 2013. This was primarily due to a 0.7% decrease in revenue-generating rail container transportation volumes by the Company's fleet in Russia and a 7.6% decrease in terminal handling volumes in Russia amid the weak pricing environment in the rail container transportation market. This decrease was partially offset by an increase in container transportation and terminal handling volumes in Kazakhstan.

The following table sets out the components of relative contribution to adjusted revenue for the year ended 31 December 2013 and 2012 respectively.

	2013		2012		Year on Year change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent
Adjusted integrated freight forwarding and logistics services	10,437	41.2%	8,516	33.3%	1,921	22.6%
Rail-based container shipping services	8,154	32.2%	9,962	39.0%	(1,808)	(18.1%)
Terminal services and agency fees	4,181	16.5%	4,031	15.8%	150	3.7%
Truck deliveries	1,367	5.4%	1,631	6.4%	(264)	(16.2%)
Other freight forwarding services	571	2.3%	824	3.2%	(253)	(30.7%)
Bonded warehousing services	317	1.3%	388	1.5%	(71)	(18.3%)
Other	301	1.2%	222	0.9%	79	35.6%
Total adjusted revenue	25,328	100%	25,574	100%	(246)	(1.0%)

The structure of the Adjusted Revenue changed for the year ended 31 December 2013 compared to the same period of 2012. The share of rail-based container transportation services in the Adjusted Revenue decreased from 39.0% for the year ended 31 December 2012 to 32.2% for the year ended 31 December 2013, while the share of integrated freight forwarding and logistics services, net of cost of integrated freight forwarding and logistics services, increased to 41.2% from 33.3%. Shares of terminal services and agency fees and bonded warehousing services remained almost flat at the level of ca. 16% and 1.5% respectively. Shares of other freight forwarding services, truck deliveries and other revenues changed marginally.

Integrated freight forwarding and logistics services

Revenue from integrated freight forwarding and logistics services increased by 25.7% year on year to RUB 24,273 million for the year ended 31 December 2013.

The following table sets out the Adjusted integrated freight forwarding and logistics services calculation for the year ended 31 December 2013 and 2012 respectively.

RUB million	2013	2012	Year on Year change	Year on Year change (%)
Integrated freight forwarding and logistics services	24,273	19,307	4,966	25.7%
Cost of integrated freight forwarding and logistics services	13,836	10,791	3,045	28.2%
Adjusted revenue from integrated freight forwarding and logistics services	10,437	8,516	1,921	22.6%

Adjusted revenue from integrated freight forwarding and logistics services grew by 22.6% year on year to RUB 10,437 million in the reporting period. This increase reflects transportation volumes under integrated logistics contracts in Russia growing by 19.9% to 591 thousand TEU in the year ended 31 December 2013 from 493 thousand TEU a year earlier, as well as a rapid growth in rail container transportation volumes in Kazakhstan for the respective periods.

Rail-based container transportation services

Revenue from rail-based container transportation decreased by 18.1% to RUB 8,154 million for the year from RUB 9,962 million in 2012. This was mainly due to a decrease in revenue-generating transportation volumes, other than under integrated logistics contracts, by 16.8% from 627 thousand TEU for the full year 2012 to 522 thousand TEU for the full year 2013, as well as due to a deterioration in the pricing environment and a change in the mix of services in favour of the provision of Company's flatcars for transportation of client's containers.

Terminal services and agency fees

Revenue from terminal services, including agency fees, increased by 3.7% to RUB 4,181 million for the year ended 31 December 2013 from RUB 4,031 million for the same period of 2012, as a result of opposite dynamics of terminal handling volumes in Russia and Kazakhstan.

Agency fees in Russia, which are charged for services the Company renders as an agent of Russian Railways, decreased by 6.1% to RUB 1,734 million for the year ended 31 December 2013 compared to RUB 1,846 million for 2012, as a result of a 7.6% decrease in TransContainer's terminal network throughput in Russia, mainly associated with the continued phasing out of medium-duty containers (MDCs).

Container handling volumes of KedenTransService's rail-side terminals grew by 10.7% to 186 thousand TEU in 2013. This was driven by both organic growth of the business and taking over a new handling yard at the Dostyk station under a long-term lease agreement in the fourth quarter of 2012. Non-container cargo handling by KedenTransService's terminals for the year ended 31 December 2013 increased by 17% year on year to 3.5 million tonnes.

Truck deliveries

Revenue from truck deliveries decreased by RUB 264 million, or 16.2%, to RUB 1,367 million for the year ended 31 December 2013 from RUB 1,631 million for the corresponding period of 2012. This was due to a 9.5% reduction in container transportation volumes by the Company's own and outsourced truck fleet from 602 thousand TEU for the full year of 2012 to 545 thousand TEU for the reporting period, predominantly associated with a decrease in the Company's terminal throughput, as well as due to the tough pricing environment.

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, fell by 30.7% from RUB 824 million for the year ended 31 December 2012 to RUB 571 million for the year ended 31 December 2013. This decrease was primarily due to a reduction in transportation volumes other than those under integrated logistics contracts and a decline in demand for added-value services amid the weak economic environment.

Bonded warehousing services

Revenue from bonded warehousing services decreased by RUB 71 million, or 18.3%, to RUB 317 million for the year ended 31 December 2013 from RUB 388 million for the same period of 2012, as a result of reductions in the contribution from bonded warehousing services in Kazakhstan, partly offset by the growth in revenues from bonded warehousing services in Russia.

Operating expenses

The following table sets out a breakdown of the Company's operating expenses for the year ended 31 December 2013 and 2012 respectively.

RUB million	2013	2012	Year on Year change	Year on Year change (%)
Cost of integrated freight forwarding and logistics services	13,836	10,791	3,045	28.2%
Payroll and related charges	5,048	5,009	39	0.8%
Freight and transportation services	4,315	4,873	(558)	(11.5%)
Materials, repair and maintenance	2,985	2,806	179	6.4%
Depreciation and amortisation	1,943	2,740	(797)	(29.1%)
Rent	1,869	538	1,331	247.4%
Taxes other than income tax	724	591	133	22.5%
Other operating expenses	2,139	2,011	128	6.4%
Total operating expenses	32,859	29,359	3,500	11.9%

TransContainer's total operating expenses grew by RUB 3,500 million, or 11.9%, to RUB 32,859 million for the year ended 31 December 2013 from RUB 29,359 million for the year ended 31 December 2012. This was primarily due to an increase in the Cost of integrated freight forwarding and logistics services, Rent, Materials, Repair and maintenance costs and Taxes other than income tax, and Other operating expenses partially offset by a decrease in the costs of freight and transportation services and Depreciation and amortisation.

The following table sets out a breakdown of the Company's largest operating expenses for the year ended 31 December 2013 and 2012 respectively.

	2013			2012		
	RUB mln	Percent of operating expenses	Percent of total revenue	RUB mln	Percent of operating expenses	Percent of total revenue
Cost of integrated freight forwarding and logistics services	13,836	42.1%	35.3%	10,791	36.8%	29.7%

Payroll and related charges	5,048	15.4%	12.9%	5,009	17.1%	13.8%
Freight and transportation services	4,315	13.1%	11.0%	4,873	16.6%	13.4%
Materials, repair and maintenance	2,985	9.1%	7.6%	2,806	9.6%	7.7%
Depreciation and amortisation	1,943	5.9%	5.0%	2,740	9.3%	7.5%
Rent	1,869	5.7%	4.8%	538	1.8%	1.5%
Taxes other than income tax	724	2.2%	1.8%	591	2.0%	1.6%
Other expenses	2,139	6.5%	5.5%	2,011	6.8%	5.5%
Total operating expenses	32,859	100%	83.9%	29,359	100%	80.7%

As a percentage of the total revenue, total operating expenses increased from 80.7% for the year ended 31 December 2012 to 83.9% for the year ended 31 December 2013, as a result of an increase in operating expenses exceeding the growth in total revenue. As a percentage of total revenue, costs related to freight and transportation services decreased from 13.4% for the year ended 31 December 2012 to 11.0% for the year ended 31 December 2013; the cost of integrated freight forwarding and logistics services increased from 29.7% for the year ended 31 December 2012 to 35.3% for the year ended 31 December 2013 and the share of costs for materials, repair and maintenance remained flat; share of depreciation and amortisation in total revenue decreased from 7.5% to 5.0%.

Cost of integrated freight forwarding and logistics services

Costs of integrated freight forwarding and logistics services increased by 28.2%, to RUB 13,836 million for the year ended 31 December 2013 from RUB 10,791 million for the same period of 2012. This was driven predominantly by an increase in transportation volumes under integrated logistics contracts in Russia and Kazakhstan, as well as by an increase in infrastructure tariffs including the tariffs paid to Russian Railways and JSC National Company Kazakhstan Temir Zholy. Charges paid to Russian Railways as a part of Costs of integrated freight forwarding and logistics services increased proportionally from RUB 7,061 million for the year ended 31 December 2012 to RUB 9,030 million for the year ended 31 December 2013.

Adjusted operating expenses

The following table sets out adjusted operating expenses for the year ended 31 December 2013 and 2012 respectively.

RUB million	2013	2012	Year on Year change	Year on Year change (%)
Total operating expenses	32,859	29,359	3,500	11.9%
Cost of integrated freight forwarding and logistics services	13,836	10,791	3,045	28.2%
Adjusted operating expenses	19,023	18,568	455	2.5%

Adjusted operating expenses, as defined above, increased by 2.5% to RUB 19,023 million for the year ended 31 December 2013 from RUB 18,568 million for the same period of 2012, primarily due an increase in costs related to Rent, Materials, repair and maintenance, as well as Taxes other than income tax. This increase was to the significant extent offset by a decrease in Freight and transportation costs and Depreciation and amortisation.

The following table sets out a breakdown of the Company's adjusted operating expenses, as defined above, for the year ended 31 December 2013 and 2012 respectively.

	2013		2012		Year on year change	
	RUB mln	Percent of adjusted operating expenses	RUB mln	Percent of adjusted operating expenses	RUB mln	Percent change
Payroll and related charges	5,048	26.5%	5,009	27.0%	39	0.8%
Freight and transportation services	4,315	22.7%	4,873	26.2%	(558)	(11.5%)
Materials, repair and maintenance	2,985	15.7%	2,806	15.1%	179	6.4%
Depreciation and amortisation	1,943	10.2%	2,740	14.8%	(797)	(29.1%)
Rent	1,869	9.8%	538	2.9%	1,331	247.4%
Taxes other than income tax	724	3.8%	591	3.2%	133	22.5%
Other expenses	2,139	11.2%	2,011	10.8%	128	6.4%
Adjusted operating expenses	19,023	100%	18,568	100%	455	2.5%

Payroll and related charges

Payroll and related charges increased by RUB 39 million, or 0.8%, to RUB 5,048 million for the year ended 31 December 2013 from RUB 5,009 million for the previous year. This increase was mainly a result of a scheduled indexing of base salaries and an increase in average headcount in Kazakhstan from 1,614 to 1,770 employees which was offset by a 4.3% decrease in the average headcount in Russia and a decrease in performance-linked payments to the Company's personnel.

Freight and transportation services

Expenses relating to freight and transportation services decreased by RUB 558 million, or 11.5%, to RUB 4,315 million for the year ended 31 December 2013. This decrease was mainly due to a number of factors set out below:

- i) a decrease in empty run ratio of containers and flatcars, respectively, from 35.9% and 7.5% for the full year 2012 to 30.5% and 6.7% for the reporting period;
- ii) a 10.0% decrease in rail-based transportation by the Company's own containers from 963 thousand TEU for the year ended 31 December 2012 to 867 thousand TEU for the year ended 31 December 2013.

These factors were partially offset by an increase in infrastructure and locomotive tariffs charged by Russian Railways and JSC National Company Kazakhstan Temir Zholy, as well as by an increase in infrastructure charges paid by KedenTransService reflecting a rise in transportation volumes in Kazakhstan.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance grew by 6.4%, to RUB 2,985 million for the year ended 31 December 2013 from RUB 2,806 million for the year ended 31 December 2012. This was primarily due to a 5.3% increase in the number of flatcars repaired in Russia and an increase in the average prices of repairs and materials, as well as due to a growth in contribution to repair costs from KedenTransService.

Depreciation and amortisation

Depreciation and amortisation decreased by RUB 797 million, or 29.1% to RUB 1,943 million for the year ended 31 December 2013 from RUB 2,740 million for previous year, primarily due to the effect of extension of depreciable lives of the Company's fixed assets adopted in 2013. If the previous accounting policy related to depreciable lives had been applied, the depreciation charge for the year ended 31 December 2013 would have been RUB 2,844 million.

Rent

Rent expenses grew by RUB 1,331 million, or 3.5 times to RUB 1,869 million in the reporting period from RUB 538 million 2012. This was primarily due to growth in expenses related to rent of third parties' rolling stock by JSC KedenTransService, as well as rent of additional handling yards at the Dostyk and Altynkol stations by JSC KedenTransService.

Taxes other than income tax

Taxes other than income tax increased by 22.5% to RUB 724 million for the year ended 31 December 2013 from RUB 591 million for the previous year, primarily due to VAT settlements mainly related to international rail transportation and an increase in property tax resulted from acquisitions of fixed assets.

Other expenses

Other expenses are an aggregate of various expense items such as security, consulting expenses, fuel and energy, licences and software, communication services, changes in various provisions, charity etc. Other expenses increased by 6.4% to RUB 2,139 million for the year 2013 from RUB 2,011 million in 2012. This was primarily due to an increase in expenses for licences and software, as well as changes in provisions for impairment of receivables, which were partly offset by a decrease in expenses related to consulting services, communication costs and other expenses.

Gain on disposal of controlling interest in subsidiary

On 23 December 2013, the Company sold 17% of Logistic System Management B.V., which owns 100% of shares of JSC KedenTransService, to JSC National Company Kazakhstan Temir Zholy. As a result of this transaction, the Company reflected a gain in the total amount of RUB 757 million, including a cash consideration for disposal of RUB 665 million.

Interest expense

Interest expenses decreased by RUB 103 million, or 11.6%, to RUB 782 million for the year ended 31 December 2013 from RUB 885 million for the year ended 31 December 2012, mainly due to a refinancing of maturing RUB-denominated bonds series 1 and loans obtained from OJSC Alfa Bank by newly issued RUB-denominated bonds series 4.

Interest income

Interest income grew by RUB 11 million to RUB 223 million for the year ended 31 December 2013 from RUB 212 million for the previous year, due to an increase in average balances in deposit accounts for the reporting period.

Profit before income tax

Profit before income tax increased by RUB 547 million, or by 8.0%, to RUB 7,349 million for the year ended 31 December 2013 from RUB 6,802 million for the year ended 31 December 2012. This increase was due to the factors discussed above.

Income tax expenses

Income tax expenses decreased by RUB 195 million, or 12.4%, to RUB 1,375 million for the year ended 31 December 2013 from RUB 1,570 million for the same period of 2012. This decrease was primarily due to a positive tax effect in the amount of RUB 155 million related to the gain on disposal of a 17% stake in JSC KedenTransService, as well as due to income tax adjustments for prior periods in the amount of RUB 50 million. For the same reason the effective tax rate in the reporting period decreased to 18.7% in 2013 compared to 23.1% in 2012.

Profit and Total comprehensive income for the period

As a result of the factors discussed above, the profit for the year ended 31 December 2013 increased by RUB 742 million, or 14.2% to RUB 5,974 million compared with RUB 5,232 million for the previous year. Taking into account the exchange differences in translating foreign operations and re-measurements of post-employment benefit plans, the total comprehensive income for the reporting period totalled RUB 6,152 million, compared to RUB 4,925 million for the year 2012, up 24.9%.

Liquidity and Capital Resources

As of 31 December 2013, the Company's net cash and cash equivalents amounted to RUB 1,883 million and its current assets exceeded current liabilities by RUB 1,135 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 other fixed assets. During the reporting period the Company's operations and its capital expenditures were financed primarily 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 2013 and 2012 respectively.

	2013	2012
Net cash provided by operating activities	7,225	7,242
Net cash used in investing activities	(4,775)	(6,061)
Net cash provided by financing activities	(1,974)	(2,067)
Net increase in cash and cash equivalents	476	(886)
Net cash and cash equivalents at the end of the period	1,883	1,318

Cash flow generated by operating activities

Cash flow generated by operating activities decreased by RUB 17 million, or only 0.2 %, to RUB 7,225 million for the year ended 31 December 2013 from RUB 7,242 million for the same period of 2012. This was primarily due to a decrease in operating profit before working capital changes, income tax paid and changes in other assets and liabilities by RUB 1,054 million, or 10.3 %, from RUB 10,268 million for the year ended 31 December 2012 to RUB 9,214 million for the year ended 31 December 2013. This decline was almost entirely offset by working capital changes: a decrease in inventory and prepayments and other assets accompanied by an increase in payables.

Cash flow used in investing activities

Cash flow used in investing activities decreased by RUB 1,286 million, or 21.2%, to RUB 4,775 million for the year ended 31 December 2013 from RUB 6,061 million for the same period of 2012. This was primarily due to a net result of short term investments, represented by bank deposits, in the amount of RUB 1,249 million partially offset by an increase in capital expenditures by RUB 941 million, or 16.5%, from RUB 5,691 million in 2012 to RUB 6,632 million in 2013.

Cash flow generated by financing activities

Cash outflow generated by financing activities decreased by RUB 93 million for the year ended 31 December 2013 to RUB 1,974 million from RUB 2,067 million for the same period of 2012, primarily due to proceeds from the issuance of the RUB-denominated bonds series 4 remaining after redemption of the RUB-denominated bonds series 1 and bank loans.

Capital Expenditure

Capital expenditure increased by RUB 941 million, or 16.5%, to RUB 6,632 million for the year of 2013 from RUB 5,691 million for the year 2012, mainly due to an increase in acquisition of 80-foot flatcars from 813 units in 2012 to 1,500 units in 2013 and an increase in acquisition of ISO containers. This increase was partially offset by a decrease in prices for rolling stock, a decrease in acquisition of 40 foot flatcars from 1,575 units in 2012 to 500 units in 2013 as well as by an optimisation of construction works at terminals.

Planned capital expenditure for 2014

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, as well as optimising its asset structure and key operational metrics.

The total capital expenditure for 2014 is budgeted at RUB 5.3 billion (excluding VAT), out of which up to RUB 2.9 billion to be spent on the acquisition of new flatcars; up to RUB 1.0 billion on the upgrade and modernisation of the Company's key rail-side terminals; up to RUB .0.5 billion on the acquisition of containers and up to RUB 1.0 billion on other capital expenditure items such as lifting equipment, IT and other equipment. The actual Company's investment programme is dependent on the market environment and its financial conditions.

The Company plans to continue pursuing the prudent financing policy and to finance capital expenditures predominantly by internally generated cash, while new debt is to be attracted on the opportunistic basis.

Capital resources

The Company's operations and capital expenditures have historically been financed from internally generated cash flow and proceeds from issuing domestic debt. As of 31 December 2013, the Company's financial indebtedness consisted of two outstanding bond issues, financial lease obligations and other borrowings in an aggregate amount of RUB 8,438 million compared to RUB 9,188 million as of 31 December 2012. As of 31 December 2013, the Company's net debt was RUB 6,554 million.

As of 31 December 2013, 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 leased assets. The Company's debt is denominated in Russian roubles and fixed-rated.

RUB-denominated bonds series 1

On 4 March 2008, the Company issued non-convertible five-year bonds for a total amount of RUB 3,000 million at a par value of RUB 1,000 each. The coupon rate set for 2011 and 2012 was 9.5% per annum. 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.

RUB-denominated bonds series 2

On 10 June 2010, the Company issued non-convertible five-year amortising bonds for a total amount of RUB 3,000 million at a par value of RUB 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUB 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 instalments during the fourth and fifth year. As a result, these bonds are classified as long-term borrowings as at the reporting date. As at 31 December 2013, the carrying value of the bonds amounted to RUB 2,236 million (RUB 2,982 million as at 31 December 2012).

As at 31 December 2013, the short-term portion of long-term bonds equals RUB 1,500 million (RUB 750 million as at 31 December 2012) and this amount has been included as short-term debt in the consolidated statement of financial position. The amount of accrued interest is RUB 18 million (RUB 22 million as at 31 December 2012), and has been included as short-term debt in the consolidated statement of financial position.

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 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 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 2013 the carrying value of the bonds amounted to RUB 4,988 million. The amount of accrued interest is RUB 175 million and has been included as short-term debt 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 OSJC Alfa Bank for the total principal amount of RUB 1,822 million at interest rates varying from 9.5% to 9.75% per annum. These loans were drawn down to finance the acquisition of JSC KedenTransService. 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 RUB 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 2013 was RUB 470 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 the year ended 31 December 2013.

	31 December 2013	31 December 2012
Current assets		
Inventory	358	334
Trade and other receivables	1,621	1,262
Prepayments and other current assets	3,435	4,434
Prepaid income tax	114	132
Short-term investments	1	1,339
Cash and cash equivalents	1,883	1,318
Total current assets	7,412	8,819
Current liabilities		
Trade and other payables	3,216	3,773
Short-term debt	1,693	5,695
Income tax payable	77	167
Taxes other than income tax payable	372	367
Provisions	19	10
Finance lease obligations current maturities	66	94
Accrued and other current liabilities	834	789
Total current liabilities	6,277	10,895
Working capital	1,135	(2,076)

Working capital increased by RUB 3,211 million from negative RUB 2,076 million as at 31 December 2012 to positive RUB 1,135 million as at 31 December 2013. This increase was primarily due to a decline in short-term debt by RUB 4,002 million.

Downloads

The audited financial statements for the year ended 31 December 2013 are available via the National Storage Mechanism at: <http://www.hemscott.com/nsm.do> or at the Company's website: <http://www.trcont.ru>

Conference Call

TransContainer will host an analyst conference call today at 14:00 UK time / 17:00 Moscow time to present and discuss the full year 2013 results. Dial in details are as follows:

UK Free Call Dial In	0800 694 0257
Russia Dial In (from a landline)	810 8 002 097 2044
Conference ID	17581908

A replay of the call will be available until Friday 2 May 2014 using the following details:

UK Free Call Dial In	0800 953 1533
Russia Dial In	8 499 677 1064
Replay Access Code	17581908#

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About TransContainer

TransContainer (LSE ticker: TRCN) is the leading intermodal container transportation company in Russia. It is the market leader in Russia by flatcar fleet size, container transportation by rail and rail-side container terminal throughput. As of 31 December 2013, it operated 26,305 flatcars and 62,367 containers. It owns a network of 46 rail-side container terminals in Russia, 18 rail-side terminals in Kazakhstan (through its subsidiary KedenTransService) and operates one terminal in Slovakia. Company's sales network comprises approximately 140 sales offices across Russia as well as presence in the CIS, Europe and Asia. TransContainer is listed at Moscow Exchange and LSE. Company's major shareholder is JSC Russian Railways with 50%+2 shares.

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. JSC "TransContainer" wishes to caution you that these statements are only predictions and that actual events or results may differ materially. JSC "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 JSC "TransContainer", including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, rapid technological and market change in the industries JSC "TransContainer" operates in, as well as many other risks specifically related to JSC "TransContainer" and its operations