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PJSC TransContainer

Results for the three months ended 31 March 2016

PJSC "TransContainer" ("TransContainer" or the "Company" together with its consolidated subsidiaries) today publishes its management report together with the unaudited interim condensed financial statements for the three months ended 31 March 2016. The financial statements presented in this announcement have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

Operating and financial review

Summary

TransContainer is the leading intermodal container transportation company in Russia. As at 31 March 2016, the Company's rolling stock accounted for approximately 43.5% of Russia's rail container transportation market. It owns and leases 24,034 flatcars and 65,740 ISO containers. TransContainer also owns a network of rail-side container terminals, located at 45 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 outlets across the CIS, Europe and Asia.

In the first quarter of 2016, the Russian container transportation market was down only 0.7% year-on-year compared to a 5.2% year-on-year drop in the fourth quarter of 2015, demonstrating signs of recovery. Meantime, the Company's rail container transportation volumes decreased by 9.7% year-on-year, mainly on the back of a 9.5% year-on-year decline in flatcars under operation following the termination of operating lease agreements in the second half of 2015. The Company's market share therefore decreased to 43.5% from 45.9% in the fourth quarter of 2015.

TransContainer's financial results in the first quarter of 2016 were impacted by the challenging operating environment in the Russian rail container transportation market, caused by weak macroeconomic performance, as well as gradual return of sea shipping lines' containers to the Russian rail network, thus creating extra competitive pressure in the market. To mitigate these factors, the Company reduced its empty container flows by adjusting fleet management and tariffs to the current cargo flow geography. Repairs, rent and some fixed costs were also considerably optimised. As a result, the Company's adjusted operating expenses decreased by 3.9% year-on-year in the reporting period.

During the first quarter of 2016, the Company's total revenue grew by 9.5% year-on-year to RUB 11,059 million. The adjusted revenue decreased by 8.9% year-on-year from RUB 5,044 million in the first quarter of 2015 to RUB 4,597 million in the reported period. EBITDA fell by 19.4% year-on-year to RUB 1,307 million from RUB 1,622 million in the corresponding period of 2015. Profit for the period was down 40.9% year-on-year to RUB 447 million from RUB 756 million in the corresponding period last year.

In terms of profitability, the adjusted EBITDA margin decreased to 28.4% in the first quarter of 2016 from 32.2% in the respective period of 2015, while net income margin decreased from 15.0% to 9.7%.

As at 31 March 2016, the Company's total debt was RUB 5,674 million with net debt of only RUB 2,703 million. As a result, the Net Debt/LTM EBITDA ratio remained at a comfortable level of 44%.

Capital expenditure for the three months ended 31 March 2016 increased by 78.8% year-on-year to RUB 245 million, the money being spent on the acquisition of containers. 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 April and May of 2016, the Russian rail container market demonstrated a positive year-on-year dynamics for the first time following six consecutive quarters of year-on-year decline. Although the sustainability of this growth is yet to be proven, this creates upside risks for the management's base case scenario of the flat market dynamics in 2016, subject to any external economic and political effects.

The challenging operating environment and competitive situation 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 further business optimisation, as well as further improving management efficiency, asset utilisation and the quality of customer service.

The Company believes that the Russian container transportation market retains its fundamental drivers, like industrial production, consumer demand and growth in rail cargo containerisation to maintain its significant long-term growth potential.

Key operating results

In the first quarter of 2016, the Russian container transportation market was down only 0.7% year-on-year compared to a 5.2% year-on-year drop in the fourth quarter of 2015. The market was supported by 8.0% year-on-year growth in domestic transportation, despite an 8.4% decline in international transportation volumes. The decline in international transportation volumes resulted mainly from a 5.1% decrease in export transportation, a 9.7% decline in import transportation and an 18.2% drop in transit.

The Company's rail container transportation volumes in the first quarter of 2016 decreased by 9.7% year-on-year to 317 thousand twenty-foot equivalent units ("TEU") on the back of a 9.5% year-on-year decline in flatcars under operation following the termination of operating lease agreements in the second half of 2015. The Company's market share therefore decreased to 43.5% from 45.9% in the fourth quarter of 2015. The decline in the Company's transportation volumes was mainly due to lower domestic transportation and a decrease in transit volumes. However, TransContainer outperformed the market in import transportation volumes.

Transportation of containers by TransContainer's fleet in 1Q 2016 (ISO Loaded + Empty), 000' TEU

	1Q 2016	1Q 2015	Change	
			000' TEU	Percent
Domestic Routes	170.2	182.5	-12.3	-6.7%
Export	82.0	91.4	-9.4	-10.2%
Import	50.4	51.5	-1.1	-2.2%
Transit	14.8	26.1	-11.3	-43.4%
All Routes	317.4	351.5	-34.1	-9.7%

The Company's revenue-generating¹ container transportation volumes in Russia amounted to 247 thousand TEU in the first quarter of 2016, down 6.4% year-on-year.

In the first quarter of 2016, throughput of the Company's rail container terminal network in Russia decreased by 6.8% to 266 thousand TEU, compared to 285 thousand TEU for the same period of 2015.

Flatcar empty run ratios improved from 8.8% in the first quarter of 2015 to 7.7% in the first quarter of 2016, while container empty runs moderately increased from 28.0% to 29.3%, respectively. The turnover of flatcars remained broadly flat year-on-year in the first quarter of 2016, while the turnover of containers increased from 37.6 days to 42.5 days. This was mainly due to a resumed inflow of shipping lines' containers to the Russian market and an increase in average distance travelled by the Company's containers across the Russian railway network.

Operational efficiency indicators

	1Q 2016		1Q 2015	
Turnover of containers, days	42.5		37.6	
Turnover of flatcars, days	15.7		15.1	
Empty run ² for containers, %	29.3%		28.0%	
Empty run for flatcars, %	7.7%		8.8%	

Description of Key Consolidated Statement of Comprehensive Income Items

The following table sets out the Company's key results for the three months ended 31 March 2016 and 2015.

Summary of key Company's results for the three months ended 31 March 2016 and 2015

RUB million	1Q 2016	1Q 2015	Year on year change	
			RUB mln	%
Revenue	11,059	10,095	+964	+9.5%
Other operating income	145	146	-1	-0.7%
Operating expenses	-10,511	-9,263	-1,248	+13.5%
Operating profit	693	978	-285	-29.1%
Interest expense	-118	-140	+22	-15.7%
Interest income	42	28	+14	+50.0%

Foreign exchange gain, net	-100	57	-157	-275.4%
Share of result of associates and JVs	57	27	+30	+111.1%
Profit before income tax	574	950	-376	-39.6%
Income tax expense	-127	-194	+67	-34.5%
Profit for the period	447	756	-309	-40.9%
Attributable to:				
Equity holders of the parent	447	756	-309	-40.9%
Non-controlling interest	0	0	0	
Other comprehensive income	-272	149	-421	-282.6%
Remeasurements and other reserves for post-employment benefit plans	-19	-25	+6	-24.0%
Exchange differences on translating foreign operations (TRCN)	-17	-17	0	+0.0%
Exchange differences on translating foreign operations (Associates & JV)	-236	191	-427	-223.6%
Other effects	0	0	0	
Total comprehensive income for the period	175	905	-730	-80.7%
Attributable to:				
Equity holders of the parent	175	905	-730	-80.7%
Non-controlling interest	0	0	0	

Adjustments and additional financial information

The majority of the Company's services are provided with the use of third-party services. Accordingly, third-party charges for such services are presented within the Company's revenues and expenses. 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.

Third-party charges 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".

All third-party charges, including ones related to integrated freight forwarding and logistics services, are presented within expenses as "Third-party charges related to principal activities".

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

RUB million	1Q 2016	1Q 2015	Period on period change	Period on period percent change
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3rd-party charges related to integrated freight forwarding and logistics	5,395	4,543	+852	+18.8%
3rd-party charges related to cargo transportation and handling services	1,067	508	+559	+110.0%
Third-party charges related to principal activities	6,462	5,051	+1,411	+27.9%

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 adjustments

RUB million	1Q 2016	1Q 2015	Period on period change	Period on period percent change
Total revenue adjustment				
Total revenue	11,059	10,095	+964	+9.5%
Third-party charges related to principal activities	-6,462	-5,051	-1,411	+27.9%
Adjusted Revenue	4,597	5,044	-447	-8.9%
<i>Integrated freight forwarding and logistics services revenue adjustment</i>				
Integrated freight forwarding and logistics services	8,236	7,657	+579	+7.6%
3rd-party charges related to integrated freight forwarding and logistics	-5,395	-4,543	-852	+18.8%
Adjusted integrated freight forwarding and logistics services	2,841	3,114	-273	-8.8%

Operating expenses adjustment

RUB million	1Q 2016	1Q 2015	Period on period change	Period on period percent change
Total operating expenses	10,511	9,263	+1,248	+13.5%
Third-party charges related to principal activities	-6,462	-5,051	-1,411	+27.9%
Adjusted operating expenses	4,049	4,212	-163	-3.9%

Adjusted Revenue, Adjusted Operating Expenses, EBITDA, Adjusted EBITDA Margin and Adjusted Operating Margin are not recognised under the IFRS as measures of financial performance, but are calculated on the basis of the 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 the IFRS.

Summary of non-IFRS indicators

RUB million	Year on year change			
	1Q 2016	1Q 2015	RUB mln	%
Adjusted Revenue ¹	4,597	5,044	-447	-8.9%
Adjusted operating expenses ²	4,049	4,212	-163	-3.9%
EBITDA ³	1,307	1,622	-315	-19.4%
Adjusted EBITDA margin ⁴	28.4%	32.2%		
Total debt	5,674	6,684	-1,010	-15.1%
Net debt ⁵	2,703	3,658	-955	-26.1%
Net debt / LTM EBITDA	0.44	0.51		

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

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

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

The following table breaks down total revenue for the three months ended 31 March 2016 and 2015, respectively.

Revenue breakdown

RUB million	1Q 2016	1Q 2015	Period on period change	Period on period percent change
Integrated freight forwarding and logistics services	8,236	7,657	+579	+7.6%
Rail-based container shipping services	943	1,090	-147	-13.5%
Cargo transportation and handling services with involvement of third parties	1,067	508	+559	+110.0%

Terminal services and agency fees	508	507	+1	+0.2%
Truck deliveries	182	192	-10	-5.2%
Other freight forwarding services	44	55	-11	-20.0%
Bonded warehousing services	49	52	-3	-5.8%
Other revenues	30	34	-4	-11.8%
	11,059	10,095	+964	+9.5%

Total revenue increased by RUB 964 million, or 9.5% year-on-year, to RUB 11,059 million for the three months ended 31 March 2016, from RUB 10,095 million in the corresponding period of 2015. 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.

The following table sets out the components of adjusted revenue and their relative contribution to adjusted revenue for the three months ended 31 March 2016 and 2015, respectively.

Adjusted revenue breakdown

	1Q 2016		1Q 2015		Period on period change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent
Adjusted integrated freight forwarding and logistics services	2,841	61.8%	3,114	61.7%	-273	-8.8%
Rail-based container shipping services	943	20.5%	1,090	21.6%	-147	-13.5%
Terminal services and agency fees	508	11.1%	507	10.1%	+1	+0.2%
Truck deliveries	182	4.0%	192	3.8%	-10	-5.2%
Other freight forwarding services	44	1.0%	55	1.1%	-11	-20.0%
Bonded warehousing services	49	1.1%	52	1.0%	-3	-5.8%
Other revenues - adjusted	30	0.7%	34	0.7%	-4	-11.8%
Total adjusted revenue	4,597	100%	5,044	100%	-447	-8.9%

Adjusted revenue decreased by 8.9% year-on-year to RUB 4,597 million in the first quarter of 2016 from RUB 5,044 million in the corresponding period of 2015, reflecting a decline in the Company's container transportation volumes. The structure of the Company's adjusted revenue for the three months of 2016 is very similar to the one for the three months of 2015.

Integrated freight forwarding and logistics services

Revenue from integrated freight forwarding and logistics services increased by 7.6% year-on-year to RUB 8,236 million for the three months ended 31 March 2016 from RUB 7,657 million for the three months ended 31 March 2015.

Adjusted revenue from integrated freight forwarding and logistics services was down by 8.8% year-on-year to RUB 2,841 million for the three months of 2016, mainly due to lower rail transportation volumes.

Rail-based container transportation services

Revenue from rail-based container transportation was down 13.5% year-on-year to RUB 943 million for the three month ended 31 March 2016, from RUB 1,090 million in the corresponding period of 2015. The decline was due to both drop in the Company's rail transportation volumes and customers' demand continuing to shift towards integrated freight forwarding and logistics services.

Terminal services and agency fees

Adjusted revenue from terminal services and agency fees increased by 0.2% year-on-year to RUB 508 million in the three months ended 31 March 2016, from RUB 507 million for the corresponding period of 2015. A 6.8% decline in terminal handling volumes was offset by an increase in the average tariffs and agency fees.

Truck deliveries

Revenue from truck deliveries decreased by RUB 10 million, or 5.2% year-on-year, to RUB 182 million for the three months ended 31 March 2016, compared to RUB 192 million for the corresponding period of 2015. This was mainly due to higher share of transportation provided within integrated logistics services, while the total last mile transportation volume remained stable year-on-year.

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 20.0% year-on-year to RUB 44 million in the three months of 2016, compared to RUB 55 million for the corresponding period of 2015. This decrease was primarily due to the Company's business shifting towards providing integrated freight forwarding and logistics services.

Bonded warehousing services

Revenue from bonded warehousing services fell by 5.8% year-on-year to RUB 49 million for the three months ended 31 March 2016, compared to RUB 52 million for the corresponding period

of 2015. This reduction is attributed to the decrease in transportation and handling operations, as well as a decline in cargo imports.

Operating expenses

The following table provides a breakdown of the Company's operating expenses for the three months ended 31 March 2016 and 2015, respectively.

Operating expenses structure

	1Q2016			1Q2015		
	RUB mln	% of operating expenses	% of total revenue	RUB mln	% of operating expenses	% of total revenue
Third-party charges related to principal activities	6,462	61.5%	58.4%	5,051	54.5%	50.0%
Freight and transportation services	1,259	12.0%	11.4%	1,300	14.0%	12.9%
Payroll and related charges	1,104	10.5%	10.0%	1,075	11.6%	10.6%
Depreciation and amortisation	615	5.9%	5.6%	532	5.7%	5.3%
Materials, repair and maintenance	430	4.1%	3.9%	486	5.2%	4.8%
Taxes other than income tax	164	1.6%	1.5%	138	1.5%	1.4%
Rent	89	0.8%	0.8%	194	2.1%	1.9%
Other expenses	388	3.7%	3.5%	487	5.3%	4.8%
Total operating expenses	10,511	100.0%	95.0%	9,263	100.0%	91.8%

TransContainer's total operating expenses increased by RUB 1,248 million, or 13.5% year-on-year, to RUB 10,511 million for the three months ended 31 March 2016, from RUB 9,263 million for the corresponding period of the previous year. This was mainly due to a significant increase in the third-party charges related to principal activities.

Cost of third-party charges related to principal activities

The cost of third-party charges related to principal activities increased by 27.9% year-on-year to RUB 6,462 million for the three months ended 31 March 2016, from RUB 5,051 million during the same period of 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, decreased by 3.9% year-on-year to RUB 4,049 million for the three months ended 31 March 2016, from RUB 4,212 million in the corresponding period of 2015. This was primarily due to a decrease in costs related to freight and transportation services, rent and materials, repair and maintenance. The decrease of these items was partially offset by an increase in payrolls, materials, other expenses and taxes other than income tax.

Adjusted operating expenses structure and dynamics for three months ended 31 March 2016 and 2015

	1Q2016		1Q2015		Period on period change	
	RUB mln	%	RUB mln	%	RUB mln	Percent change
Freight and transportation services	1,259	31.1%	1,300	30.9%	-41	-3.2%
Payroll and related charges	1,104	27.3%	1,075	25.5%	+29	+2.7%
Depreciation and amortisation	615	15.2%	532	12.6%	+83	+15.6%
Materials, repair and maintenance	430	10.6%	486	11.5%	-56	-11.5%
Taxes other than income tax	164	4.1%	138	3.3%	+26	+18.8%
Rent	89	2.2%	194	4.6%	-105	-54.1%
Other expenses	388	9.6%	487	11.6%	-99	-20.3%
Adjusted operating expenses	4,049	100.0%	4,212	100.0%	-163	-3.9%

In the first three months of 2016, 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 relating to freight and transportation services decreased by RUB 41 million, or 3.2% year-on-year, to RUB 1,259 million for the three months ended 31 March 2016. This decrease is mainly due the drop in the Company's idle flatcar parking costs, higher empty container transportation volumes which were partly offset by Russian Railways' tariff indexing, growth in average empty transportation distance and currency exchange dynamics that had an impact on the Company's transportation costs abroad.

Payroll and related charges

Payroll and related charges increased by RUB 29 million, or by 2.7% year-on-year, to RUB 1,104 million for the three months ended 31 March 2016, compared to RUB 1,075 million for the corresponding period of 2015. This increase was mainly due to base salary indexing, which

was partially offset by a 6.9% decrease in TransContainer's average headcount from 3,932 to 3,660 employees, and as a result of the effect of pension plan reserve adjustments.

Depreciation and amortisation

Depreciation and amortisation increased by RUB 83 million, or 15.6% year-on-year, to RUB 615 million in the three months of 2016, from RUB 532 million for the corresponding period of 2015, reflecting investments made throughout 2015.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance declined by 11.5% year-on-year to RUB 430 million for the three months of 2016, compared to RUB 486 million for the corresponding period of 2015, due to a drop in both the total number of repairs and the share of more expensive overhaul and depot repairs.

Taxes other than income tax

Taxes other than income tax increased by 18.8% year-on-year to RUB 164 million for the three months ended 31 March 2016, from RUB 138 million for the corresponding period of 2015, primarily due to the dynamics of VAT settlements, which, in turn, was partly offset by the reduction in property tax payments.

Rent

Rent expenses dropped by RUB 105 million, or by 54.1% year-on-year, to RUB 89 million for the three months ended 31 March 2016 from RUB 194 million in the corresponding period of 2015, mainly due to the flatcar operating lease contracts 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 period, other expenses decreased by 20.3% year-on-year to RUB 388 million, from RUB 487 million in the corresponding period of 2015. This primarily resulted from a decrease in consulting and other costs, which was partially offset by an increase in costs related to fuel, energy, IT and communications.

Interest expenses

Interest expenses decreased by RUB 22 million, or 15.7% year-on-year, to RUB 118 million for the three months of 2016 from RUB 140 million for the corresponding period of 2015, mainly due to the redemption of series 2 bonds in June 2015.

Interest income

Interest income increased by RUB 14 million, or 50.0% year-on-year, to RUB 42 million in the three months of 2016 from RUB 28 million for the corresponding period of 2015, mainly due to an increasing share of RUB-denominated deposits in the Company's cash balances.

Profit before income tax

As a result of the reasons described above, the Company's profit before income tax decreased by RUB 376 million, or by 39.6% year-on-year, to RUB 574 million for the three months ended 31 March 2016 from RUB 950 million for the corresponding period of 2015.

Income tax expenses

Income tax expenses decreased by RUB 67 million, or 34.5% year-on-year, to RUB 127 million in the three months of 2016 from RUB 194 million for the corresponding period of 2015, due to a decrease in taxable profit.

The effective tax rate for the three months ended 31 March 2016 increased to 22.1% from 20.4% in the corresponding period of 2015, due to a higher share on non-deductible expenses in the tax base.

Total profit and comprehensive income for the period

As a result of the factors discussed above, the profit for the three months ended 31 March 2016 decreased by RUB 309 million, or 40.9% year-on-year, to RUB 447 million compared to RUB 756 million for the corresponding period of 2015. Taking into account the exchange rate differences relating to foreign operations and other effects, the total comprehensive income for the reporting period was down 80.7% year-on-year and amounted to RUB 175 million, compared to RUB 905 million for the three months of 2015.

Liquidity and Capital Resources

As of 31 March 2016, the Company's net cash and cash equivalents amounted to RUB 2,768 million, while its current liabilities exceeded current assets by RUB 204 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for the purchase of flatcars and containers, for the development of rail-side terminals and for modernising its lifting equipment and truck fleet and other purposes. During the reporting period, the Company's operations and its capital expenditures were financed from internally generated cash flows.

Cash flows

The following table sets out the principal components of the Company's consolidated cash flows for the three months ended 31 March 2016 and 2015, respectively.

Cash flows structure

RUB million	1Q 2016	1Q 2015
Net cash provided by operating activities	959	1,188
Net cash used in investing activities	-198	-175
Net cash used in/ provided by financing activities	-2	-4
Net increase in cash and cash equivalents	759	1,009
Foreign exchange effect on cash and cash equivalents	-101	2
Net cash and cash equivalents at the end of the period	2,768	2,915

Cash flow generated by operating activities decreased by RUB 229 million, or 19.3% year-on-year, to RUB 959 million for the three months ended 31 March 2016 from RUB 1,188 million for the corresponding period of 2015, mainly due to a decrease in operating profit as described above.

Cash flow used in investing activities increased by RUB 23 million, or 13.1% year-on-year, to RUB 198 million for the three months ended 31 March 2016 from RUB 175 million for the corresponding period of 2015. This was primarily due to small increase in capital expenditures for the purchase of containers.

Cash flow used in financing activities remained of about zero value for the three months ended 31 March 2016.

Capital expenditure

Capital expenditure increased by RUB 108 million, or by 78.8% year-on-year, to RUB 245 million in the three months of 2016 from RUB 137 million in the corresponding period of 2015.

The majority of the capital expenditure was spent on acquiring new ISO containers. During the reporting period, 1,856 units of new ISO containers were added to the Company's 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 March 2016, the Company's financial indebtedness consisted of one outstanding bond issue, financial lease obligations and other borrowings in an aggregate amount of RUB 5,674 million, compared to RUB 6,684 million as of 31 March 2015. As of 31 March 2016, the Company's net debt was RUB 2,703 million.

As of 31 March 2016, 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 on the five-year bonds is 8.35%, with interest paid semi-annually.

The series 4 bonds will be redeemed in four equal semi-annual instalments within the fourth and fifth years. As a result, these bonds are classified as of two portions: the long-term one with the carrying value amounted to RUB 2,493 million, and the short-term one with the carrying value amounted to RUB 2,571 million.

The amount of accrued interest is RUB 71 million and has been included as short-term debt in the consolidated statement of financial position.

Other borrowings

On 23 May 2011, the Company borrowed funds from LLC TrustUnion AM for the principal amount of RUB 514 million at an interest rate of 9.5% per annum with a five year maturity to finance the acquisition of the Company's ordinary shares for a share option plan for the Company's management. The outstanding debt was RUB 468 million as at 31 March 2016.

Working Capital

The Company's working capital is defined as the difference between its current assets and current liabilities. The table below sets out the key components of TransContainer's working capital for the three months ended 31 March 2016.

Working capital structure

RUB million	31 March 2016	31 March 2015
Current assets		
Inventory	299	315
Trade and other receivables	1,463	1,617
Prepayments and other current assets	3,188	2,399
Prepaid income tax	43	81
Short-term investments	203	111
Cash and cash equivalents	2,768	2,915
Non-current Assets classified as held for sale	0	100
Total current assets	7,964	7,538
Current liabilities		
Trade and other payables	3,648	2,774
Short-term debt and current portion of long-term debt	3,039	830
Income tax payable	66	107
Taxes other than income tax payable	332	409
Provisions	12	16
Finance lease obligations, current maturities	18	60
Dividends payable	0	0
Accrued and other current liabilities	645	853
Deferred income	0	0
Total current liabilities	7,760	5,049
Working capital	204	2,489

Working capital decreased by RUB 2,285 million to RUB 204 million at the end of the reporting period from RUB 2,489 million as at 31 March 2015. This decrease occurred primarily due to reclassification of the series 4 bond debt.

Downloads

The consolidated financial statements for the three month ended 31 March 2016 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 the same day, Tuesday, 31 May 2016 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 19700363

A replay of the call will be available until Thursday, 30 June 2016 using the following details:

UK Free Call Dial In 0800 953 1533

Russia Dial In 8 499 677 1064
Replay Access Code 19700363#

Enquiries:

TransContainer

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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

1 Calculated as volume of container transportation by the Company's flatcars minus transportation volume of the Company's empty containers transported by the Company's flatcars

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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The company news service from the London Stock Exchange

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