

## **FOR IMMEDIATE RELEASE**

**26 November 2015**

# **PJSC TransContainer**

## **Results for the third quarter and nine months ended 30 September 2015**

PJSC "TransContainer" ("TransContainer" or the "Company" together with its consolidated subsidiaries) today publishes its management report together with the unaudited interim condensed consolidated financial statements for the third quarter and nine months ended 30 September 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**

In the third quarter of 2015, the Russian container transportation market shrunk by 10.8% year-on-year compared to an 11.0% decline in the second quarter of 2015. This decrease was mainly due to an 18.9% year-on-year drop in international transportation amid the second wave of the rouble devaluation, which began in August 2015. Domestic transportations, meanwhile, decreased only by 2.0%. This resulted in an 8.9% year-on-year market contraction in the first nine months of 2015.

Transportation volumes by the Company's rolling stock decreased by 8.7% year-on-year in the third quarter of 2015 and by 5.3% year-on-year in the first nine months of 2015 to 343 thousand twenty-foot equivalent units ("TEU") and 1035 thousand TEU, respectively. Revenue-generating<sup>1</sup> transportation volumes decreased by 13.0% year-on-year to 254 thousand TEU in the third quarter of 2015, while for the first nine months of 2015 they were down 9.2% year-on-year to 771 thousand TEU. For the third quarter and the first nine months of 2015, terminal handling volumes in Russia decreased by 11.2% year-on-year to 319 thousand TEU and by 8.5% year-on-year to 900 thousand TEU, respectively.

The Company's financial results reflect the challenging situation in the Russian economy and the downward trend of the rail container transportation market. In the first nine months of 2015, considerable misbalances between the import and export segments of the Russian container market caused growing empty container flows. These misbalances evolved due to a number of factors, including renewed rouble depreciation. Weak market dynamics, combined with higher Russian Railways' tariffs and accelerated cost inflation, continued to drive the Company's business marginality down compared to the previous year's levels.

For the nine months ended 30 September 2015, the Company's total revenue grew by 15.1% year-on-year to RUB 31,065 million, while adjusted revenue decreased by 1.7% year-on-year to RUB 15,153 million, reflecting a decline in transportation and terminal handling volumes. For the first nine months of 2015, EBITDA fell by 27.3% year-on-year to RUB 4,660 million from RUB 6,409 million in the corresponding period of 2014. Profit for the period was down 41.7% year-on-year to RUB 1,925 million from RUB 3,301 million in the first nine months of 2014.

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

The Company's key financial metrics for the third quarter demonstrated more resilient dynamics. In the third quarter of 2015, the Company's total revenue increased by 17.0% year-on-year to RUB 11,059 million, while adjusted revenue fell by 1.4% year-on-year to RUB 5,266 million. As a result, EBITDA decreased by 19.4% year-on-year to RUB 1,856 million and profit for the period decreased by 26.4% year-on-year to RUB 886 million.

In terms of profitability, the adjusted EBITDA margin for the first nine months of 2015 decreased to 30.8% from 41.6% in the corresponding period of 2014, while the adjusted net income margin decreased to 12.7% from 21.4%. For the third quarter of 2015, the adjusted EBITDA margin decreased to 35.2% from 43.1% and the adjusted net income margin decreased to 16.8% from 22.9%.

As at 30 September 2015, the Company's total debt was RUB 5,790 million with net debt of only RUB 3,032 million. As a result, the Net Debt/LTM EBITDA ratio decreased to approximately 50%.

Capital expenditure for the nine months ended 30 September 2015 decreased by 72.6% year-on-year to RUB 886 million, reflecting weak markets and the uncertain macroeconomic environment. 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 and there are signs that the market will stabilise both in terms of pricing and volumes in the last quarter of the year. Given these dynamics, the Company's management reiterates its view that the market will shrink at an upper single-digit rate for the full year 2015.

The continuing decline in the cargo base and increasing competition in the container segment, however, 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, the country's strong transit potential and scope for further growth in cargo containerisation.

### **Key operating results**

#### **Rail container transportation**

In the third quarter of 2015, the Russian container transportation market continued to decline at the same rate as the previous quarter. During the reporting period, the market shrunk by 10.8% year-on-year compared to an 11.0% decline in the second quarter of 2015. This decrease was mainly due to an 18.9% year-on-year drop in international transportation, while domestic transportation only decreased by 2.0% year-on-year.

In the third quarter of 2015, the Company's rail container transportation volumes in Russia decreased by 8.7% year-on-year to 343 thousand twenty-foot equivalent units ("TEU"). The Company outperformed the market, increasing its market share to 46.5% from 45.4% in the third quarter of 2014.

TransContainer's transportation volumes in the third quarter of 2015 were driven by a 6.2% growth in import transportations amid a 21.6% decline in overall Russian container transportation imports. This was mainly a result of management's efforts to improve the business in the Asia-Pacific countries, including

China and the Republic of Korea, in order to maintain the balance in the supply of the Company's own containers between import, domestic and export transportations.

The Company's domestic and export volume dynamics were in line with the Russian container transportation market.

The decline in transit volumes resulted from lower transit transportation volumes between the Far East and Central Asia. This, in turn, was heavily affected by a drop in the transportation of car components.

*Transportation of containers by TransContainer's fleet in 3Q 2015 (ISO Loaded + Empty), 000' TEU*

	3Q 2015	3Q 2014	Change	
			000' TEU	Percent
Domestic Routes	197.6	205.0	-7.4	-3.6%
Export	68.1	87.8	-19.7	-22.4%
Import	60.4	56.8	+3.5	+6.2%
Transit	17.3	26.6	-9.2	-34.8%
<b>All Routes</b>	<b>343.4</b>	<b>376.2</b>	<b>-32.8</b>	<b>-8.7%</b>

The Company's rail container transportation volumes for the first nine months of 2015 amounted to 1,035 thousand TEU, compared to 1,093 thousand TEU in the corresponding period of 2014. This represents a year-on-year reduction of 5.3%, while the total rail container transportation market in Russia shrunk by 8.9% year-on-year during the same period. The decrease in the Company's rail container transportation volumes was mainly driven by a 13.2% decline in international transportation, which was partly offset by a 2.2% growth in domestic volumes caused by the strong demand for the Company's container fleet. In the nine months of 2015, TransContainer's market share grew to 47.3% from 45.5% in the first nine months of 2014.

*Transportation of containers by TransContainer's fleet in 9M 2015 (ISO Loaded + Empty), 000' TEU*

	9M 2015	9M 2014	Change	
			000' TEU	Percent
Domestic Routes	574.2	561.9	+12.2	+2.2%
Export	237.0	281.0	-43.9	-15.6%
Import	158.3	162.2	-3.8	-2.4%
Transit	65.9	88.0	-22.1	-25.1%
<b>All Routes</b>	<b>1,035.5</b>	<b>1,093.1</b>	<b>-57.6</b>	<b>-5.3%</b>

The Company's revenue-generating container transportation volumes in Russia amounted to 254 thousand TEU in the third quarter of 2015, down 13.0% compared to the third quarter of 2014. For the first nine months of 2015, revenue-generating container transportation volumes decreased by 9.2% year-on-year to 771 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 an increased share of total transportation via the Company's rolling stock.

### **Terminal handling**

In the third quarter of 2015, throughput of the Company's rail container terminal network in Russia decreased by 11.2% year-on-year to 319 thousand TEU, compared to 359 thousand TEU in the third quarter of 2014.

For the first nine months of 2015, throughput of the Company's rail container terminal network in Russia amounted to 900 thousand TEU, down 8.5% year-on-year, which was in line with overall market trends.

## Asset utilisation

There was a slight increase in both flatcar and container empty runs in Russia in the third quarter and the first nine months of 2015, mainly due to the misbalance of container flows in the Russian market that has been present since 2014.

The improvement in 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 resulted primarily from an increase in the average distances travelled by the Company's flatcars.

	3Q 2015	3Q 2014	9M 2015	9M 2014
Turnover of containers, days	31.7	35.1	34.4	38.0
Turnover of flatcars, days	15.1	14.2	15.2	14.1
Empty run <sup>1</sup> for containers, %	33.8%	29.2%	30.5%	29.1%
Empty run for flatcars, %	7.6%	7.4%	7.3%	6.8%

<sup>1</sup> - 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 Company's results for the nine months and the three months ended 30 September 2015 and 2014.

*Summary of the Company's key results for the nine months and the three months ended 30 September 2015 and 30 September 2014*

RUB million			Year-on-year change				Year-on-year change	
	9M 2015	9M 2014	RUB mln	%	3Q 2015	3Q 2014	RUB mln	%
Revenue	31,065	26,984	+4,081	+15.1%	11,059	9,450	+1,609	+17.0%
Other operating income	487	518	-31	-6.0%	159	177	-18	-10.2%
Operating expenses	-28,995	-23,445	-5,550	+23.7%	-10,104	-8,269	-1,835	+22.2%
<b>Operating profit</b>	<b>2,557</b>	<b>4,057</b>	<b>-1,500</b>	<b>-37.0%</b>	<b>1,114</b>	<b>1,358</b>	<b>-244</b>	<b>-18.0%</b>
Interest expense	-384	-495	+111	-22.4%	-115	-156	+41	-26.3%
Interest income	107	118	-11	-9.3%	38	23	+15	+65.2%
Foreign exchange gain, net	-97	239	-336	-140.6%	21	206	-185	-89.8%
Share of result of associates and JVs	249	148	+101	+68.2%	72	58	+14	+24.1%
Other financial results, net	14	18	-4	-22.2%	0	0	+0	
<b>Profit before income tax</b>	<b>2,446</b>	<b>4,085</b>	<b>-1,639</b>	<b>-40.1%</b>	<b>1,130</b>	<b>1,489</b>	<b>-359</b>	<b>-24.1%</b>
Income tax expense	-521	-784	+263	-33.5%	-244	-285	+41	-14.4%
<b>Profit for the period</b>	<b>1,925</b>	<b>3,301</b>	<b>-1,376</b>	<b>-41.7%</b>	<b>886</b>	<b>1,204</b>	<b>-318</b>	<b>-26.4%</b>
<b>Other comprehensive income (net of income tax)</b>	<b>-569</b>	<b>105</b>	<b>-674</b>	<b>-641.9%</b>	<b>-411</b>	<b>388</b>	<b>-799</b>	<b>-205.9%</b>
<b>Total comprehensive income for the period</b>	<b>1,356</b>	<b>3,406</b>	<b>-2,050</b>	<b>-60.2%</b>	<b>475</b>	<b>1,592</b>	<b>-1,117</b>	<b>-70.2%</b>

## 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 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.

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 providing the Company's services.

*Total revenue adjustment*

Item	9M 2015	9M 2014	Year-on-year change		3Q 2015	3Q 2014	Year-on-year change	
			RUB mln	%			RUB mln	%
Total revenue	31,065	26,984	+4,081	+15.1%	11,059	9,450	+1,609	+17.0%
Third-party charges related to principal activities	-15,912	-11,572	-4,340	+37.5%	-5,793	-4,107	-1,686	+41.1%
<b>Adjusted Revenue</b>	<b>15,153</b>	<b>15,412</b>	<b>-259</b>	<b>-1.7%</b>	<b>5,266</b>	<b>5,343</b>	<b>-77</b>	<b>-1.4%</b>

*Integrated freight forwarding and logistics services revenue adjustment*

Item	9M 2015	9M 2014	Year-on-year change		3Q 2015	3Q 2014	Year-on-year change	
			RUB mln	%			RUB mln	%
Integrated freight forwarding and logistics services	23,192	20,106	+3,086	+15.3%	8,041	6,965	+1,076	+15.4%
3rd-party charges related to integrated freight forwarding and logistics	-13,863	-11,572	-2,291	+19.8%	-4,874	-4,107	-767	+18.7%
<b>Adjusted integrated freight forwarding and logistics services</b>	<b>9,329</b>	<b>8,534</b>	<b>+795</b>	<b>+9.3%</b>	<b>3,167</b>	<b>2,858</b>	<b>+309</b>	<b>+10.8%</b>

*Breakdown of third-party charges related to principal activities*

Item	9M 2015	9M 2014	Year-on-year change		3Q 2015	3Q 2014	Year-on-year change	
			RUB mln	%			RUB mln	%
3rd-party charges related to integrated freight forwarding and logistics	13,863	11,572	+2,291	+19.8%	4,874	4,107	+767	+18.7%
3rd-party charges related to cargo transportation and handling services	2,049	0	2,049		919	0	919	
<b>Third-party charges related to principal activities</b>	<b>15,912</b>	<b>11,572</b>	<b>+4,340</b>	<b>+37.5%</b>	<b>5,793</b>	<b>4,107</b>	<b>+1,686</b>	<b>+41.1%</b>

*Total operating expenses adjustment*

Item	9M 2015	9M 2014	Year-on-year change		3Q 2015	3Q 2014	Year-on-year change	
			RUB mln	%			RUB mln	%
Total operating expenses	28,995	23,445	+5,550	+23.7%	10,104	8,269	+1,835	+22.2%
Third-party charges related to principal activities	-15,912	-11,572	-4,340	+37.5%	-5,793	-4,107	-1,686	+41.1%
<b>Adjusted operating expenses</b>	<b>13,083</b>	<b>11,873</b>	<b>+1,210</b>	<b>+10.2%</b>	<b>4,311</b>	<b>4,162</b>	<b>+149</b>	<b>+3.6%</b>

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	9M 2015	9M 2014	Year-on-year change		3Q 2015	3Q 2014	Year-on-year change	
			RUB mln	%			RUB mln	%
Adjusted Revenue <sup>1</sup>	15,153	15,412	-259	-1.7%	5,266	5,343	-77	-1.4%
Adjusted operating expenses <sup>2</sup>	13,083	11,873	+1,210	+10.2%	4,311	4,162	+149	+3.6%
EBITDA <sup>3</sup>	4,660	6,409	-1,749	-27.3%	1,856	2,302	-446	-19.4%
Adjusted EBITDA margin <sup>4</sup>	30.8%	41.6%			35.2%	43.1%		
Total debt	5,790	7,579	-1,789	-23.6%	5,790	7,579	-1,789	-23.6%
Net debt <sup>5</sup>	3,032	5,120	-2,088	-40.8%	3,032	5,120	-2,088	-40.8%
Net debt / LTM EBITDA	0.50	0.59			0.50	0.59		

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

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

<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 breakdown

The following table breaks down total revenue for the nine months and the three months ended 30 September 2015 and 2014, respectively.

RUB million	Year-on-year change				Year-on-year change			
	9M 2015	9M 2014	RUB mln	%	3Q 2015	3Q 2014	RUB mln	%
Integrated freight forwarding and logistics services	23,192	20,106	+3,086	+15.3%	8,041	6,965	+1,076	+15.4%
Rail-based container shipping services	3,291	4,082	-791	-19.4%	1,162	1,474	-312	-21.2%
Cargo transportation and handling services with involvement of third parties	2,049	0	+2,049		919	0	+919	
Terminal services and agency fees	1,580	1,584	-4	-0.3%	593	590	+3	+0.5%
Truck deliveries	633	734	-101	-13.8%	234	257	-23	-8.9%
Other freight forwarding services	102	210	-108	-51.4%	32	69	-37	-53.6%
Bonded warehousing services	141	179	-38	-21.2%	49	61	-12	-19.7%
Other	77	89	-12	-13.5%	29	34	-5	-14.7%
<b>Total revenue</b>	<b>31,065</b>	<b>26,984</b>	<b>+4,081</b>	<b>+15.1%</b>	<b>11,059</b>	<b>9,450</b>	<b>+1,609</b>	<b>+17.0%</b>

Total revenue increased by RUB 4,081 million, or 15.1% year-on-year, to RUB 31,065 million for the nine months ended 30 September 2015, from RUB 26,984 million in the corresponding period of 2014. In the third quarter of 2015, total revenue grew by 17.0% year-on-year to RUB 11,059 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 nine months ended 30 September 2015 and 2014, respectively.

	9M 2015		9M 2014		Year-on-year change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent
Adjusted integrated freight forwarding and logistics services	9,329	61.6%	8,534	55.4%	+795	+9.3%
Rail-based container shipping services	3,291	21.7%	4,082	26.5%	-791	-19.4%
Terminal services and agency fees	1,580	10.4%	1,584	10.3%	-4	-0.3%
Truck deliveries	633	4.2%	734	4.8%	-101	-13.8%
Other freight forwarding services	102	0.7%	210	1.4%	-108	-51.4%
Bonded warehousing services	141	0.9%	179	1.2%	-38	-21.2%
Other -	77	0.5%	89	0.6%	-12	-13.5%
<b>Total adjusted revenue</b>	<b>15,153</b>	<b>100%</b>	<b>15,412</b>	<b>100%</b>	<b>-259</b>	<b>-1.7%</b>

Adjusted revenue (as defined above) fell by 1.7% year-on-year to RUB 15,153 million in the first nine months ended 30 September 2015, from RUB 15,412 million in the nine months ended 30 September 2014. The decrease was driven by a drop in transportation and terminal handling volumes, partly compensated for by a moderate increase in the Company's average tariffs which, however, lagged cost inflation.

Adjusted revenue declined by 1.4% year-on-year to RUB 5,266 million in the third quarter of 2015 from RUB 5,343 million in the third quarter of 2014.

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

	3Q 2015		3Q 2014		Year-on-year change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent

Adjusted integrated freight forwarding and logistics services	3,167	60.1%	2,858	53.5%	+309	+10.8%
Rail-based container shipping services	1,162	22.1%	1,474	27.6%	-312	-21.2%
Terminal services and agency fees	593	1.3%	590	11.0%	+3	+0.5%
Truck deliveries	234	4.4%	257	4.8%	-23	-8.9%
Other freight forwarding services	32	0.6%	69	1.3%	-37	-53.6%
Bonded warehousing services	49	0.9%	61	1.1%	-12	-19.7%
Other	29	0.6%	34	0.6%	-5	-14.7%
<b>Total adjusted revenue</b>	<b>5,266</b>	<b>100%</b>	<b>5,343</b>	<b>100%</b>	<b>-77</b>	<b>-1.4%</b>

In the first nine months and in the third quarter of 2015, there were slight fluctuations in the main components of the Company's revenue, but these were still within acceptable levels 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 23,192 million and by 15.4% year-on-year to RUB 8,041 for the nine months and three months ended 30 September 2015, respectively.

Adjusted revenue from integrated freight forwarding and logistics services was up 9.3% year-on-year to RUB 9,329 million for the first nine months of 2015. In the third quarter of 2015, this revenue item grew by 10.8% year-on-year to RUB 3,167 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 19.4% year-on-year to RUB 3,291 million for the nine months ended 30 September 2015, from RUB 4,082 million for the same period of 2014. In the third quarter of 2015, revenue from rail-based container transportation decreased by 21.2% year-on-year to RUB 1,162 million. The key reason for this decline was a decrease in revenue-generating transportation volumes by the Company's rolling stock for the first nine months and the third quarter of 2015 by 9.2% and 13.0%, respectively. Customers' demand shifting towards integrated freight forwarding and logistics services was also a contributing factor. 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 0.3% year-on-year to RUB 1,580 million for the nine months ended 30 September 2015 from RUB 1,584 million for the same period of 2014. In the third quarter of 2015, revenue from terminal services, including agency fees, decreased by 0.5% year-on-year to RUB 593 million. The decrease in terminal handling volumes was almost fully offset by positive price dynamics and a wider range of ancillary terminal services offered to customers.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, decreased by 2.8% year-on-year to RUB 1,228 million for the nine months ended 30 September 2015, compared to RUB 1,264 million for the same period of 2014. Agency fees for the third quarter of 2015 decreased by 1.5% year-on-year to RUB 456 million. This reduction 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 101 million, or 13.8% year-on-year, to RUB 633 million for the nine months ended 30 September 2015, from RUB 734 million for the same period of 2014. This was mainly due to an 8.1% year-on-year reduction in container transportation volumes by the Company's own and outsourced truck fleet to 285 thousand TEU in the first nine months of 2015 from 310 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 third quarter of 2015 decreased by RUB 23 million, or 8.9% year-on-year, to RUB 234 million, from RUB 257 million in the corresponding period of 2014. In the third quarter of 2015, container transportation volumes by the Company's own and outsourced truck fleet fell by 5.4% year-on-year to 105 thousand TEU, from 111 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 51.4% year-on-year to RUB 102 million in the first nine months of 2015, from RUB 210 million in the corresponding period of 2014. In the third quarter of 2015, revenues from other freight forwarding and logistics services were down 53.6% year-on-year to RUB 32 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 38 million, or 21.2% year-on-year, to RUB 141 million for the nine months ended 30 September 2015, from RUB 179 million for the same period of 2014. This was primarily due to a drop in imports.

Revenue from bonded warehousing services decreased in the third quarter of 2015 by RUB 12 million, or 19.7% year-on-year, to RUB 49 million for the reason stated above.

### **Operating expenses**

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

	9M 2015			9M 2014		
	RUB mln	% of operating expenses	% of total revenue	RUB mln	% of operating expenses	% of total revenue
Third-party charges related to principal activities	15,912	54.9%	51.2%	11,572	49.4%	42.9%
Freight and transportation services	4,374	15.1%	14.1%	3,605	15.4%	13.4%
Payroll and related charges	3,378	11.7%	10.9%	3,159	13.5%	11.7%
Depreciation and amortisation	1,830	6.3%	5.9%	1,829	7.8%	6.8%
Materials, repair and maintenance	1,570	5.4%	5.1%	1,552	6.6%	5.8%
Taxes other than income tax	393	1.4%	1.3%	461	2.0%	1.7%
Rent	530	1.8%	1.7%	309	1.3%	1.1%
Other expenses	1,008	3.5%	3.2%	958	4.1%	3.6%
<b>Total operating expenses</b>	<b>28,995</b>	<b>100.0%</b>	<b>93.3%</b>	<b>23,445</b>	<b>100.0%</b>	<b>86.9%</b>

	3Q 2015			3Q 2014		
	RUB mln	% of operating expenses	% of total revenue	RUB mln	% of operating expenses	% of total revenue
Third-party charges related to principal activities	5,793	57.3%	52.4%	4,107	49.7%	43.5%
Freight and transportation services	1,464	14.5%	13.2%	1,238	15.0%	13.1%
Payroll and related charges	1,088	10.8%	9.8%	1,064	12.9%	11.3%
Depreciation and amortisation	611	6.0%	5.5%	639	7.7%	6.8%
Materials, repair and maintenance	549	5.4%	5.0%	646	7.8%	6.8%
Taxes other than income tax	133	1.3%	1.2%	187	2.3%	2.0%
Rent	137	1.4%	1.2%	107	1.3%	1.1%
Other expenses	329	3.3%	3.0%	281	3.4%	3.0%
<b>Total operating expenses</b>	<b>10,104</b>	<b>100.0%</b>	<b>91.4%</b>	<b>8,269</b>	<b>100.0%</b>	<b>87.5%</b>

TransContainer's total operating expenses increased by RUB 5,550 million, or 23.7% year-on-year, to RUB 28,995 million for the nine months ended 30 September 2015, from RUB 23,445 million for the nine months ended 30 September 2014. This was due to a significant increase in the third-party charges



related to principal activities item, as well as higher expenses related to freight and transportation services.

In the third quarter of 2015, the Company's total operating expenses grew by 22.2% year-on-year, or RUB 1,835 million, to RUB 10,104 million for the reasons stated above.

#### *Cost of third-party charges related to principal activities*

The cost of third-party charges related to principal activities increased by 37.5% year-on-year to RUB 15,912 million for the nine months ended 30 September 2015, from RUB 11,572 million during the corresponding 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 the *Adjustments and additional financial information* section above). The devaluation of the Russian rouble against the US dollar and Euro was also a contributing factor behind the figures for services outsourced from foreign counterparts.

For the same reason, the cost of integrated freight forwarding and logistics services increased in the third quarter of 2015 by 41.1% year-on-year to RUB 5,793 million, from RUB 4,107 million in the corresponding quarter of 2014.

#### **Adjusted operating expenses**

Adjusted operating expenses, as defined in the *Adjustments and additional financial information* section above, increased by 10.2% year-on-year to RUB 13,083 million for the nine months ended 30 September 2015, from RUB 11,873 million in the same period of 2014. This was primarily due to an increase in costs related to freight and transportation services, rent and payroll. Adjusted operating expenses increased by 3.6% year-on-year to RUB 4,311 million in the third quarter of 2015, from RUB 4,162 million in the third quarter of 2014, primarily due to an increase of costs related to freight and transportation services, rent and other expenses; these were partially offset by a decrease in materials, repair and maintenance costs and taxes other than income tax.

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

#### *Adjusted operating expenses structure and dynamics for the nine months ended 30 September 2015 and 2014*

	9M 2015		9M 2014		Period on period change	
	RUB mln	%	RUB mln	%	RUB mln	Percent change
Freight and transportation services	4,374	33.4%	3,605	30.4%	+769	+21.3%
Payroll and related charges	3,378	25.8%	3,159	26.6%	+219	+6.9%
Depreciation and amortisation	1,830	14.0%	1,829	15.4%	+1	+0.1%
Materials, repair and maintenance	1,570	12.0%	1,552	13.1%	+18	+1.2%
Taxes other than income tax	393	3.0%	461	3.9%	-68	-14.8%
Rent	530	4.1%	309	2.6%	+221	+71.5%
Other expenses	1,008	7.7%	958	8.1%	+50	+5.2%
<b>Adjusted operating expenses</b>	<b>13,083</b>	<b>100.0%</b>	<b>11,873</b>	<b>100.0%</b>	<b>+1,210</b>	<b>+10.2%</b>

#### *Adjusted operating expenses structure and dynamics for the three months ended 30 September 2015 and 2014*

	3Q 2015		3Q 2014		Period on period change	
	RUB mln	%	RUB mln	%	RUB mln	Percent change
Freight and transportation services	1,464	34.0%	1,238	29.7%	+226	+18.3%
Payroll and related charges	1,088	25.2%	1,064	25.6%	+24	+2.3%
Depreciation and amortisation	611	14.2%	639	15.4%	-28	-4.4%
Materials, repair and maintenance	549	12.7%	646	15.5%	-97	-15.0%
Taxes other than income tax	133	3.1%	187	4.5%	-54	-28.9%
Rent	137	3.2%	107	2.6%	+30	+28.0%
Other expenses	329	7.6%	281	6.8%	+48	+17.1%

<b>Adjusted operating expenses</b>	<b>4,311</b>	<b>100.0%</b>	<b>4,162</b>	<b>100.0%</b>	<b>+149</b>	<b>+3.6%</b>
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#### *Freight and transportation services*

Expenses relating to freight and transportation services increased by RUB 769 million, or 21.3% year-on-year, to RUB 4,374 million for the nine months ended 30 September 2015. This growth was driven by an 8.3% year-on-year rise in the transportation volumes of the Company's empty containers, as well as by Russian Railways' tariff indexing, that has been in place since 1 January 2015. Higher empty container transportation volumes resulted from a rise in the volume of services provided using the Company's containers, as well as from the considerable misbalance between import and export cargo flows in the Russian container market.

For the same reasons, expenses relating to freight and transportation services grew by 18.3% year-on-year, or RUB 226 million, to RUB 1,464 million in the third quarter of 2015.

#### *Payroll and related charges*

Payroll and related charges increased by RUB 219 million, or 6.9% year-on-year, to RUB 3,378 million for the nine months ended 30 September 2015, from RUB 3,159 million for the same period of 2014. This was primarily due to base salary indexing and higher social insurance expenses as a result of changes in labour legislation effective from January 2015. This increase, however, was partially offset by a 9.5% year-on-year decrease in TransContainer's average headcount from 4,089 to 3,700 employees.

For the same reasons, in the third quarter of 2015, payroll and related charges grew by 2.3% year-on-year, or RUB 24 million, to RUB 1,088 million.

#### *Depreciation and amortisation*

Depreciation and amortisation increased by RUB 1 million, or 0.1% year-on-year, to RUB 1,830 million in the first nine months of 2015, compared to RUB 1,829 million during the corresponding period of 2014.

In the third quarter of 2015, depreciation and amortisation decreased by 4.4% year-on-year, or RUB 28 million, to RUB 611 million due to a reduction in the Company's own flatcar fleet.

#### *Materials, repair and maintenance*

Expenses related to materials, repair and maintenance grew slightly to RUB 1,570 million during the first nine months of 2015, representing a year-on-year increase of 1.2% year-on-year. This was due to a higher number of repairs, which was partially offset a decrease in the average repair price. In the third quarter of 2015, expenses related to materials, repair and maintenance decreased by 15.0% year-on-year to RUB 549 million, due to a drop in the average repair price.

#### *Taxes other than income tax*

Taxes other than income tax were down 14.8% year-on-year to RUB 393 million for the nine months ended 30 September 2015, from RUB 461 million in the corresponding period of 2014. This was largely a result of a decrease in property tax related to movables.

For the same reason, taxes other than income tax decreased by 28.9% year-on-year to RUB 133 million in the third quarter of 2015.

#### *Rent*

Rent expenses grew by RUB 221 million, or by 71.5% year-on-year, to RUB 530 million for the nine months ended 30 September 2015 from RUB 309 million in the corresponding period of 2014, reflecting an increase in the number of flatcars rented under operating lease contracts in the first half of 2015.

During the third quarter, the number of flatcars operated under operating lease contracts decreased to 253 from 1,459 as of 30 June 2015. However, as the lease contracts were steadily terminated across the three months, it resulted rent expenses increasing by 28.0% year-on-year to RUB 137 million in the third quarter of 2015.

### *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 service and loss of sale of fixed assets. In the first nine months of 2015, other expenses grew by 5.2% year-on-year to RUB 1,008 million, from RUB 958 million in the first nine months of 2014. This primarily resulted from an increase in software expenses, which were offset by a decrease in fuel costs and taxes other than income tax. For the same reason, in the third quarter of 2015, other operating expenses increased by RUB 48 million, or 17.1% year-on-year.

### *Interest expense*

Interest expenses decreased by RUB 111 million, or 22.4% year-on-year, to RUB 384 million for the first nine months of 2015 from RUB 495 million for the same 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 December 2014 and in June 2015.

For the same reason, interest expense in the third quarter of 2015 decreased by RUB 41 million, or 26.3% year-on-year, to RUB 115 million from 156 million in the corresponding period of 2014.

### *Interest income*

Interest income decreased by RUB 11 million, or 9.3% year-on-year, to RUB 107 million in the first nine month of 2015 from RUB 118 million for the same period of 2014. This was largely a result of fluctuations in the structure of the Company's deposit accounts throughout the period.

As outlined above, interest income in the third quarter of 2015 decreased by RUB 15 million to RUB 23 million, compared to RUB 38 million in the corresponding period of 2014.

### *Profit before income tax*

Profit before income tax decreased by RUB 1,639 million, or by 40.1% year-on-year, to RUB 2,446 million for the nine months ended 30 September 2015 from RUB 4,085 million for the nine months ended 30 September 2014.

In the third quarter of 2015, profit before income tax decreased by RUB 359 million, or by 24.1% year-on-year, to RUB 1,130 million from RUB 1,489 million in the corresponding period of 2014. This was largely a result of the factors discussed above.

### *Income tax expenses*

Income tax expenses decreased by RUB 263 million, or 33.5% year-on-year, to RUB 521 million in the first nine months of 2015, from RUB 784 million during the corresponding period of 2014. This was primarily due to a decrease in taxable profit.

For the same reason, income tax expenses decreased by RUB 41 million, or by 14.4% year-on-year, to RUB 244 million for the three months ended 30 September 2015, compared to RUB 285 million in the corresponding period of 2014.

The effective tax rate for the nine months ended 30 September 2015 increased to 21.3% compared to 19.2% in the same period of 2014; during the third quarter, the effective tax rate was 21.6% compared to 18.9% in the third quarter of 2014.

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

As a result of the factors discussed above, the profit for the nine months ended 30 September 2015 decreased by RUB 1,376 million, or 41.7% year-on-year, to RUB 1,925 million, compared to RUB 3,301 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 60.2% year-on-year and totalled RUB 1,356 million, compared to RUB 3,406 million for the first nine months of 2014.

The profit for the three months ended 30 September 2015 decreased by RUB 318 million, or 26.4% year-on-year, to RUB 886 million from RUB 1,204 million for the same period of 2014. Taking into account the exchange differences relating to foreign operations and other effects, the Company generated total comprehensive profit of RUB 475 million in the third quarter of 2015, compared to total comprehensive profit of RUB 1,592 million during the third quarter of 2014.

### **Liquidity and Capital Resources**

As of 30 September 2015, the Company's net cash and cash equivalents amounted to RUB 2,748 million, while its current assets exceeded current liabilities by RUB 1,303 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for a variety of purposes, including the purchase of flatcars and containers, the development of rail-side terminals and investment in expanding and modernising 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 nine months ended 30 September 2015 and 2014, respectively.

<b>RUB million</b>	<b>9M 2015</b>	<b>9M 2014</b>
Net cash provided by operating activities	3,307	5,428
Net cash used in investing activities	-761	-3,159
Net cash used in/ provided by financing activities	-1,850	-1,883
Net increase in cash and cash equivalents	696	386
Foreign exchange effect on cash and cash equivalents	148	183
<b>Net cash and cash equivalents at the end of the period</b>	<b>2,748</b>	<b>2,452</b>

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

Cash flow generated by operating activities declined by RUB 2,121 million, or 39.1% year-on-year, to RUB 3,307 million for the nine months ended 30 September 2015 from RUB 5,428 million for the same period of 2014, mainly due to a 27.7% year-on-year decrease in operating profit.

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

Cash flow used in investing activities decreased by RUB 2,398 million, or 75.9% year-on-year, to RUB 761 million for the nine months ended 30 September 2015 from RUB 3,159 million for the same period of 2014. This was primarily due to capital expenditure falling from RUB 3,238 million to RUB 886 million.

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

Cash flow used by financing activities amounted to RUB 1,850 million in the first nine months of 2015, compared to RUB 1,883 million for the same period of 2014. This largely corresponds to the redemptions of long-term borrowings and dividend payments for the respective periods.

### **Capital Expenditure**

Capital expenditure decreased by RUB 2,352 million, or 72.6% year-on-year, to RUB 886 million in the first nine months of 2015 from RUB 3,238 million in the first nine months of 2014. The vast majority of the capital expenditure can be considered as maintenance 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). The actual amount of capital expenditure, however, is expected to be less due to challenging 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 September 2015, the Company's financial indebtedness consisted of one outstanding bond issue, financial lease obligations and other borrowings in an aggregate amount of RUB 5,790 million, compared to RUB 6,777 million as of 31 December 2014. As of 30 September 2015, the Company's net debt was RUB 3,032 million.

As of 30 September 2015, the major portion of the Company's financial indebtedness was unsecured, except for 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 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 4,992 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 at 30 September 2015, the carrying value of the bonds amounted to RUB 3,742 million (RUB 4,990 million as at 31 December 2014) and was reflected as long-term borrowings in the Company's financial statements.

The amount of accrued interest is RUB 70 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 468 million as at 30 September 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 nine months ended 30 September 2015.

<b>RUB million</b>	<b>30 September 2015</b>	<b>31 December 2014</b>
<b>Current assets</b>		
Inventory	303	340
Trade and other receivables	1,428	1,542
Prepayments and other current assets	2,553	2,958
Prepaid income tax	103	113
Short-term investments	10	8
Cash and cash equivalents	2,748	1,904
Non-current Assets classified as held for sale	100	100
<b>Total current assets</b>	<b>7,245</b>	<b>6,965</b>
<b>Current liabilities</b>		
Trade and other payables	3,139	3,084
Short-term debt and current portion of long-term debt	1,788	919
Income tax payable	137	189
Taxes other than income tax payable	325	401
Provisions	9	16
Finance lease obligations, current maturities	32	60
Dividends payable	0	0
Accrued and other current liabilities	512	912
Deferred income	0	0
<b>Total current liabilities</b>	<b>5,942</b>	<b>5,581</b>
<b>Working capital</b>	<b>1,303</b>	<b>1,384</b>

Working capital decreased by RUB 81 million to RUB 1,303 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 third quarter and nine months ended 30 September 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 Thursday, 26 November 2015 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 **83180557#**

A replay of the call will be available until 26 December 2015 using the following details:

UK Free Call Dial In **0800 953 1533**  
Russia Dial In **8 499 677 1064**  
Replay Access Code **83180557#**

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## About TransContainer

TransContainer (LSE ticker: TRCN) is the leading intermodal container transportation company in Russia with a market share of approximately 47.8%. It is the market leader in Russia by flatcar fleet size, container transportation by rail and rail-side container terminal throughput. As at 30 September 2015, it owns and operates 24,963 flatcars and 63,560 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. 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