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PJSC TransContainer

Results for the second quarter and six months ended 30 June 2015

PJSC "TransContainer" ("TransContainer" or the "Company" together with its consolidated subsidiaries) today publishes its management report together with the reviewed interim condensed consolidated financial statements for the second quarter and six months ended 30 June 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 30 June 2015, the Company accounted for approximately 47.8% of Russia's rail container transportation market. It owns and operates 26,477 flatcars and 64,064 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 second quarter of 2015, the decline in Russia's rail container transportation market accelerated to 11.0% year-on-year, compared to a 4.7% year-on-year decrease in the first quarter of 2015, amid the negative macro environment. This resulted in a 7.9% year-on-year contraction in the first six months of 2015.

Domestic transportation was the only supporting factor in the first six months of 2015, which remained flat year-on-year while export volumes decreased by 11.6% year-on-year, import transportation slumped by 19.8% year-on-year and transit volumes decreased by 10.1% year-on-year. In the second quarter of 2015, all the market segments demonstrated negative dynamics, which was led by a 23.2% year-on-year drop in import transportation.

Transportation volumes by the Company's rolling stock decreased by 7.4% year-on-year in the second quarter of 2015 and by 3.5% year-on-year for the first six months of 2015. Revenue-generating transportation volumes decreased by 11.2% year-on-year to 254 thousand twenty-foot equivalent units ("TEU") in the second quarter of 2015, while for the first half of 2015 they were down 7.2% year-on-year to 517 thousand TEU. For the second quarter and the first half of 2015, terminal handling volumes in Russia decreased by 12.9% year-on-year to 295 thousand TEU and by 8.6% year-on-year to 581 thousand TEU, respectively.

The Company's financial results reflect the challenging situation in the Russian economy and downward trend the rail container transportation market. In the first half 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, continued to drive the Company's business marginality down.

For the six months ended 30 June 2015, the Company's total revenue grew by 14.1% year-on-year to RUB 20,006 million, while adjusted revenue decreased by 1.8% year-on-year to RUB 9,887 million, reflecting a decline in transportation and terminal handling volumes. In the first half of 2015, EBITDA fell by 31.7% year-on-year to RUB 2,804 million from RUB 4,107 million in the corresponding period of 2014. Profit for the period was down 50.0% year-on-year to RUB 1,039 million from RUB 2,079 million in the first half of 2014.

In the second quarter of 2015, the Company's total revenue increased by 9.2% year-on-year to RUB 9,911 million, while adjusted revenue fell by 6.6% year-on-year to RUB 4,843 million. As a result, EBITDA dropped by 35.9% year-on-year to RUB 1,182 million and profit for the period decreased by 55.5% year-on-year to RUB 343 million.

In terms of profitability, the adjusted EBITDA margin in the first half of 2015 decreased to 28.4% from 40.8% in the respective period of 2014, while the adjusted net income margin decreased to 10.5% from 20.6%. For the second quarter of 2015, the adjusted EBITDA margin decreased to 24.4% from 35.5% and the adjusted net income margin decreased to 7.1% from 14.9%.

As at 30 June 2015, the Company's total debt was RUB 5,963 million with net debt of only RUB 2,904 million. As a result, the Net Debt/LTM EBITDA ratio decreased to about 45%.

Capital expenditure for the six months ended 30 June 2015 decreased by 86.0% year-on-year to RUB 291 million, reflecting weak markets and the high level of 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 third quarter of 2015, the Russian rail container market seems to have bottomed out in terms of transportation volumes, in line with trends in Russia's industrial output and 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. However, the recent turmoil in the global financial markets, as well as growing concerns around the Chinese and global economy, might negatively affect the market and make recovery prospects more uncertain.

The continuing decline in the cargo base 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, strong transit potential and scope for further growth in cargo containerisation.

Key operating results

Rail container transportation

In the second quarter of 2015, the Company's rail container transportation volumes in Russia decreased by 7.4% year-on-year to 341 thousand TEU, while the total rail container transportation market in Russia fell by 11.0% year-on-year in the reporting period.

The decrease in the Company's transportation volumes was mainly due to a 17.8% year-on-year drop in international transportation, especially in exports and transit volumes. This, in turn, was partially offset by a 2.3% year-on-year increase in domestic transportation volumes.

TransContainer's higher domestic transportation volumes resulted from increasing market share. This was largely driven by the growth of clients' demand for transportation via the Company's own containers due to a lack of sea shipping lines' containers in the market, which is a result of reduced container import.

The drop in the Company's rolling stock container transportation imports resulted from a decrease in containerised import volumes in Russia, which was largely caused by the rouble devaluating against the US Dollar and Euro, as well as the slump in Russia's consumer demand. This drop was partially offset by an increase in the Company's market share in this segment.

A decrease 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 2Q 2015 (ISO Loaded + Empty), 000' TEU

	2Q 2015	2Q 2014	Change	
			000' TEU	Percent
Domestic Routes	194.1	189.7	+4.4	+2.3%
Export	77.5	93.3	-15.8	-16.9%
Import	46.4	51.8	-5.4	-10.3%
Transit	22.5	33.1	-10.5	-31.8%
All Routes	340.6	367.9	-27.3	-7.4%

The Company's rail container transportation volumes for the first six months of 2015 were down 3.5% year-on-year to 692 thousand TEU, compared to 717 thousand TEU for the first six months of 2014. The total rail container transportation market in Russia fell by 7.9% year-on-year. The decrease in the Company's rail container transportation volumes was mainly due to a 12.4% year-on-year decline in international transportation, which was partially offset by 5.5% growth in domestic volumes. The factors discussed above were the main drivers behind these dynamics.

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

	1H 2015	1H 2014	Change	
			000' TEU	Percent
Domestic Routes	376.6	356.9	+19.7	+5.5%
Export	168.9	193.2	-24.2	-12.6%
Import	97.9	105.3	-7.4	-7.0%
Transit	48.6	61.5	-12.8	-20.9%
All Routes	692.1	716.9	-24.8	-3.5%

The Company's revenue-generating container transportation volumes in Russia amounted to 254 thousand TEU in the second quarter of 2015, down 11.2% compared to the second quarter of 2014. For the first six months of 2015, TransContainer's revenue-generating container transportation volumes were down 7.2% year-on-year to 517 thousand TEU. The difference in the dynamics of revenue-generating volumes and total transportation volumes is primarily a result of transportation using the Company's containers having a larger share of total transportation via the Company's rolling stock.

TransContainer's estimated share in Russia's total rail container transportation volumes for the first six months of 2015 increased to 47.8% from 45.6% in the corresponding period of 2014. In the second quarter of 2015, the Company's market share was 47.7% compared to 45.9% in the second quarter of 2014.

Terminal handling

In the second quarter of 2015, throughput of the Company's rail container terminal network in Russia decreased by 12.9% to 295 thousand TEU, compared to 339 thousand TEU for the same period of 2014, reflecting market trends. The terminal throughput was also affected by a 73.1% drop in handling medium-duty containers (MDC). This decline is a result of the continual phasing out of the MDC fleet. This factor is becoming less influential, with MDC handling volumes in the second quarter of 2015 amounting to 0.9 thousand TEU, compared to 3.3 thousand TEU in the corresponding period of 2014.

For the first six months of 2015, throughput of the Company's rail container terminal network in Russia amounted to 581 thousand TEU, down 8.6% year-on-year, and was in line with market developments. MDC handling volumes dropped 80.7% year-on-year for the same period.

Asset utilisation

In the second quarter of 2015, both flatcar and container empty runs in Russia improved as a result of the Company's efforts to optimise its fleet utilisation. During the first six months of 2015, container empty runs demonstrated a similar trend, but the flatcar empty run ratio is still higher for the reporting period due to weaker first quarter results.

The improvement in the container turnover primarily reflects strong customer demand for the Company's containers amid the shortage of sea shipping line's containers in the Russian market. Growth in flatcar turnover is primarily due to greater average distances travelled by the Company's flatcars, as well as weaker customer demand for transportation services.

	2Q 2015	2Q 2014	1H 2015	1H 2014
Turnover of containers, days	33.8	35.2	35.7	39.4
Turnover of flatcars, days	15.4	13.8	15.2	14.1
Empty run ² for containers, %	29.4%	30.5%	28.7%	29.1%
Empty run for flatcars, %	5.5%	6.3%	7.2%	6.5%

Description of Key Consolidated Statement of Comprehensive Income Items

The following table sets out the Company's results for the six months and the three months ended 30 June 2015 and 2014.

Summary of the Company's key results for the six months and the three months ended 30 June 2015 and 30 June 2014

RUB million			Year-on-year change				Year-on-year change	
	1H 2015	1H 2014	RUB mln	%	2Q 2015	2Q 2014	RUB mln	%
Revenue	20,006	17,534	+2,472	+14.1%	9,911	9,074	+837	+9.2%
Other operating income	342	341	+1	+0.3%	210	183	+27	+14.8%
Operating expenses	-18,905	-15,194	-3,711	+24.4%	-9,580	-8,164	-1,416	+17.3%
Operating profit	1,443	2,681	-1,238	-46.2%	541	1,093	-552	-50.5%
Interest expense	-269	-339	+70	-20.6%	-129	-162	+33	-20.4%
Interest income	69	95	-26	-27.4%	41	71	-30	-42.3%
Foreign exchange gain, net	-118	33	-151	-457.6%	-175	-112	-63	+56.3%
Share of result of associates and JVs	177	90	+87	+96.7%	150	62	+88	+141.9%
Other financial results, net	14	18	-4	-22.2%	14	2	+12	+600.0%
Profit before income tax	1,316	2,578	-1,262	-49.0%	442	954	-512	-53.7%
Income tax expense	-277	-499	+222	-44.5%	-99	-184	+85	-46.2%
Profit for the period	1,039	2,079	-1,040	-50.0%	343	770	-427	-55.5%
Other comprehensive income (net of income tax)	-158	-283	+125	-44.2%	-307	-182	-125	+68.7%
Total comprehensive income for the period	881	1 796	-915	-50.9%	36	588	-552	-93.9%

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 new services (other than ones related to Integrated freight forwarding and logistics services) are presented within revenues as a separate line item "Cargo transportation and handling services with involvement of third parties". Correspondingly, all such charges (including ones related to Integrated freight forwarding and logistics services) are presented within expenses as "Third-party charges related to principal activities". All of 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 Company's services providing.

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.

Total revenue adjustment

Item	1H 2015	1H 2014	Year on year change		2Q 2015	2Q 2014	Year on year change	
			RUB mln	%			RUB mln	%
Total revenue	20,006	17,534	+2,472	+14.1%	9,911	9,074	+837	+9.2%
Third-party charges related to principal activities	-10,119	-7,465	-2,654	+35.6%	-5,068	-3,889	-1,179	+30.3%
Adjusted Revenue	9,887	10,069	-182	-1.8%	4,843	5,185	-342	-6.6%

Integrated freight forwarding and logistics services revenue adjustment

Item	1H 2015	1H 2014	Year on year change		2Q 2015	2Q 2014	Year on year change	
			RUB mln	%			RUB mln	%
Integrated freight forwarding and logistics services	15,151	13,141	+2,010	+15.3%	7,494	6,786	+708	+10.4%
3rd-party charges related to integrated freight forwarding and logistics	-8,989	-7,465	-1,524	+20.4%	-4,446	-3,889	-557	+14.3%
Adjusted integrated freight forwarding and logistics services	6,162	5,676	+486	+8.6%	3,048	2,897	+151	+5.2%

Breakdown of third-party charges related to principal activities

Item	1H 2015	1H 2014	Year on year change		2Q 2015	2Q 2014	Year on year change	
			RUB mln	%			RUB mln	%
3rd-party charges related to integrated freight forwarding and logistics	8 989	7 465	+1 524	+20.4%	4,446	3,889	+557	+14.3%
3rd-party charges related to cargo transportation and handling services	1 130	0	1 130		622	0	622	
Third-party charges related to principal activities	10 119	7 465	+2 654	+35.6%	5,068	3,889	+1,179	+30.3%

Total operating expenses adjustment

Item	1H 2015	1H 2014	Year on year change		2Q 2015	2Q 2014	Year on year change	
			RUB mln	%			RUB mln	%
Total operating expenses	18,905	15,194	+3,711	+24.4%	9,580	8,164	+1,416	+17.3%
Third-party charges related to principal activities	-10,119	-7,465	-2,654	+35.6%	-5,068	-3,889	-1,179	+30.3%
Adjusted Revenue	8,786	7,729	+1,057	+13.7%	4,512	4,275	+237	+5.5%

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.

RUB million	1H		Year on year change		2Q		Year on year change	
	2015	2014	RUB mln	%	2015	2014	RUB mln	%
Adjusted Revenue ¹	9,887	10,069	-182	-1.8%	4,843	5,185	-342	-6.6%
Adjusted operating expenses ²	8,786	7,729	+1,057	+13.7%	4,512	4,275	+237	+5.5%
EBITDA ³	2,804	4,107	-1,303	-31.7%	1,182	1,843	-661	-35.9%
Adjusted EBITDA margin ⁴	28.4%	40.8%			24.4%	35.5%		
Total debt	5,953	7,655	-1,702	-22.2%	5,953	7,655	-1,702	-22.2%
Net debt ⁵	2,904	4,955	-2,051	-41.4%	2,904	4,955	-2,051	-41.4%

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

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

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

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

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

Revenue breakdown

The following table sets out the breakdown of total revenue for the six months and the three months ended 30 June 2015 and 2014, respectively.

RUB million	1H		Year-on-year change		2Q		Year-on-year change	
	2015	2014	RUB mln	%	2015	2014	RUB mln	%
Integrated freight forwarding and logistics services	15,151	13,141	+2,010	+15.3%	7,494	6,786	+708	+10.4%
Rail-based container shipping services	2,129	2,608	-479	-18.4%	1,039	1,338	-299	-22.3%
Cargo transportation and handling services with involvement of third parties	1,130	0	+1,130		622	0	+622	
Terminal services and agency fees	987	994	-7	-0.7%	480	528	-48	-9.1%
Truck deliveries	399	477	-78	-16.4%	207	257	-50	-19.5%
Other freight forwarding services	70	141	-71	-50.4%	15	78	-63	-80.8%
Bonded warehousing services	92	118	-26	-22.0%	40	56	-16	-28.6%
Other	48	55	-7	-12.7%	14	31	-17	-54.8%
Total revenue	20,006	17,534	+2,472	+14.1%	9,911	9,074	+837	+9.2%

Total revenue increased by RUB 2,472 million, or 14.1% year-on-year, to RUB 20,006 million for the six months ended 30 June 2015, from RUB 17,534 million in the corresponding period of 2014. In the second quarter of 2015, total revenue increased by 9.2% year-on-year to RUB 9,911 million. This increase was primarily due to higher third-party charges accounted as a part of the Company's total revenue.

Adjusted Revenue Breakdown

The following table sets out the components of the relative contribution to adjusted revenue for the six months ended 30 June 2015 and 2014, respectively.

	1H 2015		1H 2014		Year on year change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent
Adjusted integrated freight forwarding and logistics services	6,162	62.3%	5,676	56.4%	+486	+8.6%
Rail-based container shipping services	2,129	21.5%	2,608	25.9%	-479	-18.4%
Terminal services and agency fees	987	10.0%	994	9.9%	-7	-0.7%
Truck deliveries	399	4.0%	477	4.7%	-78	-16.4%
Other freight forwarding services	70	0.7%	141	1.4%	-71	-50.4%
Bonded warehousing services	92	0.9%	118	1.2%	-26	-22.0%
Other -	48	0.5%	55	0.5%	-7	-12.7%
Total adjusted revenue	9,887	100.0%	10,069	100.0%	-182	-1.8%

Adjusted revenue (as defined above) decreased by 1.8% year-on-year to RUB 9,887 million for the first six months ended 30 June 2015, from RUB 10,069 million for the six months ended 30 June 2014, reflecting a decline in transportation and terminal handling volumes. The decrease was driven by a drop in transportation and terminal handling volumes, partly compensated for by some increase in Company's prices for some services amid strong demand for the Company's containers. However, general downward market dynamics during the reporting quarter caused a challenging pricing environment, especially on import routes.

Adjusted revenue declined by 6.6% quarter-on-quarter to RUB 4,843 million in the second quarter of 2015 from RUB 5,185 million in the second quarter of 2014.

The following table sets out the components of relative contribution to adjusted revenue for the three months ended 30 June 2015 and 2014, respectively.

	2Q 2015		2Q 2014		Year-on-year change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent
Adjusted integrated freight forwarding and logistics services	3,048	62.9%	2,897	55.9%	+ 151	+ 5.2%
Rail-based container shipping services	1,039	21.5%	1,338	25.8%	- 299	- 22.3%
Terminal services and agency fees	480	9.9%	528	10.2%	-48	-9.1%
Truck deliveries	207	4.3%	257	5.0%	-50	-19.5%
Other freight forwarding services	15	0.3%	78	1.5%	-63	-80.8%
Bonded warehousing services	40	0.8%	56	1.1%	-16	-28.6%
Other	14	0.3%	31	0.6%	-17	-54.8%
Total adjusted revenue	4,843	100.0%	5,185	100.0%	-342	-6.6%

In the first half and the second quarter of 2015, the main components of the Company's revenue fluctuated slightly around the levels acceptable for the Company's business model.

Integrated freight forwarding and logistics services

Revenue from integrated freight forwarding and logistics services increased by 15.3% year-on-year to RUB 15,151 million and by 10.4% year-on-year to RUB 7,494 for the six months and three months ended 30 June 2015, respectively.

Adjusted revenue from integrated freight forwarding and logistics services was up 8.6% year-on-year to RUB 6,162 million for the first half of 2015. In the second quarter of 2015, this revenue item grew by 5.2% year-on-year to RUB 3,048 million. This increase was due to customers continuing to switch to integrated services.

Rail-based container transportation services

Revenue from rail-based container transportation was down 18.4% year-on-year to RUB 2,129 million for the six months ended 30 June 2015, from RUB 2,608 million for the same period of 2014. In the second quarter of 2015, revenue from rail-based container transportation decreased by 22.3% year-on-year to RUB 1,093 million. The key reasons for this decline were a decrease in revenue-generating transportation volumes by the Company's rolling stock for the first half and the second quarter of 2015 by 7.2% and 11.2%, respectively, and customers' demand shifting towards integrated freight forwarding and logistics services. These effects were partially offset by an increase in the average tariffs for operating services.

Terminal services and agency fees

Revenue from terminal services, including agency fees, decreased by 0.7% year-on-year to RUB 987 million for the six months ended 30 June 2015 from RUB 994 million for the same period of 2014. In the second quarter of 2015, revenue from terminal services, including agency fees, fell by 9.1% year-on-year to RUB 480 million. This decrease was primarily in line with the global downtrend on the Russian container transportation market, which was partially offset by a positive price dynamics.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, decreased by 3.6% year-on-year to RUB 772 million for the six months ended 30 June 2015, compared to RUB 801 million for the same period of 2014. Agency fees for the second quarter of 2015 decreased by 4.4% year-on-year to RUB 413 million. This decrease was mainly due to a decline in container handling volumes at the Company's terminals in Russia, which was partially offset by an increase in average tariffs.

Truck deliveries

Revenue from truck deliveries decreased by RUB 78 million, or 16.4% year-on-year, to RUB 399 million for the six months ended 30 June 2015, from RUB 477 million for the same period of 2014. This was mainly due to a 9.6% year-on-year reduction in container transportation volumes by the Company's own and outsourced truck fleet to 180 thousand TEU in the first half of 2015 from 200 thousand TEU in corresponding period of 2014. The shift of clients' demand towards integrated freight forwarding and logistics services was also a contributing factor.

For the same reasons, revenue from truck deliveries in the second quarter of 2015 decreased by RUB 50 million, or 19.5% year-on-year, to RUB 207 million, from RUB 257 million in the corresponding period of 2014. In the second quarter of 2015, container transportation volumes by the Company's own and outsourced truck fleet decreased by 11.5% year-on-year to 95 thousand TEU, from 108 thousand TEU in the corresponding quarter of 2014.

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 50.4% year-on-year to RUB 70 million in the first half of 2015, from RUB 141 million in the corresponding period of 2014. In the second quarter of 2015, revenues from other freight forwarding and logistics services were down 80.8% year-on-year to RUB 15 million. This decrease was primarily due to the Company's business shifting towards providing integrated freight forwarding and logistics services.

Bonded warehousing services

Adjusted revenue from bonded warehousing services decreased by RUB 26 million, or 22.0% year-on-year, to RUB 92 million for the six months ended 30 June 2015, from RUB 118 million for the same period of 2014, primarily due to a drop in imports.

Revenue from bonded warehousing services decreased in the second quarter of 2015 by RUB 16 million, or 28.6% year-on-year, to RUB 40 million for the reason stated above.

Operating expenses

The following tables provide a breakdown of the Company's operating expenses for the six months and three months ended 30 June 2015 and 2014, respectively.

	1H 2015			1H 2014		
	RUB mln	% of operating expenses	% of total revenue	RUB mln	% of operating expenses	% of total revenue
Third-party charges related to principal activities	10,119	53.5%	50.6%	7,465	49.1%	42.6%
Freight and transportation services	2,910	15.4%	14.5%	2,367	15.6%	13.5%
Payroll and related charges	2,290	12.1%	11.4%	2,095	13.8%	11.9%
Depreciation and amortisation	1,219	6.4%	6.1%	1,190	7.8%	6.8%
Materials, repair and maintenance	1,021	5.4%	5.1%	906	6.0%	5.2%
Taxes other than income tax	260	1.4%	1.3%	292	1.9%	1.7%
Rent	393	2.1%	2.0%	202	1.3%	1.2%
Other expenses	693	3.7%	3.5%	677	4.5%	3.9%
Total operating expenses	18,905	100.0%	94.5%	15,194	100.0%	86.7%

	2Q 2015			2Q 2014		
	RUB mln	% of operating expenses	% of total revenue	RUB mln	% of operating expenses	% of total revenue
Third-party charges related to principal activities	5,068	52.9%	51.1%	3,889	47.6%	42.9%
Freight and transportation services	1,486	15.5%	15.0%	1,280	15.7%	14.1%
Payroll and related charges	1,215	12.7%	12.3%	1,141	14.0%	12.6%
Depreciation and amortisation	611	6.4%	6.2%	727	8.9%	8.0%
Materials, repair and maintenance	516	5.4%	5.2%	489	6.0%	5.4%
Taxes other than income tax	123	1.3%	1.2%	146	1.8%	1.6%
Rent	199	2.1%	2.0%	106	1.3%	1.2%
Other expenses	362	3.8%	3.7%	386	4.7%	4.3%
Total operating expenses	9,580	100.0%	97.4%	8,164	100.0%	90.0%

TransContainer's total operating expenses increased by RUB 3,711 million, or 24.4% year-on-year, to RUB 18,905 million for the six months ended 30 June 2015, from RUB 15,194 million for the six months ended 30 June 2014. This was due to a significant increase in the Third-party charges related to principal activities, as well as to higher expenses related to Freight and transportation services and Payrolls.

In the second quarter of 2015, the Company's total operating expenses grew by 17.3% year-on-year, or RUB 1,416 million, to RUB 9,580 million for the reasons stated above.

Cost of third-party charges related to principal activities

Costs of third-party charges related to principal activities increased by 35.6% year-on-year to RUB 10,119 million for the six months ended 30 June 2015, from RUB 7,465 million for the same period of 2014. This was predominantly driven by a higher volume of outsourced transportation services involved in TransContainer's principal activities, including integrated logistics solutions as well as cargo transportation and handling services (see also section *Adjustments and additional financial information* above).

For the same reason, the costs of integrated freight forwarding and logistics services increased in the second quarter of 2015 by 30.3% year-on-year to RUB 5,068 million, from RUB 3,889 million in the corresponding quarter of 2014.

Adjusted operating expenses

Adjusted operating expenses, as defined in section *Adjustments and additional financial information* above, increased by 13.7% year-on-year to RUB 8,786 million for the six months ended 30 June 2015, from RUB 7,729 million in the same period of 2014, primarily due to an increase in costs related to freight and transportation services, rent expenses and payrolls. For the same reason, adjusted operating expenses increased by 5.5% year-on-year to RUB 4,512 million in the second quarter of 2015, from RUB 4,275 million in the second quarter of 2015. However, this increase was partially offset by a decrease in other expenses, taxes other than income tax and depreciation charges.

The following tables provide a breakdown of the Company's adjusted operating expenses for the six months and three months ended 30 June 2015 and 2014, respectively.

Adjusted operating expenses structure and dynamics for the six months ended 30 June 2015 and 2014

	1H 2015		1H 2014		Period on period change	
	RUB mln	%	RUB mln	%	RUB mln	Percent change
Freight and transportation services	2,910	33.1%	2,367	30.6%	+543	+22.9%
Payroll and related charges	2,290	26.1%	2,095	27.1%	+195	+9.3%
Depreciation and amortisation	1,219	13.9%	1,190	15.4%	+29	+2.4%
Materials, repair and maintenance	1,021	11.6%	906	11.7%	+115	+12.7%
Taxes other than income tax	260	3.0%	292	3.8%	-32	-11.0%
Rent	393	4.5%	202	2.6%	+191	+94.6%

Other expenses	693	7.9%	677	8.8%	+16	+2.4%
Adjusted operating expenses	8,786	100.0%	7,729	100.0%	+1,057	+13.7%

Adjusted operating expenses structure and dynamics for the three months ended 30 June 2015 and 2014

	2Q 2015		2Q 2014		Period on period change	
	RUB mln	%	RUB mln	%	RUB mln	Percent change
Freight and transportation services	1,486	32.9%	1,280	29.9%	+206	+16.1%
Payroll and related charges	1,215	26.9%	1,141	26.7%	+74	+6.5%
Depreciation and amortisation	611	13.5%	727	17.0%	-116	-16.0%
Materials, repair and maintenance	516	11.4%	489	11.4%	+27	+5.5%
Taxes other than income tax	123	2.7%	146	3.4%	-23	-15.8%
Rent	199	4.4%	106	2.5%	+93	+87.7%
Other expenses	362	8.0%	386	9.0%	-24	-6.2%
Adjusted operating expenses	4,512	100.0%	4,275	100.0%	+237	+5.5%

Freight and transportation services

Expenses relating to freight and transportation services increased by RUB 543 million, or 22.9% year-on-year, to RUB 2,910 million for the six months ended 30 June 2015. This growth was driven by a 9.6% year-on-year rise in the transportation volume of Company's empty containers, as well as by RZD tariff indexing since 1 January 2015. Growth in transportation volumes of empty containers resulted from growth in volume of services provided using the Company's containers as well as from considerable imbalance between the import and export cargo flows in the Russian container market.

For the same reasons, expenses relating to freight and transportation services grew by 16.1% year-on-year, or RUB 206 million, to RUB 1,486 million in the second quarter of 2015.

Payroll and related charges

Payroll and related charges increased by RUB 195 million, or 9.3% year-on-year, to RUB 2,290 million for the six months ended 30 June 2015, from RUB 2,095 million for the same period of 2014, primarily due to base salary indexing. This increase, however, was partially offset by a 5.3% year-on-year decrease in TransContainer's average headcount from 4,117 to 3,897 employees.

For the same reasons, in the second quarter of 2015, payroll and related charges grew by 6.5% year-on-year, or RUB 74 million, to RUB 1,215 million.

Depreciation and amortisation

Depreciation and amortisation increased insignificantly by RUB 29 million, or 2.4% year-on-year, to RUB 1,219 million in the first half of 2015, from RUB 1,190 million for the same period of 2014.

In the second quarter of 2015, depreciation and amortisation decreased by 16.0% year-on-year, or RUB 116 million, to RUB 611 million due to the decrease in the Company's own flatcar fleet.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance were up by 12.7% year-on-year to RUB 1,021 million for the first six months of 2015 from RUB 906 million for the same period of 2014, due to an increase in the number of repairs, which was partially offset a decrease in the average repair price. In the second quarter of 2015, expenses related to materials, repair and maintenance increased by 5.5% year-on-year to RUB 516 million, due to the same reasons.

Taxes other than income tax

Taxes other than income tax we down 11.0% year-on-year to RUB 260 million for the six months ended 30 June 2015 from RUB 292 million in the corresponding period of 2014, primarily due to a decrease in property tax related to movables.

For the same reason in the second quarter of 2015, taxes other than income tax decreased by 15.8% year-on-year to RUB 123 million.

Rent

Rent expenses grew by RUB 191 million, or by 94.6%, to RUB 393 million for the six months ended 30 June 2015 period from RUB 202 million in the same period of 2014. This was largely due to an increase in a number of flatcars rented under operating lease contracts from 200 units as at 30 June 2014 to 1,459 units as at 30 June 2015.

In the second quarter of 2015, rent expenses increased by 87.7% year-on-year to RUB 199 million for the reason mentioned above.

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. In the first half of 2015, other expenses marginally increased by 2.4% year-on-year to RUB 693 million from RUB 677 million in the first half of 2014. This primarily resulted from an increase in payments related to licences and software as well as higher consulting services, which were fully offset by a decrease in fuel costs and other expenses. In the second quarter of 2015, other operating expenses decreased by RUB 24 million, or 6.2% year-on-year, reflecting the Company's cost control improvements.

Interest expense

Interest expenses decreased by RUB 70 million, or 20.6% year-on-year, to RUB 269 million for the first six months of 2015 from RUB 339 million for the same period of 2014, mainly due to the scheduled amortisation of series 2 bonds in the total amount of RUB 1,500 million in December 2014 and in June 2015.

For the same reason, interest expense in the second quarter of 2015 decreased by RUB 33 million, or 20.4% year-on-year, to RUB 129 million from 162 million in the corresponding period of 2014.

Interest income

Interest income decreased by RUB 26 million, or 27.4% year-on-year, to RUB 69 million in the first half of 2015 from RUB 95 million for the same period of 2014, mainly due to fluctuations in the structure of Company's deposit accounts throughout the period.

As outlined above, interest income in the second quarter of 2015 decreased by RUB 30 million, or 42.3% year-on-year.

Profit before income tax

Profit before income tax decreased by RUB 1,262 million, or by 49.0% year-on-year, to RUB 1,316 million for the six months ended 30 June 2015 from RUB 2,578 million for the six months ended 30 June 2014.

In the second quarter of 2015, profit before income tax decreased by RUB 493 million, or by 51.7% year-on-year, to RUB 467 million from RUB 954 million in the corresponding period of 2014, largely as a result of the factors discussed above.

Income tax expenses

Income tax expenses decreased by RUB 222 million, or 44.5% year-on-year, to RUB 277 million in the first six months of 2015 from RUB 499 million for the same period of 2014, primarily due to a decrease in taxable profit.

For the same reason income tax expenses decreased by RUB 85 million, or by 46.2% year-on-year, to RUB 99 million for the three months ended 30 June 2015 from RUB 184 million in the corresponding period of 2014.

The effective tax rate for the six months ended 30 June 2015 increased to 21.0% compared to 19.4% in the same period of 2014, while on the quarterly basis the effective tax rate was 22.4% and 19.3%, respectively.

Total profit and comprehensive income for the period

As a result of the factors discussed above, the profit for the six months ended 30 June 2015 decreased by RUB 1,040 million, or 50.0% year-on-year, to RUB 1,039 million compared to RUB 2,079 million for the same period of 2014. Taking into account the exchange differences relating to foreign operations and other effects, the total comprehensive income for the reporting period was down 50.9% and totalled RUB 881 million, compared to RUB 1,796 million for the first six months of 2014.

The profit for the three months ended 30 June 2015 decreased by RUB 427 million, or 55.5% year-on-year, to RUB 343 million from RUB 770 million for the same period of 2014. Taking into account the exchange differences relating to foreign operations and other effects, the Company generated the total comprehensive profit of RUB 36 million in the second quarter of 2015 compared to the total comprehensive profit in the amount of RUB 588 million in the second quarter of 2014.

Liquidity and Capital Resources

As of 30 June 2015, the Company's net cash and cash equivalents amounted to RUB 3,043 million, while its current assets exceeded current liabilities by RUB 1,727 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 expanding and modernising 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 six months ended 30 June 2015 and 2014, respectively.

RUB million	1H 2015	1H 2014
Net cash provided by operating activities	2,225	3,570
Net cash used in investing activities	-180	-2,028
Net cash used in/ provided by financing activities	-815	-760
Net increase in cash and cash equivalents	1,230	782
Foreign exchange effect on cash and cash equivalents	-91	35
Net cash and cash equivalents at the end of the period	3,043	2,700

Cash flow generated by operating activities

Cash flow generated by operating activities declined by RUB 1,345 million, or 37.7% year-on-year, to RUB 2,225 million for the six months ended 30 June 2015 from RUB 3,570 million for the same period of 2014, mainly due to a 35.1% year-on-year decrease in operating profit before changes in working capital.

Cash flow used in investing activities

Cash flow used in investing activities decreased by RUB 1,790 million, or 91.1% year-on-year, to RUB 180 million for the six months ended 30 June 2015 from RUB 2,028 million for the same period of 2014. This was primarily due to a decrease in capital expenditures from RUB 2,083 million to RUB 291 million.

Cash flow used in financing activities

Cash flow generated by financing activities amounted to RUB 815 million in the first six months of 2015 compared to RUB 760 million for the same period of 2014, both correspond mostly to the redemptions of long-term borrowings for the respective period.

Capital Expenditure

Capital expenditure decreased by RUB 1,734 million, or 86.0% year-on-year, to RUB 291 million in the first half of 2015 from RUB 2,083 million in the first half of 2014. The majority of the capital expenditure can be considered as supporting capex.

Planned capital expenditure for 2015

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 2015 is budgeted at RUB 5.3 billion (excluding VAT), however, the actual amount of capital expenditure is subject to the market conditions.

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 30 June 2015, the Company's financial indebtedness consisted of one outstanding bond issue, financial lease obligations and other borrowings in an aggregate amount of RUB 5,953 million, compared to RUB 6,777 million as of 31 December 2014. As of 30 June 2015, the Company's net debt was RUB 2,904million.

As of 30 June 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 fixed interest rate.

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 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 30 June 2015, the carrying value of the bonds amounted to RUB 4,990 million (RUB 4,990 million as at 31 December 2014).

The amount of accrued interest is RUB 173 million (RUB 174 million as at 31 December 2014) 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 30 June 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 six months ended 30 June 2015.

RUB million	30 June 2015	31 December 2014
Current assets		
Inventory	329	340
Trade and other receivables	1,463	1,542
Prepayments and other current assets	2,538	2,958
Prepaid income tax	5	113
Short-term investments	6	8
Cash and cash equivalents	3,043	1,904
Non-current Assets classified as held for sale	94	100
Total current assets	7,478	6,965
Current liabilities		

Trade and other payables	2,968	3,084
Short-term debt and current portion of long-term debt	641	919
Income tax payable	31	189
Taxes other than income tax payable	484	401
Provisions	10	16
Finance lease obligations, current maturities	90	60
Dividends payable	974	0
Accrued and other current liabilities	553	912
Deferred income	0	0
Total current liabilities	5,751	5,581
Working capital	1,727	1,384

Working capital increased by RUB 343 million to RUB 1,727 million at the end of the reporting period from RUB 1,384 million as at 31 December 2014.

Downloads

The consolidated financial statements for the second quarter and the six months ended 30 June 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 Friday, 28 August 2015 at 13:00 UK time / 15:00 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 **18756408#**

A replay of the call will be available until 28 September 2015 using the following details:

UK Free Call Dial In 0800 953 1533
 Russia Dial In 8 499 677 1064
 Replay Access Code 18756408#

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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 30 June 2015, it operated 26,477 flatcars and 64,064 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

^[2] The empty run ratio is calculated as an average empty run in kilometres divided by an average total run in kilometres

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