

## **FOR IMMEDIATE RELEASE**

**30 March 2016**

# **PJSC TransContainer**

## **Results for the full year ended 31 December 2015**

PJSC "TransContainer" ("TransContainer" or the "Company" together with its consolidated subsidiaries) today publishes its management report together with the audited consolidated financial statements for the full year ended 31 December 2015. The financial statements presented in this announcement have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

### **Operating and financial review**

#### **Summary**

TransContainer is the leading intermodal container transportation company in Russia. As at 31 December 2015, the Company accounted for approximately 47.0% of Russia's rail container transportation market. The Company had 24,461 owned and leased flatcars and 64,596 ISO containers at the end of the reporting year. 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. TransContainer's sales network comprises about 120 sales outlets in Russia, along with additional sales offices across the CIS, Europe and Asia.

In 2015, the Russian container transportation market declined by 8.0% year-on-year to 2,959 thousand twenty-foot equivalent units ("TEU") amid Russia's GDP contraction by 3.7% and the rouble devaluation against the US dollar by approximately 60% on average. The decrease in transportation volumes was mainly due to a 14.9% year-on-year drop in international transportation, while domestic transportation remained flat year-on-year.

The Company's rolling stock transportation volumes decreased by 5.3% year-on-year during the reporting period to 1,390 thousand TEU. A 0.8% increase in domestic transportation was offset by an 11.9% drop in the international segment, mainly driven by a decrease in export and transit transportation. Revenue-generating<sup>1</sup> transportation volumes decreased by 8.8% year-on-year to 1,031 thousand TEU.

The challenging situation in the Russian economy and the downward trend of the rail container transportation market negatively affected the Company's financial position. While the Company's total revenue grew by 16.2% from RUB 36,565 million in 2014 to RUB 42,505 million in 2015, the adjusted revenue decreased by 1.1%, from RUB 20,538 million to RUB 20,331 million, respectively, reflecting a decline in transportation and terminal handling volumes amid the tough pricing environment. At the same time, adjusted operating costs were up 3.9% from RUB 17,170 million in 2014 to RUB 17,848 in 2015 on the back of an increase in Russian Railway's tariffs and cost inflation, as well as growing empty container flows caused by considerable disbalance between the import and export segments of the Russian container market. This, in turn, led to a decrease in profitability. The adjusted EBITDA margin for 2015 decreased to 32.1% from 38.1% in 2014, while the adjusted net income margin reduced to 13.9% from 17.8%, respectively.

In absolute terms, the Company's EBITDA decreased by 16.5% from RUB 7,816 million in 2014 to RUB 6,526 million in 2015, while net profit was down 22.6% from RUB 3,658 million to RUB 2,831 million,

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

respectively. Besides the Company's business optimisation measures, TransContainer's results were positively impacted by the contribution from KDTS, which increased its profit from RUB 163 million in 2014 to RUB 617 million in 2015.

As at 31 December 2015, the Company's total debt was RUB 5,780 million with the net debt of only RUB 3,663 million, compared to RUB 6,777 million and RUB 4,865 million as at 31 December 2014, respectively. As a result, the Net Debt/LTM EBITDA ratio decreased to 56% as at 31 December 2015 from 62% as at 31 December 2014.

Capital expenditure for the year 2015 decreased by 42.2% year-on-year to RUB 2,434 million from RUB 4,212 million in 2014, reflecting weak markets and the uncertain macroeconomic environment.

In 2015, all capital expenditure and debt repayment were financed by the Company's own cash flow.

### **Recent developments and outlook**

In the first quarter of 2016, the Russian rail container market is expected to remain broadly flat year-on-year mainly due to the leap year effect and relative market stabilisation. However, the market sustainability for the rest of the year is yet to be proved. Overall in 2016 the Russian rail container market is expected to be affected by a continuing decline in the Russian economy, as well as high competition between rail container operators and other transportation market segments. With that in mind, the Company's management will strengthen its focus on business optimisation, 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 prospects, driven by the country's strong transit potential and scope for further growth in cargo containerisation. Russia's economic uplift will also be one of the key contributing factors to container transportation market growth.

### **Key operating results**

#### ***Rail container transportation***

In 2015, TransContainer's market share increased to 47.0% from 45.6% in 2014.

The Company's rail container transportation volumes for 2015 amounted to 1,390 thousand TEU, compared to 1,467 thousand TEU in 2014, down 5.3% year-on-year, while the total rail container transportation market in Russia fell by 8.0% year-on-year, respectively. The decrease in the Company's rail container transportation volumes was mainly driven by an 11.9% year-on-year decline in international transportation, which was partly offset by a 0.8% growth in domestic volumes caused by the strong demand for the Company's container fleet.

A year-on-year decrease in international transportation resulted in a 15.2% decline in export volumes, which were broadly in line with the corresponding figures seen in the Russian container transportation market, as well as a 27.5% drop in transit volumes. The decrease in transit volumes was mainly as a result of lower transit transportation volumes between the Far East and Central Asia, which, in turn, was heavily affected by a drop in the transportation of car components. TransContainer's import transportation volumes were up 2.5% year-on-year despite an 18.5% decrease in import transportation volumes in Russia. This increase mainly reflects the management's efforts to improve business in the Asia-Pacific countries in order to maintain the balance in the supply of the Company's own containers between import, domestic and export routes.

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

2015	2014	Change	
		000' TEU	Percent

Domestic Routes	770.7	764.9	+5.8	+0.8%
Export	314.4	371.0	-56.5	-15.2%
Import	219.6	214.2	+5.4	+2.5%
Transit	85.1	117.3	-32.2	-27.5%
<b>All Routes</b>	<b>1,389.8</b>	<b>1,467.3</b>	<b>-77.5</b>	<b>-5.3%</b>

The Company's revenue-generating container transportation volumes in Russia were down 8.8% year-on-year to 1,031 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.

### ***Rail container transportation volumes in Kazakhstan***

Rail container transportation volumes carried out by KDTS, the joint venture between the Company and Kazakhstan Temir Zholy in Kazakhstan, declined by 16.8% year-on-year to 211 thousand TEU, due to a decrease in import transportation volumes in Kazakhstan and Central Asia amid local currency volatility. This, in turn, was partly offset by an increase in transit transportation volumes from and to China. In 2015, KDTS operated a flatcar fleet of approximately 4,824.

### ***Terminal handling***

For the full year of 2015, the Company's rail container terminal network throughput in Russia amounted to 1,219 thousand TEU, down 7.6 % year-on-year, which was in line with the market trends.

In Kazakhstan, container handling by KDTS at the cross-border rail-side terminals Dostyk and Altynkol decreased by 27.6% from 207 thousand TEU in 2014 to 150 thousand TEU in 2015, while container handling volumes on its inland terminals decreased by 32.7% from 42 thousand TEU to 28 thousand TEU, respectively. Non-container throughput at KDTS' terminals decreased by 15.6%, from 3.4 million tonnes in 2014 to 2.9 million tonnes in 2015. This was mainly due to a fall in import transportation volumes and the continuing economic slowdown.

### ***Asset utilisation***

In 2015, flatcar empty run ratio remained flat at 7.4%, while container empty runs decreased from 28.8% in 2014 to 31.2% in 2015. This was mainly due to a disbalance in international routes and higher share of transportation by the Company's own containers. At the same time, strong customer demand for the Company's containers resulted in improved container turnover. This increased demand was driven by a shortage of containers supplied by sea shipping lines in the Russian market during the first three quarters of 2015. Growth in flatcar turnover was primarily driven by an increase in the average distances travelled by the Company's flatcars.

	<b>FY2015</b>	<b>FY2014</b>
Turnover of containers, days	35.4	37.9
Turnover of flatcars, days	14.9	14.0
Empty run <sup>2</sup> for containers, %	31.2%	28.8%
Empty run for flatcars, %	7.4%	7.2%

### **Description of Key Consolidated Statement of Comprehensive Income Items**

The following table sets out the Company's results for the twelve months ended 31 December 2015 and 2014.

<sup>2</sup> - The empty run ratio is calculated as an average empty run in kilometres divided by an average total run in kilometres

*Summary of the Company's key results for the full year ended 31 December 2015 and 31 December 2014*

<b>RUB million</b>	<b>2015</b>	<b>2014</b>	<b>Period on period change</b>	<b>Period on period percent change</b>
Revenue	42,505	36,565	+5,940	+16.2%
Other operating income	811	715	+96	+13.4%
Operating expenses	-40,042	-33,197	-6,845	+20.6%
<b>Operating profit</b>	<b>3,274</b>	<b>4,083</b>	<b>-809</b>	<b>-19.8%</b>
Interest expense	-508	-648	+140	-21.6%
Interest income	152	151	+1	+0.7%
Foreign exchange gain, net	0	938	-938	-100.0%
Share of result of associates and JVs	612	165	+447	+270.9%
Other financial results, net	18	18	+0	+0.0%
<b>Profit before income tax</b>	<b>3,548</b>	<b>4,707</b>	<b>-1,159</b>	<b>-24.6%</b>
Income tax expense	-717	-1 049	+332	-31.6%
<b>Profit for the period</b>	<b>2,831</b>	<b>3,658</b>	<b>-827</b>	<b>-22.6%</b>
<b>Attributable to:</b>				
Equity holders of the parent	2,831	3 658	-827	-22.6%
Non-controlling interest	0	0	+0	
<b>Other comprehensive income</b>	<b>-914</b>	<b>1,215</b>	<b>-2,129</b>	<b>-175.2%</b>
Remeasurements and other reserves for post-employment benefit plans	-43	144	-187	-129.9%
Exchange differences on translating foreign operations (TRCN)	61	101	-40	-39.6%
Exchange differences on translating foreign operations (Associates & JV)	-932	970	-1,902	-196.1%
Other effects	0	0	+0	
<b>Total comprehensive income for the period</b>	<b>1,917</b>	<b>4,873</b>	<b>-2,956</b>	<b>-60.7%</b>
<b>Attributable to:</b>				
Equity holders of the parent	1,917	3,802	-1,885	-49.6%
Non-controlling interest	0	0	+0	!

**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*

<b>Item</b>	<b>2015</b>	<b>2014</b>	<b>Year-on-year change</b>	
			<b>RUB mln</b>	<b>%</b>
Total revenue	42,505	36,565	+5,940	+16.2%
Third-party charges related to principal activities	-22,194	-16,027	-6,167	+38.5%
<b>Adjusted Revenue</b>	<b>20,311</b>	<b>20,538</b>	<b>-227</b>	<b>-1.1%</b>

*Integrated freight forwarding and logistics services revenue adjustment*

<b>Item</b>	<b>2015</b>	<b>2014</b>	<b>Year-on-year change</b>	
			<b>RUB mln</b>	<b>%</b>

Integrated freight forwarding and logistics services	31,608	27,379	+4,229	+15.4%
3rd-party charges related to integrated freight forwarding and logistics	-19,090	-16,027	-3,063	+19.1%
<b>Adjusted integrated freight forwarding and logistics services</b>	<b>12,518</b>	<b>11,352</b>	<b>+1,166</b>	<b>+10.3%</b>

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

Item	2015	2014	Year-on-year change	
			RUB mln	%
3rd-party charges related to integrated freight forwarding and logistics	19,090	16,027	+3,063	+19.1%
3rd-party charges related to cargo transportation and handling services	3,104	0	3,104	
<b>Third-party charges related to principal activities</b>	<b>22,194</b>	<b>16,027</b>	<b>+6,167</b>	<b>+38.5%</b>

*Total operating expenses adjustment*

Item	2015	2014	Year-on-year change	
			RUB mln	%
Total operating expenses	40,042	33,197	+6,845	+20.6%
Third-party charges related to principal activities	-22,194	-16,027	-6,167	+38.5%
<b>Adjusted operating expenses</b>	<b>17,848</b>	<b>17,170</b>	<b>+678</b>	<b>+3.9%</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	2015	2014	Year-on-year change	
			RUB mln	%
Adjusted Revenue <sup>1</sup>	20,311	20,538	-227	-1.1%
Adjusted operating expenses <sup>2</sup>	17,848	17,170	+678	+3.9%
EBITDA <sup>3</sup>	6,526	7,816	-1,290	-16.5%
Adjusted EBITDA margin <sup>4</sup>	32.1%	38.1%		
Total debt	5,780	6,777	-997	-14.7%
Net debt <sup>5</sup>	3,663	4,865	-1,202	-24.7%
Net debt / LTM EBITDA	0.57	0.62		

<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 full year ended 31 December 2015 and 2014, respectively.

RUB million	2015	2014	Year-on-year change	
			RUB mln	%
Integrated freight forwarding and logistics services	31,608	27,379	+4,229	+15.4%
Rail-based container shipping services	4,390	5,405	-1,015	-18.8%
Cargo transportation and handling services with involvement of third parties	3,104	0	+3,104	
Terminal services and agency fees	2,130	2,167	-37	-1.7%
Truck deliveries	848	978	-130	-13.3%
Other freight forwarding services	134	283	-149	-52.7%
Bonded warehousing services	194	234	-40	-17.1%
Other	97	119	-22	-18.5%
<b>Total revenue</b>	<b>42,505</b>	<b>36,565</b>	<b>+5,940</b>	<b>+16.2%</b>

Total revenue increased by RUB 5,940 million, or 16.2% year-on-year, to RUB 42,505 million for the full year of 2015, from RUB 36,565 million in 2014. This increase was primarily due to higher third-party charges accounted as Cargo transportation and handling services with involvement of third parties and as a part of integrated freight forwarding and logistics services.

### **Adjusted Revenue Breakdown**

The following table sets out the components of adjusted revenue and their relative contribution to adjusted revenue for the twelve months ended 31 December 2015 and 2014, respectively.

	2015		2014		Year-on-year change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent
Adjusted integrated freight forwarding and logistics services	12,518	61.6%	11,352	55.3%	+1,166	+10.3%
Rail-based container shipping services	4,390	21.6%	5,405	26.3%	-1,015	-18.8%
Terminal services and agency fees	2,130	10.5%	2,167	10.6%	-37	-1.7%
Truck deliveries	848	4.2%	978	4.8%	-130	-13.3%
Other freight forwarding services	134	0.7%	283	1.4%	-149	-52.7%
Bonded warehousing services	194	1.0%	234	1.1%	-40	-17.1%
Other -	97	0.5%	119	0.6%	-22	-18.5%
<b>Total adjusted revenue</b>	<b>20,311</b>	<b>100%</b>	<b>20,538</b>	<b>100%</b>	<b>-227</b>	<b>-1.1%</b>

Adjusted revenue (as defined above) fell by 1.1% year-on-year to RUB 20,311 million for the full year ended 31 December 2015, from RUB 20,538 million in 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.

In 2015, there were moderate fluctuations in the structure of the Company's adjusted revenue, but these were within the range inherent to the Company's business model.

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

Revenue from integrated freight forwarding and logistics services increased by 15.4% year-on-year to RUB 31,608 million for the full year ended 31 December 2015 from RUB 27,379 million in 2014.

Adjusted revenue from integrated freight forwarding and logistics services was up 10.3% year-on-year to RUB 12,518 million for the full year ended 31 December 2015 from RUB 11,352 million in 2014. This increase was a result of customers shifting towards integrated freight forwarding and logistics services, as well as due to an increase in the Company's average tariffs.

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

Revenue from rail-based container transportation was down 18.8% year-on-year to RUB 4,390 million for the full year ended 31 December 2015, from RUB 5,405 million in 2014. The key reasons for this decline were an 8.8% decrease in revenue-generating transportation volumes by the Company's rolling stock 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 and agency fees decreased by 1.7% year-on-year to RUB 2,130 million for the full year ended 31 December 2015 from RUB 2,167 million for the previous year. This decrease was due to a reduction in terminal handling volumes by 7.6% year-on-year and a gradual shift in customers' demand towards integrated freight forwarding and logistics services, which, in turn, was partly offset by positive price dynamics.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, increased by 0.8% year-on-year to RUB 1,698 million for the full year ended 31 December 2015, compared to RUB 1,685 million in 2014. An increase in average tariffs was almost fully offset by a reduction in terminal handling volumes at the Company's terminals in Russia.

### *Truck deliveries*

Revenue from truck deliveries decreased by RUB 130 million, or 13.3% year-on-year, to RUB 848 million for the full year ended 31 December 2015, from RUB 978 million for the previous year. This was mainly due to an 8.0% year-on-year reduction in container transportation volumes by the Company's own and outsourced truck fleet to 382 thousand TEU for the full year ended 31 December 2015 from 415 thousand TEU for the previous year, which corresponds to the dynamics of terminal handling volumes. The shift of clients' demand towards integrated freight forwarding and logistics services was also a contributing factor.

### *Other freight forwarding and logistics services*

Revenue from other freight forwarding and logistics services, which are freight forwarding and logistics services of a non-integrated nature, fell by 52.7% year-on-year to RUB 134 million for the full year ended 31 December 2015, from RUB 283 million for the previous year. This decrease was primarily due to the changes in the Company's business structure, including shifting towards providing integrated freight forwarding and logistics services.

### *Bonded warehousing services*

Revenue from bonded warehousing services decreased by RUB 40 million, or 17.1% year-on-year, to RUB 194 million for the full year ended 31 December 2015, from RUB 234 million for the previous year. This was primarily due to a drop in imports.

### **Operating expenses**

The following table provides a breakdown of the Company's operating expenses for the full year ended 31 December 2015 and 2014, respectively.

	2015			2014		
	RUB mln	% of operating expenses	% of total revenue	RUB mln	% of operating expenses	% of total revenue
Third-party charges related to principal activities	22,194	55.4%	52.2%	16,027	48.3%	43.8%
Freight and transportation services	5,858	14.6%	13.8%	4,979	15.0%	13.6%
Payroll and related charges	4,507	11.3%	10.6%	4,609	13.9%	12.6%
Depreciation and amortisation	2,470	6.2%	5.8%	2,461	7.4%	6.7%
Materials, repair and maintenance	2,275	5.7%	5.4%	2,419	7.3%	6.6%
Taxes other than income tax	521	1.3%	1.2%	631	1.9%	1.7%
Rent	638	1.6%	1.5%	443	1.3%	1.2%
Other expenses	1,579	3.9%	3.7%	1,628	4.9%	4.5%
<b>Total operating expenses</b>	<b>40,042</b>	<b>100.0%</b>	<b>94.2%</b>	<b>33,197</b>	<b>100.0%</b>	<b>90.8%</b>

TransContainer's total operating expenses increased by RUB 6,845 million, or 20.6% year-on-year, to RUB 40,042 million for the full year ended 31 December 2015, from RUB 33,197 million for the previous year. This was due to a significant increase in the third-party charges related to principal activities, as well as higher expenses related to freight and transportation services and rent expenses.

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

The cost of third-party charges related to principal activities increased by 38.5% year-on-year to RUB 21,194 million for the full year ended 31 December 2015, from RUB 16,027 million during the previous year. 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.

### **Adjusted operating expenses**

Adjusted operating expenses, as defined in the *Adjustments and additional financial information* section above, increased by 3.9% year-on-year to RUB 17,848 million for the full year ended 31 December 2015, from RUB 17,170 million in 2014. This was primarily due to an increase in costs related to freight and transportation services and rent, which was partially offset by a decrease in payrolls, materials, repair and maintenance costs and taxes other than income tax.

*Adjusted operating expenses structure and dynamics for full year ended 31 December 2015 and 2014*

	2015		2014		Period on period change	
	RUB mln	%	RUB mln	%	RUB mln	Percent change
Freight and transportation services	5,858	32.8%	4,979	29.0%	+879	+17.7%
Payroll and related charges	4,507	25.3%	4,609	26.8%	-102	-2.2%
Depreciation and amortisation	2,470	13.8%	2,461	14.3%	+9	+0.4%
Materials, repair and maintenance	2,275	12.7%	2,419	14.1%	-144	-6.0%
Taxes other than income tax	521	2.9%	631	3.7%	-110	-17.4%
Rent	638	3.6%	443	2.6%	+195	+44.0%
Other expenses	1,579	8.8%	1,628	9.5%	-49	-3.0%
<b>Adjusted operating expenses</b>	<b>17,848</b>	<b>100.0%</b>	<b>17,170</b>	<b>100.0%</b>	<b>+678</b>	<b>+3.9%</b>

In 2015, there were moderate fluctuations in the structure of the Company's adjusted costs, but these were within the range inherent to the Company's business model.

*Freight and transportation services*

Expenses related to freight and transportation services increased by RUB 879 million, or 17.7% year-on-year, to RUB 5,858 million for the full year ended 31 December 2015 from RUB 4,979 million in 2014. This was driven by a 6.6% 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 own containers, as well as from the considerable disbalance between import and export cargo flows in the Russian container market reflecting significant fluctuations on the FX market.

*Payroll and related charges*

Payroll and related charges decreased by RUB 102 million, or 2.2% year-on-year, to RUB 4,507 million for the full year ended 31 December 2015, from RUB 4,609 million for the previous year. This was primarily due to 6.2% year-on-year decrease in TransContainer's average headcount from 4,069 to 3,816 employees, which was partially offset by base salary indexing and higher social insurance expenses as a result of changes in labour legislation effective from January 2015.

*Depreciation and amortisation*

Depreciation and amortisation increased by RUB 9 million, or 0.4% year-on-year, to RUB 2,470 for the full year ended 31 December 2015, compared to RUB 2,461 million in 2014, reflecting a relatively stable asset structure and a low level of capital expenditure in 2015.

*Materials, repair and maintenance*

Expenses related to materials, repair and maintenance decreased by 6.0% year-on-year to RUB 2,275 million for the full year ended 31 December 2015. This was mainly due to a decrease in the average repair price partially offset by a higher number of repairs.

*Taxes other than income tax*

Taxes other than income tax were down 17.4% year-on-year to RUB 521 million for the full year ended 31 December 2015, from RUB 631 million in the previous year. This was largely a result of a decrease in property tax related to movables.

*Rent*

Rent expenses grew by RUB 195 million, or by 44.0% year-on-year, to RUB 638 million for the full year ended 31 December 2015 from RUB 443 million in the previous year, reflecting an increase in the number



of flatcars rented under operating lease contracts in the first half of 2015. The vast majority of these contracts were terminated 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 reporting year, other expenses decreased by 3.0% year-on-year to RUB 1,579 million, from RUB 1,628 million in the previous year. This primarily resulted from a decrease in charitable contributions expense, as well as from changes in provisions for the impairment of receivables, which was partially offset by an increase in costs related to software and licences.

#### *Interest expense*

Interest expenses decreased by RUB 140 million, or 21.6% year-on-year, to RUB 508 million for the full year ended 31 December 2015 from RUB 648 million in the previous year. This was mainly due to the redemption of the series 2 bonds in June 2015.

#### *Share of results of associates and JVs*

Share of results of associates and joint ventures increased by RUB 447 million to RUB 612 million for the full year ended 31 December 2015, from RUB 165 million in 2014. The increase was primarily driven by the financial performance of KDTS, which benefitted from the tenge devaluation that offset weaker transportation and handling volumes in Kazakhstan.

#### *Profit before income tax*

As a result of the reasons described above, profit before income tax decreased by RUB 1,159 million, or by 24.6% year-on-year, to RUB 3,548 million for the full year ended 31 December 2015 from RUB 4,707 million for the previous year.

#### *Income tax expenses*

Income tax expenses decreased by RUB 332 million, or 31.6% year-on-year, to RUB 717 million for the full year ended 31 December 2015, from RUB 1,049 million in 2014, mainly as a result of a decrease in taxable profit.

The effective tax rate for the full year ended 31 December 2015 decreased to 20.2% compared to 22.3% for the previous year.

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

As a result of the factors discussed above, the profit for the full year ended 31 December 2015 decreased by RUB 827 million, or 22.6% year-on-year, to RUB 2,831 million, compared to RUB 3,658 million for the previous year. Taking into account the exchange differences relating to foreign operations and other effects, the total comprehensive income for the reporting period was down 60.7% year-on-year and totalled RUB 1,918 million, compared to RUB 4,873 million in 2014.

### **Liquidity and Capital Resources**

As of 31 December 2015, the Company's net cash and cash equivalents amounted to RUB 2,110 million, while its current assets exceeded current liabilities by RUB 688 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 full year ended 31 December 2015 and 2014, respectively.

<b>RUB million</b>	<b>2015</b>	<b>2014</b>
Net cash provided by operating activities	4,184	6,027
Net cash used in investing activities	-2,280	-3,943
Net cash used in/ provided by financing activities	-1,956	-2,752
Net increase in cash and cash equivalents	-52	-668
Foreign exchange effect on cash and cash equivalents	258	689
<b>Net cash and cash equivalents at the end of the period</b>	<b>2,110</b>	<b>1,904</b>

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

Cash flow generated by operating activities declined by RUB 1,843 million, or 30.6% year-on-year, to RUB 4,184 million for the full year ended 31 December 2015 from RUB 6,027 million in the previous year, mainly due to a 19.8% year-on-year decrease in operating profit and changes in working capital.

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

Cash flow used in investing activities decreased by RUB 1,663 million, or 42.2% year-on-year, to RUB 2,280 million for the full year ended 31 December 2015 from RUB 3,943 million for the previous year. This was primarily due to a decrease in capital expenditure from RUB 4,212 million to RUB 2,434 million.

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

Cash flow used by financing activities amounted to RUB 1,956 million for the full year ended 31 December 2015, compared to RUB 2,752 million in 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 1,778 million, or 42.2% year-on-year, to RUB 2,434 million for the full year ended 31 December 2015 from RUB 4,212 million in the previous year. During the reporting year, the Company invested primarily in maintenance and modernisation of its terminal network, as well as in replacement and expansion of the ISO containers fleet.

#### *Planned capital expenditure for 2016*

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 2016 is budgeted at RUB 3.8 billion (excluding VAT), however, the actual amount of capital expenditure is subject to the market conditions. The 2016 CAPEX programme is also expected to be focused on the acquisition of ISO containers and improvements of the terminal infrastructure.

### **Capital resources**

The Company's operations and capital expenditure have historically been financed from internally generated cash flow and proceeds from issuing domestic debt. As of 31 December 2015, the Company's financial indebtedness consisted of one outstanding bond issue, financial lease obligations and other borrowings in an aggregate amount of RUB 5,780 million, compared to RUB 6,777 million as of 31 December 2014. As of 31 December 2015, the Company's net debt was RUB 3,663 million.

As of 31 December 2015, the major portion of the Company's financial indebtedness was unsecured, except for the obligations under finance leases, which were secured by the lessors' title to the lease assets. The Company's debt is rouble-denominated and has a fixed interest rate.

#### *RUB-denominated 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 at 31 December 2015, the carrying value of the bonds amounted to RUB 4,993 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 175 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 31 December 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 twelve months ended 31 December 2015.

<b>RUB million</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Current assets</b>		
Inventory	315	340
Trade and other receivables	1,392	1,542
Prepayments and other current assets	3,527	2,958
Prepaid income tax	84	113
Short-term investments	7	8
Cash and cash equivalents	2,110	1,904
Non-current Assets classified as held for sale	0	100
<b>Total current assets</b>	<b>7,435</b>	<b>6,965</b>
<b>Current liabilities</b>		
Trade and other payables	3,405	3,084
Short-term debt and current portion of long-term debt	1,893	919
Income tax payable	99	189
Taxes other than income tax payable	634	401
Provisions	12	16
Finance lease obligations, current maturities	18	60
Dividends payable	0	0
Accrued and other current liabilities	686	912
Deferred income	0	0
<b>Total current liabilities</b>	<b>6,747</b>	<b>5,581</b>
<b>Working capital</b>	<b>688</b>	<b>1,384</b>

Working capital decreased by RUB 696 million to RUB 688 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 full year ended 31 December 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 today, 30 March 2016, at 13:00 UK time / 15:00 Moscow time. Dial in details are as follows:

UK Free Call Dial In  
Russia Dial In (from a landline)  
Conference ID

**0800 694 0257**  
**810 8 002 097 2044**  
**73507670#**

A replay of the call will be available until 27 April 2016 using the following details:

UK Free Call Dial In  
Russia Dial In  
Replay Access Code

**0800 953 1533**  
**8 499 677 1064**  
**73507670#**

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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%. It is the market leader in Russia by flatcar fleet size, container transportation by rail and rail-side container terminal throughput. As at 31 December 2015, it owned and leased 24 461 flatcars and 64 596 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 120 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