

RNS Number : 6068O
PJSC Transcontainer
29 May 2015

FOR IMMEDIATE RELEASE

29 May 2015

PJSC TransContainer

Results for the three months ended 31 March 2015

PJSC "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 2015. 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 March 2015, the Company accounted for approximately 47.8% of Russia's rail container transportation market. It owns and operates 27,029 flatcars and 64,692 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's joint venture JSC KedenTransService ("KedenTransService", or "KDTS") also operates 19 inland rail-side terminals in Kazakhstan. The Company's sales network comprises about 130 sales outlets in Russia, along with additional outlets across the CIS, Europe and Asia.

In the first quarter of 2015, Russia's rail container transportation market decreased by 4.7% year-on-year amid deteriorating macroeconomic conditions. The market was supported by a 3.4% year-on-year increase in domestic rail container transportation. International transportation, however, was down by 10.9% year-on-year, mainly driven by a 16.6% year-on-year slump in import transportation.

The Company's rail container transportation volumes in Russia increased by 0.7% year-on-year to 351 thousand twenty-foot equivalent units ("TEU") for the three months ended 31 March 2015, compared to 342 thousand TEU for the first quarter of 2014. However, revenue-generating transportation^[1] volumes decreased by 3.0% year-on-year to 264 thousand TEU. Terminal handling volumes in Russia decreased by 3.7% year-on-year to 285 thousand TEU in the reporting period.

The Company's financial results reflect the challenging pricing and operating environment in the Russian rail container transportation market, as well as the relatively high base of the first quarter of 2014. In the first quarter of 2015, due to rouble depreciation and other factors, considerable misbalances between the import and export segments of the Russian container market evolved. This caused growing empty container flows. Weak market dynamics, combined

with higher RZD tariffs and accelerated cost inflation, drove the Company's business marginality down.

During the three months ended 31 March 2015, the Company's total revenue grew by 19.3% year-on-year to RUB 10,095 million. Adjusted revenue increased by 3.3% year-on-year to RUB 5,044 million in the first quarter of 2015, compared to RUB 4,884 million in the first quarter of 2014. EBITDA fell by 28.4% year-on-year to RUB 1,622 million from RUB 2,264 million in the corresponding period of 2014. Profit for the period was down 42.2% year-on-year to RUB 756 million from RUB 1,309 million in the corresponding period last year.

In terms of profitability, the adjusted EBITDA margin in the first quarter of 2015 decreased to 32.2% from 46.4% in the respective period of 2014, while the adjusted net income margin decreased to 15.0% from 26.8%.

As at 31 March 2015, the Company's total debt was RUB 6,684 million with net debt of only RUB 3,658 million. As a result, the Net Debt/LTM EBITDA ratio remained at the comfortable level of 51%.

Capital expenditure for the three months ended 31 March 2015 decreased by 52.1% year-on-year to RUB 137 million on the back of increased economic uncertainty. In accordance with the Company's policy, all capital expenditure during the reporting period was financed by the Company's own cash flow.

Recent developments and outlook

In the first quarter of 2015, the decline of the Russian rail container market is approaching 10% year-on-year amid weaker industrial output and contracting domestic consumption. Given these dynamics, the Company's management reiterates its view that the market will shrink at a rate in the upper single-digits in 2015, subject to any external economic and political effects.

The challenging operating environment and increasing competition in the container segment limits operators' ability to raise tariffs in line with cost inflation. With that in mind, the Company's management will focus on business optimisation, as well as further improving management efficiency and the quality of customer service.

Despite the current challenges, the Company believes that the Russian container transportation market is fundamentally attractive and retains significant long-term growth potential, driven by industrial production, consumer demand and scope for further growth in cargo containerisation.

Key operating results

Rail container transportation volumes in Russia

In the first quarter of 2015, the Company's rail container transportation volumes in Russia increased by 0.7% year-on-year to 352 thousand twenty-foot equivalent units ("TEU"), compared to 349 thousand TEU in the same period of 2014. This was mainly due to a 9.2% year-on-year increase in domestic transportation volumes, which offset a 7.0% year-on-year decline in international transportation. The increase in TransContainer's domestic transportation volumes was driven by the growth in clients' demand for transportation via the Company's own containers amid a lack of shipping lines' containers in the market, which, in turn, resulted from a drop in container import. Overall, growth in the Russian domestic transportation segment was another supporting factor.

The drop in container transportation imports was caused by a decrease in containerised import volumes, which resulted from the devaluation of the rouble and a slump in consumer demand. This drop was partially offset by an increase in the Company's market share in this segment. A reduction in container transportation export volumes was mainly due to a decline in export transportation of empty containers, reflecting a drop in loaded imports. The decline in transit volumes mainly resulted from lower transit transportation volumes between the Far East and Central Asia.

Transportation of containers by TransContainer's fleet in 1Q 2015 (ISO Loaded + Empty), 000' TEU

	1Q 2015	1Q 2014	Change 000' TEU	Percent
Domestic Routes	182.5	167.2	+15.3	+9.2%
Export	91.4	99.8	-8.5	-8.5%
Import	51.5	53.5	-2.0	-3.8%
Transit	26.1	28.4	-2.3	-8.1%
All routes	351.5	349.0	+2.5	+0.7%

TransContainer's revenue-generating container transportation volumes in Russia were down 3.0% year-on-year in the first quarter of 2015 and amounted to 264 thousand TEU.

In the first quarter of 2015, the Company's total estimated share in Russia's rail container transportation market increased to 47.8% from 45.3% in the first quarter of 2014. TransContainer's share in the domestic market strengthened to 52.7% in the reporting period compared to 49.9% in the corresponding period of 2014, while its share in the international transportation market grew to 43.5% from 41.7%.

Terminal handling

In the first quarter of 2015, throughput of the Company's rail container terminal network in Russia decreased by 3.7% year-on-year to approximately 285 thousand TEU. The Company's terminal handling volumes were mainly in line with the Russian rail container transportation market, which were down 4.7% year-on-year.

Asset utilisation

In the first quarter of 2015, flatcar empty runs were affected by a decrease in transportation volumes and changes in container flows across the international transportation segment. Container empty runs remained broadly flat year-on-year as a result of improved management of the container fleet both in Russia and abroad.

The container turnover improved, reflecting growing customer demand for the Company's containers in the domestic and export transportation segments. This largely resulted from a lack of supply of empty containers by shipping lines amid falling import volumes. A moderate increase in flatcar turnover mainly reflects greater average distances travelled by the Company's fleet.

Operational efficiency indicators

1Q 2015	1Q 2014
---------	---------

Turnover ¹ of containers, days	37.6	43.6
Turnover ¹ of flatcars, days	15.1	14.5
Empty run ² for containers, %	28.0%	27.6%
Empty run ² for flatcars, %	8.8%	6.7%

1 Since 2015, the calculation of flatcar and container turnover changed to reflect the wider range of railway statistics available. It now takes into account not only public rail infrastructure, but also private sidings. Respective data for 2014 are re-calculated on a comparable basis

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

Description of Key Consolidated Statement of Comprehensive Income Items

The following table sets out the key Company's results for the three months ended 31 March 2015 and 2014.

Summary of key Company's results for the three months ended 31 March 2015 and 2014

RUB million	1Q 2015	1Q 2014	Year on year change	
			RUB mln	%
Revenue	10,095	8,460	+1,635	+19.3%
Other operating income	146	158	-12	-7.6%
Operating expenses	-9,263	-7,030	-2,233	+31.8%
Operating profit	978	1,588	-610	-38.4%
Interest expense	-140	-177	+37	-20.9%
Interest income	28	24	+4	+16.7%
Foreign exchange gain, net	57	145	-88	-60.7%
Share of result of associates and JVs	27	28	-1	-3.6%
Other financial results, net	0	16	-16	-100.0%
Profit before income tax	950	1,624	-674	-41.5%
Income tax expense	-194	-315	+121	-38.4%
Profit for the period	756	1,309	-553	-42.2%
Other comprehensive income (net of income tax)	149	-101	+250	-247%
Total comprehensive income for the period	905	1,208	-303	-25.1%

The Company's financial results for the three months ended 31 March 2015 reflect the challenging pricing and operating environment in the Russian rail container market amid the deteriorating economic conditions.

In the first quarter of 2015, the Company's total revenue was up 19.3% year-on-year to RUB 10,095 million and adjusted revenue grew by 3.3% year-on-year to RUB 5,044 million. However, EBITDA contracted by 28.4% year-on-year to RUB 1,622 million, from RUB 2,264 million in the corresponding period of 2014. Profit for the period fell by 42.2% year-on-year to RUB 756 million.

Adjustments and additional financial information

Since 1 January 2015, the Company has started to provide a wider range of services that involve third-party services and share certain characteristics with agency services. Third-party charges related to such services are presented within revenues from rail-based container shipping services, terminal services, truck deliveries, bonded warehousing services, other freight forwarding services and other revenue. Correspondingly, all such charges are presented within expenses as third-party charges related to principal activities. 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. The above approach was previously used only for revenue from integrated logistics services.

In order to enhance 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 Company's services.

The total fees of subcontractors involved in TransContainer's services are detailed below.

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

RUB million	1Q 2015	1Q 2014	Period on period change	Period on period percent change
3rd-party charges related to integrated freight forwarding and logistics	4,543	3,576	+967	+27.0%
3rd-party charges related to rail-based container shipping	384	0	+384	
3rd-party charges related to terminal services and agency fees	114	0	+114	
3rd-party charges related to truck deliveries	0	0	+0	
3rd-party charges related to other freight forwarding services	2	0	+2	
3rd-party charges related to bonded warehousing services	0	0	+0	
3rd-party charges related to other revenues	8	0	+8	
Third-party charges related to principal activities	5,051	3,576	+1,475	+41.2%

Based on the above, we adjust the Company's revenues as follows.

Revenue adjustments

RUB million	1Q 2015	1Q 2014	Period on period change	Period on period percent change
-------------	---------	---------	----------------------------	------------------------------------

Total revenue adjustment				
Total revenue	10,095	8,460	+1,635	+19.3%
Third-party charges related to principal activities	-5,051	-3,576	-1,475	+41.2%
Adjusted Revenue	5,044	4,884	+160	+3.3%

Integrated freight forwarding and logistics services revenue adjustment

Integrated freight forwarding and logistics services	7,657	6,355	+1,302	+20.5%
3rd-party charges related to integrated freight forwarding and logistics	-4,543	-3,576	-967	+27.0%
Adjusted integrated freight forwarding and logistics services	3,114	2,779	+335	+12.1%

Rail-based container shipping services revenue adjustment

Rail-based container shipping services	1,474	1,270	+204	+16.1%
3rd-party charges related to rail-based container shipping	-384	0	-384	
Adjusted rail-based container shipping services	1,090	1,270	-180	-14.2%

Terminal services and agency fees adjustment

Terminal services and agency fees	621	466	+155	+33.3%
3rd-party charges related to terminal services and agency fees	-114	0	-114	
Adjusted terminal services and agency fees	507	466	+41	+8.8%

Other freight forwarding services revenue adjustment

Other freight forwarding services	57	63	-6	-9.5%
3rd-party charges related to other freight forwarding services	-2	0	-2	
Adjusted other freight forwarding services	55	63	-8	-12.7%

Other revenues adjustment

Other revenues	42	24	+18	+75.0%
3rd-party charges related to other revenues	-8	0	-8	
Other revenues - adjusted	34	24	+10	+41.7%

Accordingly, the Company's operating expenses are adjusted as follows.

Operating expenses adjustment

RUB million	1Q 2015	1Q 2014	Period on period change	Period on period percent change
-------------	---------	---------	-------------------------	---------------------------------

Total operating expenses	9,263	7,030	+2,233	+31.8%
Third-party charges related to principal activities	-5,051	-3,576	-1,475	+41.2%
Adjusted operating expenses	4,212	3,454	+758	+21.9%

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 supplementary indicators of the Company's operating performance. These supplementary 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 IFRS results.

Summary of non-IFRS indicators

RUB million	Year on year change			
	1Q 2015	1Q 2014	RUB mln	%
Adjusted Revenue ¹	5,044	4,884	+160	+3.3%
Adjusted operating expenses ²	4,212	3,454	+758	+21.9%
EBITDA ³	1,622	2,264	-642	-28.4%
Adjusted EBITDA margin ⁴	32.2%	46.4%		
Total debt	6,684	8,361	-1,677	-20.1%
Net debt ⁵	3,658	4,877	-1,219	-25.0%

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

² Adjusted Operating Expenses are calculated as operating expenses less the cost of 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.

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

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

Adjusted revenue analysis

Adjusted revenue (as defined above) increased by 3.3% year-on-year to RUB 5,044 million for the three months ended 31 March 2015, from RUB 4,884 million for the three months ended 31 March 2014. This was primarily due to strong demand for the Company's containers, which made it possible to increase prices for some operator services and terminal services. However, general downward market volume dynamics were experienced during the reporting quarter, along with a challenging pricing environment in the import segment of the Russian rail container transportation market.

The following table sets out the components of adjusted revenue for the three months ended 31 March 2015 and 2014, respectively, and outlines their relative contribution.

Adjusted Revenue structure

	1Q 2015		1Q 2014		Period on period change	
	RUB	share, %	RUB	share, %	RUB	Percent
Adjusted rail-based container shipping services	1,090	21.6%	1,270	26.0%	-180	-14.2%
Adjusted integrated freight forwarding and logistics services	3,114	61.7%	2,779	56.9%	+335	+12.1%
Adjusted terminal services and agency fees	507	10.1%	466	9.5%	+41	+8.8%
Truck deliveries	192	3.8%	220	4.5%	-28	-12.7%
Adjusted other freight forwarding services	55	1.1%	63	1.3%	-8	-12.7%
Bonded warehousing services	52	1.0%	62	1.3%	-10	-16.1%
Other revenues - adjusted	34	0.7%	24	0.5%	+10	+41.7%
Total adjusted revenue	5,044	100%	4,884	100%	+160	+3.3%

The structure of adjusted revenue changed in the first three months of 2015 compared to the corresponding period of 2014. Rail-based container transportation services' share of adjusted revenue fell to 21.6% for the first three months of 2015, compared to 26.0% for the corresponding period of 2014. The share of integrated freight forwarding and logistics services, net of the cost of integrated freight forwarding and logistics services, grew to 61.7% from 56.9% in the first quarter of 2014 as a result of the services mix shifting towards transportation under integrated logistics contracts. The share of terminal services and agency fees increased to 10.1% from 9.5% in the first quarter of 2014.

Adjusted integrated freight forwarding and logistics services analysis

Adjusted revenue from integrated freight forwarding and logistics services grew by 12.1% year-on-year to RUB 3,114 million for the first three months of 2015. The increase in this revenue item was primarily due to the Company's business continuing to shift towards providing integrated freight forwarding and logistics services. Growth in the share of high value services in the operator services mix and price hikes on some export and domestic routes also contributed to the increase. These factors were partly counterbalanced by a general decrease in revenue-generating transportation volumes and the challenging pricing environment on import routes.

Adjusted rail-based container transportation services analysis

Adjusted revenue from rail-based container transportation fell by 14.2% year-on-year to RUB 1,090 million for the three months ended 31 March 2015, from RUB 1,270 million in the corresponding period of 2014. This decline resulted from the Company's business continuing to shift towards facilitating transportation as part of integrated logistics contracts, as well as from the balance of the positive and negative factors outlined above.

Adjusted terminal services and agency fees analysis

Adjusted revenue from terminal services and agency fees increased by 8.8% year-on-year to RUB 507 million in the three months ended 31 March 2015, from RUB 466 million in the corresponding period of 2014. This increase was primarily due to the Company raising prices for

terminal services on the back of RZD's infrastructure tariff indexing. The price effect was partly counterbalanced by a drop in the Company's terminal handling volume

Truck deliveries analysis

Revenue from truck deliveries decreased by RUB 28 million, or 12.7% year-on-year, to RUB 192 million for the three months ended 31 March 2015, compared to RUB 220 million for the corresponding period of 2013. This was due to a 7.3% year-on-year reduction in container transportation volumes by the Company's own and outsourced truck fleet to 84.9 thousand TEU in the first quarter of 2015, from 91.6 thousand TEU in the corresponding period of 2014.

Adjusted other freight forwarding and logistics services analysis

Adjusted revenue from other freight forwarding and logistics services, which are freight forwarding and logistics services that are not a part of integrated logistics services, fell by 12.7% year-on-year to RUB 55 million in the first three months of 2015, compared to RUB 63 million for the corresponding period of 2013. This decrease was primarily due to the Company's business shifting towards providing integrated freight forwarding and logistics services.

Bonded warehousing services analysis

Revenue from bonded warehousing services fell by 16.1% year-on-year, or by RUB 10 million, to RUB 52 million for the three months ended 31 March 2015, compared to RUB 62 million for the corresponding period of 2014. This reduction is largely attributed to the decrease in import transportation volumes.

Adjusted operating expenses

Adjusted operating expenses, as defined above, increased by 21.9% year-on-year to RUB 4,212 million for the three months ended 31 March 2015, compared to RUB 3,454 million for the corresponding period of 2014, primarily due to growth in empty run costs as a result of RZD tariff indexing. Growth in cargo flows and misbalances between exports and imports were also contributing factors.

The following table provides a breakdown of the Company's adjusted operating expenses, as defined above, for the three months ended 31 March 2015 and 2014, respectively.

Adjusted operating expenses structure

	1Q 2015		1Q 2014		Period on period change	
	RUB	share, %	RUB	share, %	RUB	Percent
Freight and transportation services	1,300	30.9%	1,087	31.5%	+213	+19.6%
Payroll and related charges	1,075	25.5%	954	27.6%	+121	+12.7%
Depreciation and amortisation	532	12.6%	463	13.4%	+69	+14.9%
Materials, repair and maintenance	486	11.5%	417	12.1%	+69	+16.5%
Taxes other than income tax	138	3.3%	146	4.2%	-8	-5.5%
Rent	194	4.6%	96	2.8%	+98	+102.1%
Other expenses	487	11.6%	291	8.4%	+196	+67.4%
Total operating expenses	4,212	100.0%	3,454	100.0%	+758	+21.9%

The fastest growing expense items were freight and transportation services, rent expenses and other revenues. The share of payrolls in the adjusted costs structure decreased considerably, while the share of other expenses grew.

Freight and transportation services

Expenses relating to freight and transportation services increased by RUB 213 million, or 19.6% year-on-year, to RUB 1,300 million for the three months ended 31 March 2015. This growth was driven by a 5.8% year-on-year rise in the volume of services provided using the Company's containers, higher empty run ratios and RZD tariff indexing since 1 January 2015.

Payroll and related charges

Payroll and related charges increased by 12.7% year-on-year, or by RUB 121 million, to RUB 1,075 million for the three months ended 31 March 2015, compared to RUB 954 million for the corresponding period of 2014. This increase was mainly due to base salary indexing, which was partially offset by a 6.1% decrease in TransContainer's average headcount from 4,185 to 3,930 employees, and the effect of changes in employee benefit liability.

Depreciation and amortisation

Depreciation and amortisation increased by RUB 69 million, or 14.9% year-on-year, to RUB 532 million in the first three months of 2015, from RUB 463 million in the corresponding period of 2014. This was mainly due to growth in non-current assets resulting from acquisitions of fixed assets and the effect of revising the useful life of some the Company's assets, both relating to the period after the end of the first quarter of 2014.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance grew by 16.5% year-on-year to RUB 486 million in the first three months of 2015, compared to RUB 417 million in the corresponding period of 2014. This was primarily due to an increase in the number of repairs, although these were partly compensated by a reduction in the average repair price.

Taxes other than income tax

Taxes other than income tax decreased by 5.5% year-on-year to RUB 138 million for the three months ended 31 March 2015, from RUB 146 million for the corresponding period of 2014, primarily due to the decrease of property tax related to movables.

Rent

Rent expenses grew by RUB 98 million, or by 102.1% year-on-year, to RUB 194 million for the three months ended 31 March 2015, from RUB 96 million in the corresponding period of 2014. This was mainly due to an increase in the average number of flatcars rented by the Company under operating lease contracts (as an alternative to acquiring new rolling stock) in 2015 compared to 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 and so on. Other expenses grew by 67.4% year-on-year to RUB 487 million in the first quarter of 2015, from RUB 291 million in the corresponding period of 2014. This was mainly due to an increase in consulting services and other expenses.

Interest expenses

Interest expenses decreased by RUB 37 million, or 20.9% year-on-year, to RUB 140 million in the first three months of 2015, from RUB 177 million in the corresponding period of 2014. This was mainly due to the scheduled amortisation of series 2 bonds in the total amount of RUB 1,500 million in June 2014 and in December 2014.

Interest income

Interest income grew by RUB 4 million, or 16.7% year-on-year, to RUB 28 million in the first three months of 2015, from RUB 24 million in the corresponding period of 2014. This was largely a result of an increase in average cash balances on the Company's deposit accounts with banks and growth in average rates on the Russian money market.

Profit before income tax

Due to the factors described above, the Company's profit before income tax for the three months ended 31 March 2015 decreased by 41.5% year-on-year, or by RUB 674 million, to RUB 950 million, from RUB 1,624 million for the three months ended 31 March 2014.

Income tax expenses

Income tax expenses decreased by RUB 121 million, or by 38.4% year-on-year, to RUB 194 million in the three months of 2015, from RUB 315 million in the corresponding period of 2014, due to a reduction in taxable profit.

The effective tax rate for the three months ended 31 March 2015 increased to 20.4% from 19.4% in the corresponding period of 2014.

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 2015 decreased by RUB 553 million, or 42.2% year-on-year, to RUB 756 million, compared to RUB 1,309 million in the corresponding period of 2014. Taking into account the exchange rate differences relating to foreign operations and other effects, the total comprehensive income for the reporting period was down 25.1% year-on-year and totalled RUB 905 million, compared to RUB 1,208 million for the first three months of 2014.

Analysis of the third-party charges related to principal activities

Costs of third-party charges related to principal activities increased by 41.2% year-on-year to RUB 5,051 million for the three months ended 31 March 2015, from RUB 3,576 million in the corresponding period of 2014. This was predominantly driven by an increase in volumes of services provided under integrated logistics contracts and a higher volume of outsourced transportation services as part of TransContainer's services.

Liquidity and Capital Resources

As of 31 March 2015, the Company's net cash and cash equivalents amounted to RUB 2,914 million and the Company's current liabilities exceeded current assets by RUB 2,489 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for a number of purposes, including the purchase of flatcars and containers, the development of rail-side terminals and the modernisation of its lifting equipment and truck fleet. 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 2015 and 2014, respectively.

Cash flows structure

RUB million	1Q 2015	1Q 2014
Net cash provided by operating activities	1,188	1,714
Net cash used in investing activities	-176	-982
Net cash used in/ provided by financing activities	-4	-5
Net increase in cash and cash equivalents	1,008	727
Foreign exchange effect on cash and cash equivalents	2	116
Net cash and cash equivalents at the end of the period	2,914	2,726

Cash flow generated by operating activities decreased by RUB 526 million, or by 30.7% year-on-year, to RUB 1,188 million for the three months ended 31 March 2015, from RUB 1,714 million for the corresponding period of 2014. This was mainly caused by a reduction in operating profit due to the reasons described above.

Cash flow used in investing activities decreased by RUB 806 million, or by 82.1% year-on-year, to RUB 176 million for the three months ended 31 March 2015, from RUB 982 million in the corresponding period of 2014. This was primarily due to a decrease in capital expenditures.

Cash flow used in financing activities remained broadly flat for the three months ended 31 March 2015.

Capital Expenditure

Capital expenditure decreased by 52.1% year-on-year, or by RUB 149 million, to RUB 137 million in the first three months of 2015, from RUB 286 million in the corresponding period of 2014. The majority of the capital expenditure was spent on acquiring new ISO containers, as well as on construction and other investments. The Company acquired 913 ISO containers during the reporting period.

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 March 2015, the Company's financial indebtedness consisted of two outstanding bond issues, financial lease

obligations and other borrowings in an aggregate amount of RUB 6,684 million, compared to RUB 8,361 million as of 31 March 2014. As of 31 March 2015, the Company's net debt was RUB 3,658 million.

As of 31 March 2015, 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 a fixed interest rate.

RUB-denominated series 2 bonds

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 five-year bonds is 8.8%, with interest paid semi-annually. The series 2 bonds are to be redeemed in four equal semi-annual instalments during the fourth and fifth year.

As at 31 March 2015, the carrying value of the bonds amounted to RUB 740 million (RUB 2,241 million as at 31 March 2014) and this amount was included as short-term debt in the consolidated statement of financial position. The amount of accrued interest is RUB 21 million (RUB 63 million as at 31 March 2014), and was included as short-term debt in the interim condensed consolidated statement of financial position.

RUB-denominated series 4 bonds

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 on the five-year bonds 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 March 2015, the carrying value of the bonds amounted to RUB 4,990 million (RUB 4,989 million as at 31 March 2014).

The amount of accrued interest is RUB 67 million (RUB 68 million as at 31 March 2014) and has been included as short-term debt in the 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. This was 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 468 million as at 31 March 2015.

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 2015.

Working capital structure

RUB million	31 March 2015	31 March 2014
Current assets		
Inventory	315	355
Trade and other receivables	1,617	1,500
Prepayments and other current assets	2,399	3,007
Prepaid income tax	81	86
Short-term investments	111	758
Cash and cash equivalents	2,915	2,726
Non-current Assets classified as held for sale	100	0
Total current assets	7,538	8,432
Current liabilities		
Trade and other payables	2,774	3,038
Short-term debt and current portion of long-term debt	830	1,631
Income tax payable	107	161
Taxes other than income tax payable	409	255
Provisions	16	18
Finance lease obligations, current maturities	60	170
Dividends payable	0	0
Accrued and other current liabilities	853	911
Deffered income	0	0
Total current liabilities	5,049	6,184
Working capital	2,489	2,248

Working capital increased by RUB 241 million to RUB 2,489 million at the end of the reporting period from RUB 2,248 million as at 31 March 2014. This increase occurred primarily due to a RUB 801 million decrease in short term debt, which partially offsets a RUB 608 million decrease in prepayments and other current assets.

Downloads

The consolidated financial statements for the three month ended 31 March 2015 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, 1 June 2015, at 14:00 UK time / 16:00 Moscow time. Dial in details are as follows:

UK Free Call Dial In	0800 694 5707
Russia Dial In (from a landline)	810 8 002 408 2044
Conference ID	51923621

A replay of the call will be available until Thursday, 1 July 2015, using the following details:

UK Free Call Dial In	0800 953 1533
Russia Dial In	8 499 677 1064

Replay Access Code

51923621#

Enquiries:

TransContainer

Andrey Zhemchugov, Director, Capital
Markets and Investor Relations

+7 495 637 9178

+7 495 609 6062

E-mail

ir@trcont.ru

Website

www.trcont.ru

Instinctif Partners

Tony Friend / Galyna Kulachek / Jenny Payne +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 March 2015, it operated 27,029 flatcars and 64,692 ISO 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 about 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 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

[\[1\]](#)Transportation of clients' containers and own loaded containers

This information is provided by RNS
The company news service from the London Stock Exchange

END