

## **FOR IMMEDIATE RELEASE**

**2 June 2014**

# **JSC TransContainer**

## **Results for the three months ended 31 March 2014**

JSC "TransContainer" ("TransContainer" or the "Company" together with its consolidated subsidiaries) today publishes its management report together with the unaudited interim condensed financial statements for the three months ended 31 March 2014. 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 of 31 March 2014, the Company accounted for approximately 45.3% of all rail container transportation in Russia. It owns and operates 26,302 flatcars and more than 64,808 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's joint venture JSC KedenTransService ("KedenTransService") also operates 19 inland rail-side terminals in Kazakhstan via its subsidiary. The Company's sales network is comprised of more than 130 sales outlets across Russia, along with a presence in the CIS, Europe and Asia.

During the first three months of 2014 the rail container transportation market demonstrated a 9.3% growth in volumes, which was to a significant extent attributable to the low base of the previous year. However, the pricing environment continued to be challenging amid the increased competition in the market. The Company's rail container transportation volumes in Russia for the three months ended 31 March 2014 increased by 1.9% to 349 thousand twenty-foot equivalent units ("TEU") compared to 342 thousand TEU in the corresponding period of 2013, whilst revenue-generating transportation<sup>1</sup> volumes grew by 5.1% year on year to 272 thousand TEU. Terminal handling volumes in Russia decreased by 0.2% year on year to 296 thousand TEU in the reporting period.

The Company's results for the first three months ended 31 March 2014 were impacted by the deconsolidation of KedenTransService in December 2013 as a result of the disposal of a 17% stake in the entity. Following this transaction, KedenTransService's assets, liabilities, operating results and cash flow statements are excluded from TransContainer's consolidated results for the reporting period, while they were consolidated for the three month period ended 31 March 2013.

During the reporting period, the Company's total revenue decreased by 1.1% year on year to RUB 8,460 million and adjusted revenue decreased by 13.3% year on year to RUB 4,884 million. However, EBITDA increased by 6.3% to RUB 2,264 million from RUB 2,129 million in the corresponding period of 2013. Profit for the period grew by 18.1% to RUB 1,309 million in the first quarter of 2014 from RUB 1,108 million in the corresponding period last year, while total comprehensive income for the period grew by 3.8% from RUB 1,164 million for the first three months of 2013 to RUB 1,208 million for the reporting period.

In terms of profitability, EBITDA margin in the first quarter of 2014 reached the record level of 46.4% compared to 37.8% for the first quarter of 2013, while the net income margin grew from 19.7% to 26.8% respectively.

---

<sup>1</sup> Transportation of clients' containers and own loaded containers

As of 31 March 2014, the Company's total debt was RUB 8,361 million with net debt of only RUB 4,877 million, bringing the Net Debt/ LTM EBITDA ratio to a comfortable level of 48%.

Capital expenditure for three months ended 31 March 2014 decreased by 6.2% year on year to RUB 286 million. In accordance with the Company's policy, all capital expenditure during the reporting period was financed by the Company's own cash flow.

### Recent developments and outlook

Following the 9.3% growth in Russia's rail container transportation market recorded in the first quarter of 2014, it continued to demonstrate healthy dynamics in April and May, supporting the management's view of the market's prospects. 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.

However, since the Russian economy has demonstrated relatively weak performance in the first quarter of 2014 and the market is expecting further economic slowdown in the country, the Company's management notes that the resumed growth trend in the Russian rail container market is still to prove its sustainability.

Increasing levels of competition in the container segment may continue to put operator tariffs under pressure. In addition to the Company's continuous marketing efforts and improvements to the quality of service, TransContainer'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 volumes in Russia*

The Company's rail container transportation volumes in Russia for the first quarter of 2014 increased by 1.9% to 349 thousand TEU, compared to 342 thousand TEU in the corresponding period of 2013. This was mainly due to a 41% growth in transit transportation volumes and a 10% increase in export transportation, which was largely offset by a 16.8% decrease in imports. A decrease in the Company's import transportation was primarily affected by the negative impact of the weaker rouble on container imports.

*Transportation of containers by TransContainer's fleet in 1Q 2014 (ISO Loaded + Empty), 000' TEU*

	1Q 2014	1Q 2013	Change	
			000' TEU	Percent
Domestic Routes	167.2	167.1	+0.1	0.0%
Export	99.8	90.7	+9.1	+10.1%
Import	53.5	64.4	-10.8	-16.8%
Transit	28.4	20.1	+8.3	+41.0%
<b>All Routes</b>	<b>349.0</b>	<b>342.4</b>	<b>+6.6</b>	<b>+1.9%</b>

The Company's revenue-generating container transportation<sup>2</sup> volumes in Russia increased by 5.1% year on year to 272 thousand TEU in the first quarter of 2014. TransContainer's estimated share of Russia's

<sup>2</sup> Transportation of clients' containers and own loaded containers

rail container transportation in the first quarter of 2014 decreased to ca. 45.3% from ca. 48.5% in the corresponding period of 2013 and remained essentially flat compared to the fourth quarter of 2013.

### ***Terminal handling***

Throughput of the Company's rail container terminal network in Russia in the first quarter of 2014 decreased by 0.2% to 296 thousand TEU, compared to the fourth quarter of 2013. This decline was mainly due to an 83.1% year on year drop in medium-duty containers (MDC) handling volume, as a result of the continuing phasing out of the MDC fleet.

### ***Asset utilisation***

In the first quarter of 2014, the container empty run ratio decreased due to management efforts to optimise the container fleet utilisation amid a challenging operating environment. This was partly offset by a moderate increase in the flatcar empty run ratio.

Growth in the container turnover period is mainly associated with the market environment, growing competition and increasing complexity of logistics chains in the first three months of 2014, while turnover of flatcars remained largely flat.

	<b>1Q 2014</b>	<b>1Q 2013</b>
Turnover of containers, days	31.8	26.0
Turnover of flatcars, days	14.5	14.0
Empty run <sup>3</sup> for containers, %	27.6%	29.2%
Empty run for flatcars, %	6.7%	6.1%

<sup>3</sup> The 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 three months ended 31 March 2014 and 2013.

<b>RUB million</b>	<b>1Q 2014</b>	<b>1Q 2013</b>	<b>Year on year change</b>	<b>Year on year percent change</b>
Revenue	8,460	8,558	-98	-1.1%
Other operating income	158	228	-70	-30.7%
Operating expenses	-7,030	-7,191	161	-2.2%
Gain from early termination of finance lease	16	-	16	
Interest expense	-177	-208	31	-14.9%
Interest income	24	66	-42	-63.6%
Foreign exchange gain, net	145	-	145	
Share of result of associates and joint ventures	28	1	27	2700.0%

<sup>3</sup> The Empty run ratio is calculated as an average empty run in kilometers divided by an average total run in kilometers

<b>Profit before income tax</b>	<b>1,624</b>	<b>1,454</b>	<b>170</b>	<b>11.7%</b>
Income tax expense	-315	-346	31	-9.0%
<b>Profit for the period</b>	<b>1,309</b>	<b>1,108</b>	<b>201</b>	<b>18.1%</b>
Attributable to:				
Equity holders of the parent	1,309	1,099	210	19.1%
Non-controlling interest	-	9	-9	
<b>Other comprehensive income</b>				
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment benefit plans	49	1	48	4800.0%
Income tax effect	-9	-	-9	
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	-141	55	-196	-356.4%
Other comprehensive income for the period	-101	56	-157	-280.4%
<b>Total comprehensive income for the period</b>	<b>1,208</b>	<b>1,164</b>	<b>44</b>	<b>3.8%</b>
Attributable to:				
Equity holders of the parent	1,208	1,172	36	3.1%
Non-controlling interest	-	-8		

The Company's financial results for the three months ended 31 March 2014 reflect the Company's efforts to improve operational efficiency and cost effectiveness amid the competitive market environment in Russia.

In the first quarter of 2014, the Company's total revenue decreased by 1.1% year on year to RUB 8,460 million, while adjusted revenue decreased by 13.3% year on year to RUB 4,884 million. Nevertheless, EBITDA increased by 6.3% to RUB 2,264 million in the reporting quarter from RUB 2,129 million in the corresponding quarter of 2013, while profit for the period grew by 18.1% to RUB 1,309 million from RUB 1,108 million in the first quarter of 2013.

#### **Additional 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 calculated on the basis of 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 IFRS.

<b>RUB million</b>	<b>1Q 2014</b>	<b>1Q 2013</b>	<b>Year on year change</b>	<b>Year on year percent change</b>
Adjusted Revenue <sup>1</sup>	4,884	5,633	-749	-13.3%
Adjusted operating expenses <sup>2</sup>	3,454	4,266	-812	-19.0%

EBITDA <sup>3</sup>	2,264	2,129	135	6.3%
Adjusted EBITDA margin <sup>4</sup>	46.4%	37.8%		
Total debt	8,361	9,346	-985	-10.5%
Net debt <sup>5</sup>	4,877	5,112	-235	-4.6%

<sup>1</sup>Adjusted Revenue is calculated as total revenue less cost of integrated freight forwarding and logistics services.

<sup>2</sup>Adjusted Operating Expenses are calculated as operating expenses less cost of integrated freight forwarding and logistics services.

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

<sup>4</sup>Adjusted EBITDA Margin is defined as EBITDA divided by Adjusted Revenue.

<sup>5</sup>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 three months ended 31 March 2014 and 2013 respectively.

<b>RUB million</b>	<b>1Q 2014</b>	<b>1Q 2013</b>	<b>Year on year change</b>	<b>Year on year percent change</b>
Integrated freight forwarding and logistics services	6,355	5,011	1 344	26.8%
Rail-based container shipping services	1,270	1,979	-709	-35.8%
Terminal services and agency fees	466	968	-502	-51.9%
Truck deliveries	220	314	-94	-29.9%
Other freight forwarding services	63	132	-69	-52.3%
Bonded warehousing services	62	93	-31	-33.3%
Other	24	61	-37	-60.7%
<b>Total revenue</b>	<b>8,460</b>	<b>8,558</b>	<b>-98</b>	<b>-1.1%</b>

Total revenue decreased by RUB 98 million, or 1.1%, from RUB 8,558 million for the three months ended 31 March 2013 to RUB 8,460 million for the three months ended 31 March 2014. This decrease was primarily due to a deconsolidation of KedenTransService's revenue. If KedenTransService's contribution to the revenue for the first quarter of 2013 is eliminated, the Company's total revenue would have increased by 14.7% year on year, driven by an increase in integrated freight and transportation services.

## Adjusted Revenue

The following table sets out adjusted revenue calculations for the three months ended 31 March 2014 and 2013 respectively.

<b>RUB million</b>	<b>1Q 2014</b>	<b>1Q 2013</b>	<b>Year on year change</b>	<b>Year on year percent change</b>
Total revenue	8,460	8,558	-98	-1.1%
Cost of integrated freight forwarding and logistics services	3,576	2,925	651	22.3%

<b>Adjusted Revenue</b>	<b>4,884</b>	<b>5,633</b>	<b>-749</b>	<b>-13.3%</b>
-------------------------	--------------	--------------	-------------	---------------

Adjusted revenue (as defined above) declined by 13.3% from RUB 5,633 million for the three months ended 31 March 2013 to RUB 4,884 million for the three months ended 31 March 2014. This was primarily due to a deconsolidation of KedenTransService's costs and revenues. If KedenTransService's contribution to the adjusted revenue for the first quarter of 2013 is eliminated, the Company's adjusted revenue would have increased by RUB 20 million, driven by an increase in integrated freight and transportation services, which offset a decline in rail-based container transportation services, bonded warehousing and other freight forwarding and logistics services.

The following table sets out the components of relative contribution to adjusted revenue for the three months ended 31 March 2014 and 2013 respectively.

	1Q 2014		1Q 2013		Year on year change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent
Adjusted Integrated freight forwarding and logistics services	2,779	56.9%	2,086	37.0%	693	33.2%
Rail-based container shipping services	1 270	26.0%	1 979	35.1%	-709	-35.8%
Terminal services and agency fees	466	9.5%	968	17.2%	-502	-51.9%
Truck deliveries	220	4.5%	314	5.6%	-94	-29.9%
Other freight forwarding services	63	1.3%	132	2.3%	-69	-52.3%
Bonded warehousing services	62	1.3%	93	1.7%	-31	-33.3%
Other	24	0.5%	61	1.1%	-37	-60.7%
<b>Total Adjusted Revenue</b>	<b>4,884</b>	<b>100%</b>	<b>5,633</b>	<b>100%</b>	<b>-749</b>	<b>-13.3%</b>

The structure of the Adjusted Revenue changed in the first quarter of 2014 compared to the corresponding period of 2013. The share of rail-based container transportation services in the Adjusted Revenue decreased from 35.1% for the first three months ended 31 March 2013 to 26.0% for the first three months ended 31 March 2014. The share of integrated freight forwarding and logistics services, net of cost of integrated freight forwarding and logistics services, increased to 56.9% from 37.1% as a result of the services mix shifting towards transportation under integrated logistics contracts. The share of terminal services and agency fees decreased from 17.2% to 9.5%, mainly due to a deconsolidation of KedenTransService's results.

#### *Integrated freight forwarding and logistics services*

Revenue from integrated freight forwarding and logistics services increased by 26.8% year on year to RUB 6,355 million for the three months ended 31 March 2014.

The following table sets out adjusted integrated freight forwarding and logistics services calculations for the three months ended 31 March 2014 and 2013 respectively.

<b>RUB million</b>	<b>1Q 2014</b>	<b>1Q 2013</b>	<b>Year on year change</b>	<b>Year on year percent change</b>
Integrated freight forwarding and logistics services	6,355	5,011	1,344	26.8%
Cost of integrated freight forwarding and logistics services	3,576	2,925	651	22.3%

<b>Adjusted revenue from integrated freight forwarding and logistics services</b>	<b>2,779</b>	<b>2,086</b>	<b>693</b>	<b>33.2%</b>
---	--------------	--------------	------------	--------------

Adjusted revenue from integrated freight forwarding and logistics services grew by 33.2% year on year to RUB 2,779 million for the reporting period. This increase was primarily due to the Company's business shifting towards providing integrated freight forwarding and logistics services, which was partly offset by the deconsolidation of KedenTransService's transportation business.

#### *Rail-based container transportation services*

Revenue from rail-based container transportation fell by 35.8% to RUB 1,270 million for the reporting period from RUB 1,979 million for the same period of 2013, as a result of the mix of services shifting towards transportation as part of integrated logistics contracts.

#### *Terminal services and agency fees*

Revenue from terminal services, including agency fees, decreased by 51.9% to RUB 466 million for the three months ended 31 March 2014 from RUB 968 million for the same period of 2013.

This decrease was primarily due to the deconsolidation of KedenTransService's terminal business. On a stand-alone basis, the revenue from terminal services and agency fees would have remained flat year on year, reflecting the dynamics of the Company's container terminal handling volumes in Russia.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, decreased by 2.6% to RUB 370 million for the reporting period, compared to RUB 380 million for the same period of 2013, in line with container handling volumes at the Company's terminals in Russia.

#### *Truck deliveries*

Revenue from truck deliveries decreased by RUB 94 million, or 29.9%, to RUB 220 million for the three months ended 31 March 2014 from RUB 314 million for the same period of 2013. This was due to a 22.3% reduction in container transportation volumes by the Company's own and outsourced truck fleet to 92 thousand TEU in the first quarter of 2014 from 118 thousand TEU in corresponding period of 2013, as well as due to the deconsolidation of KedenTransService's trucking business.

#### *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 52.3% from RUB 132 million to RUB 63 million. This decrease was primarily due to the Company's business shifting towards providing integrated freight forwarding and logistics services.

#### *Bonded warehousing services*

Revenue from bonded warehousing services decreased by RUB 31 million, or 33.3%, to RUB 62 million for the three months ended 31 March 2014 from RUB 93 million for the same period of 2013, primarily due to the deconsolidation of the KedenTransService bonded warehousing business.

### **Operating expenses**

The following table sets out a breakdown of the Company's operating expenses for the three months ended 31 March 2014 and 2013 respectively.

<b>RUB million</b>	<b>1Q 2014</b>	<b>1Q 2013</b>	<b>Year on year change</b>	<b>Year on year percent change</b>
Cost of integrated freight forwarding and logistics services	3 576	2 925	651	22.3%

Freight and transportation services	1 087	1 111	-24	-2.2%
Payroll and related charges	954	1 143	-189	-16.5%
Depreciation and amortisation	463	467	-4	-0.9%
Materials, repair and maintenance	417	610	-193	-31.6%
Taxes other than income tax	146	200	-54	-27.0%
Rent	96	283	-187	-66.1%
Other operating expenses	291	452	-161	-35.6%
<b>Total operating expenses</b>	<b>7,030</b>	<b>7,191</b>	<b>-161</b>	<b>-2.2%</b>

TransContainer's total operating expenses decreased by RUB 161 million, or 2.2%, to RUB 7,030 million for the three months ended 31 March 2014 from RUB 7,191 million for the three months ended 31 March 2013, as a significant increase in the cost of integrated freight forwarding and logistics services offset the deconsolidation of the KedenTransService's business.

*Cost of integrated freight forwarding and logistics services*

Costs of integrated freight forwarding and logistics services increased by 22.3% to RUB 3,576 million for the three months ended 31 March 2014 from RUB 2,925 million for the same period of 2013, driven predominantly by an increase in transportation volume under integrated logistics contracts and volume of outsourced transportation services involved in TransContainer's integrated logistics solutions.

**Adjusted operating expenses**

The following table sets out adjusted operating expenses for the three months ended 31 March 2014 and 2013 respectively.

<b>RUB million</b>	<b>1Q 2014</b>	<b>1Q 2013</b>	<b>Year on year change</b>	<b>Year on year percent change</b>
Total operating expenses	7,030	7,191	-1613	-2.2%
Cost of integrated freight forwarding and logistics services	3 576	2 925	651	22.3%
<b>Adjusted operating expenses</b>	<b>3,454</b>	<b>4,266</b>	<b>-812</b>	<b>-19.0%</b>

Adjusted operating expenses, as defined above, decreased by 19.0% to RUB 3,454 million for the three months 31 March 2014 from RUB 4,266 million for the same period of 2013, primarily as a result of the deconsolidation of KedenTransService's business, as well as due to an improvement in the Company's operational efficiency.

The following table sets out a breakdown of the Company's adjusted operating expenses, as defined above, for the three months ended 31 March 2014 and 2013 respectively.

<b>1Q 2014</b>	<b>1Q 2013</b>	<b>Year on year change</b>
----------------	----------------	----------------------------



	RUB mln	Percent of adjusted operating expenses	RUB mln	Percent of adjusted operating expenses	RUB mln	Percent change
Freight and transportation services	1,087	31.5%	1,111	26.0%	-24	-2.2%
Payroll and related charges	954	27.6%	1,143	26.8%	-189	-16.5%
Depreciation and amortisation	463	13.4%	467	10.9%	-4	-0.9%
Materials, repair and maintenance	417	12.1%	610	14.3%	-193	-31.6%
Taxes other than income tax	146	4.2%	200	4.7%	-54	-27.0%
Rent	96	2.8%	283	6.6%	-187	-66.1%
Other expenses	291	8.4%	452	10.6%	-161	-35.6%
<b>Adjusted operating expenses</b>	<b>3,454</b>	<b>100.0%</b>	<b>4,266</b>	<b>100.0%</b>	<b>-812</b>	<b>-19.0%</b>

#### *Freight and transportation services*

Expenses relating to freight and transportation services decreased by RUB 24 million, or 2.2%, to RUB 1,087 million for the three months ended 31 March 2014. The decrease was due to the deconsolidation of KedenTransService's transportation business. If the deconsolidation effect is eliminated, costs related to freight and transportation services would have increased by 2.8% year on year, due to a rise in empty run costs incurred from container transportation in the CIS countries, partially offset by a decrease in container empty run ratio in Russia from 29.2% to 27.6%.

#### *Payroll and related charges*

Payroll and related charges decreased by RUB 189 million, or 16.5%, to RUB 954 million for the three months ended 31 March 2014 from RUB 1,143 million for the same period of 2013, primarily due to the deconsolidation of KedenTransService. However, even if the deconsolidation effect is eliminated, payroll and related charges would have decreased by 2.5% year on year, mainly due to an 11.6% decrease in TransContainer's average headcount from 4,734 to 4,185 employees, partially offset by base salary indexing and payments of performance-linked bonuses in the first quarter of 2014.

#### *Depreciation and amortisation*

Depreciation and amortisation decreased by 0.9% to RUB 463 million in the first quarter of 2014 from RUB 467 million for the same period of 2013, as the deconsolidation of KedenTransService offset an increase in depreciation and amortisation charges resulting from acquiring fixed assets between 31 March 2013 and 31 March 2014.

#### *Materials, repair and maintenance*

Expenses related to materials, repair and maintenance fell by 31.6% to RUB 417 million for the first three months of 2014 from RUB 610 million for the same period of 2013, due to the deconsolidation of KedenTransService as well as a decrease in the number of flatcar repairs, especially in the number of the most expensive overhaul repairs.

#### *Taxes other than income tax*

Taxes other than income tax decreased by 27.0% to RUB 146 million for the three months ended 31 March 2014 from RUB 200 million for the same period of 2013, primarily due to the deconsolidation of KedenTransService. Excluding the deconsolidation effect, taxes other than income tax would have decreased by 6.9% year on year due to VAT settlements.

#### *Rent*

Rent expenses fell by RUB 187 million, or by 66.1%, to RUB 96 million in the reporting period from RUB 283 million in the same period of 2013, as a result of the deconsolidation of KedenTransService. On a stand-alone basis, the Company's rent expenses would have increased by RUB 29 million, or 43.4%, primarily due to an increase in a number of flatcars rented under operating lease contracts from 70 units in the first quarter 2013 to 200 units in the first quarter of 2014.

### *Other operating expenses*

Other operating expenses are an aggregate of various expense items such as security, consulting expenses, fuel and energy, licences and software, communication services, loss of sale of fixed assets, etc. Other expenses fell by 35.6% to RUB 291 million in the first quarter of 2014 from RUB 425 million in the first quarter of 2013, primarily due to the deconsolidation of KedenTransService. Excluding the deconsolidation effect, other operating expenses would have decreased by 18.9% year on year, as a result of improved cost control.

### *Interest expense*

Interest expenses decreased by RUB 31 million, or 14.9%, to RUB 177 million for the first three months of 2014 from RUB 208 million for the same period of 2013, due to a refinancing of maturing RUB-denominated bonds series 01 and loans obtained from OJSC Alfa Bank by newly issued RUB-denominated bonds series 04 in February 2013, as well as due to the scheduled amortisation of RUB 750 million bonds series 02 in December 2013.

### *Interest income*

Interest income decreased to RUB 24 million in the first quarter of 2014 from RUB 66 million for the same period of 2013, due to a decrease in cash balances in deposit accounts compared to the first quarter of 2013.

### *Profit before income tax*

Profit before income tax increased by RUB 170 million, or by 11.7%, from RUB 1,454 million for the three months ended 31 March 2013 to RUB 1,624 million for the three months ended 31 March 2014. This increase was due to the factors discussed above.

### *Income tax expenses*

Income tax expenses decreased by RUB 31 million, or 9.0%, to RUB 315 million in the first three months of 2014 from RUB 346 million for the same period of 2013, primarily due to the deconsolidation of KedenTransService, as well as a decrease in non-deductible tax expenses. For the same reason, the effective tax rate for the reporting quarter decreased to 19.4% compared to 23.8% in the same quarter of 2013.

### *Total profit and comprehensive income for the period*

As a result of the factors discussed above, the profit for the three months ended 31 March 2014 increased by RUB 201 million, or 18.1%, to RUB 1,309 million compared to RUB 1,108 million for the same period of 2013. Taking into account the exchange differences relating to foreign operations and other effects, the total comprehensive income for the reporting period was up 3.8% and totalled RUB 1,208 million, compared to RUB 1.164 million for the first three months of 2013

## **Liquidity and Capital Resources**

As of 31 March 2014, the Company's net cash and cash equivalents amounted to RUB 2,726 million and the Company's current assets exceeded current liabilities by RUB 2,248 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for, 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, amongst other things. 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 three months ended 31 March 2014 and 2013 respectively.

	<b>1Q 2014</b>	<b>1Q 2013</b>
Net cash provided by operating activities	1,714	1,715

Net cash used in investing activities	-982	-1,110
Net cash used in/ provided by financing activities	-5	106
Net increase in cash and cash equivalents	727	711
<b>Net cash and cash equivalents at the end of the period</b>	<b>2,726</b>	<b>2,037</b>

#### *Cash flow generated by operating activities*

Cash flow generated by operating activities decreased by RUB 1 million to RUB 1,714 million for the three months ended 31 March 2014 from RUB 1,715 million for the same period of 2013. This was primarily due to a RUB 181 million, or 8.4%, decrease in operating profit before working capital changes from RUB 2,162 million for the first three months of 2013 to RUB 1,981 million in 2014. This decrease was almost fully offset by changes in working capital.

#### *Cash flow used in investing activities*

Cash flow used in investing activities decreased by RUB 128 million, or 11.5%, to RUB 982 million for the three months ended 31 March 2014 from RUB 1,110 million for the same period of 2013. This was primarily due to a net result of short-term investments, represented by bank deposits, in the amount of RUB 101 million.

#### *Cash flow used in financing activities*

Cash flow generated by financing activities turned to negative RUB 5 million in the first quarter of 2014 from positive RUB 106 million for the same period of 2013, primarily due to redemptions of finance lease obligations and long-term loans.

### **Capital Expenditure**

Capital expenditure decreased by RUB 19 million, or 6.2%, to RUB 286 million in the first quarter of 2014 from RUB 305 million in the first quarter of 2013. The majority of the capital expenditure was a result of the acquisition of flatcars, ISO containers, construction and other investments. During the reporting period, the Company acquired 2,915 units of ISO containers and 219 units of 80 foot flatcars.

#### *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 in 2014 is budgeted at RUB 5.3 billion (excluding VAT), subject to market conditions, of which up to RUB 2.9 billion may be spent on the acquisition of new flatcars; up to RUB 0.95 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; up to RUB 0.5 billion on the acquisition of new cranes and other lifting equipment and up to RUB 0.45 billion on other capital expenditure items such as trucks, IT and other equipment. The actual capital expenditure amount is subject to the market environment and Company's financial conditions.

### **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 March 2014, the Company's financial indebtedness consisted of two outstanding bond issues, financial lease obligations and other borrowings in an aggregate amount of RUB 8,361 million, compared to RUB 8,438 million as of 31 December 2013. As of 31 March 2013, the Company's net debt was RUB 4,877 million.

As of 31 March 2014, 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 debt is rouble-denominated and has fixed interest rate.

#### *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 the 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 installments during the fourth and fifth year. The Company made the first principal repayment in December 2013 in the amount of RUB 750 million. As at 31 March 2014, the carrying value of the bonds amounted to RUB 2,240 million (RUB 2,236 million as at 31 December 2013).

As at 31 March 2014, the short-term portion of long-term bonds equals RUB 1,500 million (RUB 1,500 million as at 31 December 2013) and this amount was included as a short-term debt in the interim condensed consolidated statement of financial position. As at 31 March 2014, the accrued interest amounted at RUB 63 million (RUB 18 million as at 31 December 2013) and was included as a short-term debt in the interim condensed 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 the deduction of related offering costs amounted to RUB 4,988 million. The annual coupon rate of the bonds for five years is 8.35% with interest paid semi-annually.

The series 4 bonds will be redeemed in four equal semi-annual installments 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 March 2014, the carrying value of the bonds amounted to RUB 4,989 million (RUB 4,988 million as at 31 December 2013). The amount of accrued interest as at the reporting date was RUB 68 million (RUB 175 million as at 31 December 2013) and has been included as short-term debt in the interim condensed consolidated statement of financial position.

#### *Other borrowings*

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 was RUB 469 million as at 31 March 2014.

#### *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 three months ended 31 March 2014.

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>Current assets</b>		
Inventory	355	358
Trade and other receivables	1,500	1,621
Prepayments and other current assets	3,007	3,435
Prepaid income tax	86	114
Short-term investments	758	1
Cash and cash equivalents	2,726	1,883
<b>Total current assets</b>	<b>8,432</b>	<b>7,412</b>
<b>Current liabilities</b>		
Trade and other payables	3,038	3,216
Short-term debt and current portion of long-term debt	1,631	1,693
Income tax payable	161	77
Taxes other than income tax payable	255	372
Provisions	18	19
Finance lease obligations, current maturities	170	66
Accrued and other current liabilities	911	834
<b>Total current liabilities</b>	<b>6,184</b>	<b>6,277</b>

**Working capital****2,248****1,135**

Working capital increased by RUB 1,113 million to RUB 2,248 million at the end of the reporting period from RUB 1,135 million as at 31 December 2013. This was primarily due to a RUB 757 million increase in short-term investments and a RUB 843 million cash and cash equivalents, partially offset by a decrease in prepayments and other current assets by RUB 428 million.

**Downloads**

The consolidated financial statements for the three months ended 31 March 2014 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 on Monday 2 June 2014 at 13:00 UK time / 16:00 Moscow time. 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	52729179

A replay of the call will be available until Wednesday 2 July 2014 using the following details:

UK Free Call Dial In	0800 953 1533
Russia Dial In	8 499 677 1064
Replay Access Code	52729179#

**Enquiries:****TransContainer**

Andrey Zhemchugov, Director, Capital Markets and Investor Relations	+7 495 637 9178
E-mail	+7 495 609 6062
Website	ir@trcont.ru
	www.trcont.ru

**Instinctif Partners**

Tony Friend / Galyna Kulachek	+44 (0)20 7457 2020
-------------------------------	---------------------

**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, 19 rail-side terminals in Kazakhstan (through its joint venture company KedenTransService) and operates one terminal in Slovakia. Company's sales network comprises more than 130 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