

FOR IMMEDIATE RELEASE

29 March 2017

PJSC TransContainer

Results for the full year ended 31 December 2016

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 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 December 2016, the Company accounted for approximately 47.3% of Russia's rail container transportation market. As at 31 December 2016, it had 23,244 owned and leased flatcars and 67,337 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 115 sales outlets in Russia, along with additional sales points across the CIS, Europe and Asia.

Following an 8.0% drop in transportation volumes in 2015, the Russian rail container transportation market fully recovered in 2016, amounting to a record high volume of 3,261 thousand TEU, up 10.2% year-on-year. This increase resulted mainly from a 12.0% year-on-year growth in domestic transportation volumes, while international transportation increased by 8.3% year-on-year.

Transportation volumes by the Company's flatcar and container fleet grew by 8.9% year-on-year to 1,543 thousand TEU, mainly as a result of an increase in domestic, export and import transportation. Revenue-generating¹ transportation volumes were up 12.8% year-on-year to 1,193 thousand TEU. However, the competition in the Russian container market remained tough throughout the reporting year, having a negative impact on the Company's tariffs for rail transportation services.

The continuing market recovery along with the Company's business optimisation measures were the key factors contributing to the improvements of TransContainer's financial performance during the reporting period, as presented in the table below:

	2016	2015	Year-on-year change	
			RUB mln	Percent
Total revenue	51,483	42,505	+8,978	+21.1%
Adjusted revenue	21,988	20,311	1,677	8.3%
Adjusted expenses	18,799	17,848	951	5.3%
EBITDA	7,099	6,526	573	8.8%
Adjusted EBITDA margin	32.3%	32.1%		
Profit for the period	3,244	2,831	413	14.6%
Adjusted net profit margin	14.8%	13.9%		
Total debt	9,137	5,780	+3,357	+58.1%
Net debt ⁵	3,534	3,663	-129	-3.5%
Net debt / LTM EBITDA	0.50	0.57		

In 2016, the Company's EBITDA increased by 8.8% to RUB 7,099 million from RUB 6,526 million in 2015, while net profit was up 14.6% year-on-year to RUB 3,244 million from RUB 2,831 million, respectively.

As at 31 December 2016, the Company's total debt was RUB 9,137 million with the net debt of only RUB 3,534 million, compared to RUB 5,780 million and RUB 3,663 million as at 31 December 2015, respectively. As a result, the Net Debt/LTM EBITDA ratio decreased to 50% as at 31 December 2016 from 57% as at 31 December 2015.

Capital expenditure for 2016 decreased moderately by 7.9% year-on-year to RUB 2,242 million from RUB 2,434 million in 2015, and were primarily spent for an acquisition of ISO containers and construction works on terminals. The Company didn't invest substantially in acquisition of rolling stock in 2016 as the increased customer demand for rail container transportation was met by improved efficiency of existing rolling-stock and use of third-party flatcars for transportation of the Company's containers.

As a result, the Company's cash flow before financing activities increased from RUB 1,904 million in 2015 to RUB 4,672 million in 2016, enabling the Company to pay record high dividends of RUB 4,830 million to its shareholders.

Recent developments and outlook

In the first quarter of 2017, the performance of the Russian rail container market exceeds the Company's expectations, and it is anticipated to grow by more than 20% year-on-year, partially due to a low base of the last year. Though the growth sustainability for the rest of the year is yet to be proved. The market performance in the beginning of the year creates upside risks for the Company's base-case scenario implying a mid- to upper single digit growth rate.

With that in mind, the Company's management resumes investments in rolling stock in 2017 to meet the customer demand and will continue to strengthen its focus on business optimisation, while further improving management efficiency and the quality of customer service.

The rail container market performance in 2016 and in the beginning of 2017 confirms the Company's view that the Russian container transportation market is fundamentally attractive with significant long-term growth prospects, driven by the scope for further growth in cargo containerisation. The expected economic uplift in Russia will also be one of the key contributing factors to container transportation market growth in the medium term.

Key operating results

For the full year of 2016, the Russian rail container market grew by 10.2% year-on-year and amounted to a record high volume of 3,261 thousand TEU.

Russian Rail Container Transportation Market for the full year of 2016 (ISO Loaded + Empty), 000' TEU

	FY 2016	FY 2015	Change	
			000' TEU	Percent
Domestic Routes	1,678	1,498	+180	+12.0%
Export	800	741	+59	+7.9%
Import	525	503	+22	+4.4%
Transit	258	217	+41	+18.8%
All Routes	3,261	2,959	+302	+10.2%

Container volumes transported by the Company's flatcar and container fleet grew by 8.9% year-on-year to 1,543 thousand TEU, mainly as a result of the increase in domestic, export and import transportation. Transit volumes were down 13.6% year-on-year due to a reduced number of auto vehicles produced in Uzbekistan and Kazakhstan in the first half of the reporting year.

Transportation of containers using TransContainer's assets in 2016 (ISO Loaded + Empty). 000' TEU

	FY 2016	FY 2015	Change
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			000' TEU	Percent
Domestic Routes	867	790	77	+9.7%
Export	360	318	43	+13.4%
Import	242	223	19	+8.3%
Transit	74	86	-12	-13.6%
All Routes	1,543	1,417	126	+8.9%

Container volumes transported by the Company's flatcar fleet for the year of 2016 increased by 2.6% year-on-year to 1,426 thousand TEU from 1,390 thousand TEU in 2015. The Company's revenue-generating container transportation volumes in Russia amounted to 1,193 thousand TEU for the full year of 2016, up 12.8% year-on-year, reflecting an improved empty run management.

The Company's container terminal throughput in Russia increased by 0.9% year-on-year to 1,230 thousand TEU compared to 1,219 thousand TEU in 2015. This resulted from a decrease in unloading of containers, as well as higher cargo volumes processed at shippers' handling facilities, reflecting an increase in domestic and export transportation.

In 2016, flatcar turnover significantly improved on the back of the market recovery and growing fleet management efficiency, while turnover of containers remained broadly flat. Container empty runs increased insignificantly, while empty runs for flatcars remained flat.

	2016	2015
Turnover of containers, days	36.4	35.4
Turnover of flatcars, days	13.7	14.9
Empty run ¹ for containers, %	32.0%	31.2%
Empty run for flatcars, %	7.5%	7.4%

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 2016 and 2015.

Summary of the Company's key results for the full year ended 31 December 2016 and 31 December 2015

RUB million	2016	2015	Year-on-year change	Year-on-year percent change
Revenue	51,483	42,505	+8,978	+21.1%
Other operating income	660	811	-151	-18.6%
Operating expenses	-48,294	-40,042	-8,252	+20.6%
Operating profit	3,849	3,274	+575	+17.6%
Interest expense	-492	-508	+16	-3.1%
Interest income	276	152	+124	+81.6%
Foreign exchange gain, net	-223	0	-223	
Share of result of associates and JVs	669	612	+57	+9.3%
Other financial results, net	0	18	-18	
Profit before income tax	4,079	3,548	+531	+15.0%
Income tax expense	-835	-717	-118	+16.5%
Profit for the period	3,244	2,831	+413	+14.6%
Other comprehensive income (net of income tax)	-670	-914	+244	-26.7%

¹ The empty run ratio is calculated as an average empty run in kilometres divided by an average total run in kilometres

Total comprehensive income for the period	2,574	1,917	+657	+34.3%
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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 the list of expenses as "Third-party charges related to principal activities".

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

Item	2016	2015	Year-on-year change	
			RUB mln	%
3rd-party charges related to integrated freight forwarding and logistics	24,641	19,090	+5,551	+29.1%
3rd-party charges related to cargo transportation and handling services	4,854	3,104	1,750	+56.4%
Third-party charges related to principal activities	29,495	22,194	+7,301	+32.9%

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 the Company's services.

Total revenue adjustment

Item	2016	2015	Year-on-year change	
			RUB mln	%
Total revenue	51,483	42,505	+8,978	+21.1%
Third-party charges related to principal activities	-29,495	-22,194	-7,301	+32.9%
Adjusted Revenue	21,988	20,311	+1,677	+8.3%

Integrated freight forwarding and logistics services revenue adjustment

Item	2016	2015	Year-on-year change	
			RUB mln	%
Integrated freight forwarding and logistics services	38,767	31,608	+7,159	+22.6%
3rd-party charges related to integrated freight forwarding and logistics	-24,641	-19,090	-5,551	+29.1%
Adjusted integrated freight forwarding and logistics services	14,126	12,518	+1,608	+12.8%

Operating expenses adjustment

Item	2016	2015	Year-on-year change	
			RUB mln	%
Total operating expenses	48,294	40,042	+8,252	+20.6%
Third-party charges related to principal activities	-29,495	-22,194	-7,301	+32.9%
Adjusted operating expenses	18,799	17,848	+951	+5.3%

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.

Non-IFRS metrics used in the analysis

RUB million	2016	2015	Year-on-year change
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			RUB mln	%
Adjusted Revenue ¹	21,988	20,311	+1,677	+8.3%
Adjusted operating expenses ²	18,799	17,848	+951	+5.3%
EBITDA ³	7,099	6,526	+573	+8.8%
Adjusted EBITDA margin ⁴	32.3%	32.1%		
Total debt	9,137	5,780	+3,357	+58.1%
Net debt ⁵	3,534	3,663	-129	-3.5%
Net debt / LTM EBITDA	0.50	0.57	-	-

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

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

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

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

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

Revenue

The following table breaks down total revenue for the full year ended 31 December 2016 and 2015, respectively.

Revenue breakdown

RUB million	2016	2015	Year-on-year change	
			RUB mln	%
Integrated freight forwarding and logistics services	38,767	31,608	+7,159	+22.6%
Rail-based container shipping services	4,061	4,390	-329	-7.5%
Cargo transportation and handling services with involvement of third parties	4,854	3,104	+1,750	+56.4%
Terminal services and agency fees	2,393	2,130	+263	+12.3%
Truck deliveries	875	848	+27	+3.2%
Other freight forwarding services	226	134	+92	+68.7%
Bonded warehousing services	203	194	+9	+4.6%
Other	104	97	+7	+7.2%
Total revenue	51,483	42,505	+8,978	+21.1%

Total revenue increased by RUB 8,978 million, or 21.1% year-on-year, to RUB 51,483 million for the full year of 2016, from RUB 42,505 million in 2015. This increase was primarily due to the growth of third-party charges accounted as Cargo transportation and handling services with involvement of third parties being a part of the Company's total revenue.

The following table sets out the components of adjusted revenue (as described in *Adjustments and additional financial information* above) and their relative contribution to adjusted revenue for the twelve months ended 31 December 2016 and 2015, respectively.

Adjusted revenue breakdown

	2016		2015		Year-on-year change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent
Adjusted integrated freight forwarding and logistics services	14,126	64.2%	12,518	61.6%	+1,608	+12.8%
Rail-based container shipping services	4,061	18.5%	4,390	21.6%	-329	-7.5%
Terminal services and agency fees	2,393	10.9%	2,130	10.5%	+263	+12.3%
Truck deliveries	875	4.0%	848	4.2%	+27	+3.2%
Other freight forwarding services	226	1.0%	134	0.7%	+92	+68.7%
Bonded warehousing services	203	0.9%	194	1.0%	+9	+4.6%
Other -	104	0.5%	97	0.5%	+7	+7.2%
Total adjusted revenue	21,988	100%	20,311	100%	+1,677	+8.3%

Adjusted revenue (as defined above) increased by 8.3% year-on-year to RUB 21,988 million for the full year ended 31 December 2016, from RUB 20,311 million in 2015. This was driven by an increase in revenue from integrated freight forwarding and logistics services, terminal services and ancillary businesses, which was partially offset by a decrease in rail-based container shipping services.

In 2016, the share of integrated freight forwarding and logistics services has been continuing its growth.

Integrated freight forwarding and logistics services

Revenue from integrated freight forwarding and logistics services increased by 22.6% year-on-year to RUB 38,767 million for the full year ended 31 December 2016 from RUB 31,608 million in 2015.

Adjusted revenue from integrated freight forwarding and logistics services was up 12.8% year-on-year to RUB 14,126 million for the full year ended 31 December 2016 from RUB 12,518 million in 2015. This increase resulted from growing revenue-generating transportation volumes and changes in transportation services structure. The continuing shift in clients' preferences in favour of integrated freight forwarding and logistics solutions also contributed to the growth of this revenue item. In 2016, the share of integrated freight forwarding and logistic services in the adjusted revenue increased to 64.2% from 61.6% a year earlier.

Rail-based container transportation services

Revenue from rail-based container transportation was down 7.5% year-on-year to RUB 4,061 million for the full year ended 31 December 2016, from RUB 4,390 million in 2015. These figures reflect the continuing shift of customers' preferences towards integrated logistics services.

Terminal services and agency fees

Revenue from terminal services and agency fees increased by 12.3% year-on-year to RUB 2,393 million for the full year ended 31 December 2016 from RUB 2,130 million for the previous year. This was primarily driven by an increase in average tariffs for terminal services and agency fees, while handling volumes being broadly flat.

Truck deliveries

Revenue from truck deliveries increased by RUB 27 million, or 3.2% year-on-year, to RUB 875 million for the full year ended 31 December 2016, from RUB 848 million for the previous year. This was mainly due to a 1.5% year-on-year increase in container transportation volumes by the Company's own and outsourced truck fleet to 388 thousand TEU for the full year ended 31 December 2016 from 382 thousand TEU for the previous year, reflecting the dynamics of terminal handling volumes.

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, increased by 68.7% year-on-year to RUB 226 million for the full year ended 31 December 2016, from RUB 134 million in 2015 on the back of market recovery and resumed customer demand for added-value services.

Bonded warehousing services

Revenue from bonded warehousing services increased by RUB 9 million, or 4.6% year-on-year, to RUB 203 million for the full year ended 31 December 2016, from RUB 194 million for the previous year, in line with dynamics of import volumes.

Operating expenses

The following table provides a breakdown of the Company's operating expenses for the full year ended 31 December 2016 and 2015, respectively.

Operating expenses structure

	2016			2015		
	RUB mln	% of operating expenses	% of total revenue	RUB mln	% of operating expenses	% of total revenue
Third-party charges related to principal activities	29,495	61.1%	57.3%	22,194	55.4%	52.2%
Freight and transportation services	5,972	12.4%	11.6%	5,858	14.6%	13.8%
Payroll and related charges	5,244	10.9%	10.2%	4,507	11.3%	10.6%
Depreciation and amortisation	2,528	5.2%	4.9%	2,470	6.2%	5.8%
Materials, repair and maintenance	2,605	5.4%	5.1%	2,275	5.7%	5.4%
Taxes other than income tax	543	1.1%	1.1%	521	1.3%	1.2%

Rent	311	0.6%	0.6%	638	1.6%	1.5%
Other expenses	1,596	3.3%	3.1%	1,579	3.9%	3.7%
Total operating expenses	48,294	100.0%	93.9%	40,042	100.0%	94.2%

TransContainer's total operating expenses increased by RUB 8,252 million, or 20.6% year-on-year, to RUB 48,294 million for the full year ended 31 December 2016, from RUB 40,042 million for the previous year. This was primarily due to a significant increase in the cost of 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 32.9% year-on-year to RUB 29,465 million for the full year ended 31 December 2016, from RUB 22,194 million during the previous year. This was predominantly driven by a higher volume of outsourced transportation services involved in TransContainer's principal activities, particularly in respect of integrated logistics solutions (see also section *Adjustments and additional financial information* above).

Adjusted operating expenses

Adjusted operating expenses, as defined in the *Adjustments and additional financial information* section above, increased by 5.3% year-on-year to RUB 18,799 million for the full year ended 31 December 2016, from RUB 17,848 million in 2015. This was primarily due to an increase in materials, repair and maintenance costs and payrolls. This, in turn, was partially offset by a decrease in rent expenses.

Adjusted operating expenses structure and dynamics for full year ended 31 December 2016 and 2015

	2016		2015		Period on period change	
	RUB mln	%	RUB mln	%	RUB mln	Percent change
Freight and transportation services	5,972	31.8%	5,858	32.8%	+114	+1.9%
Payroll and related charges	5,244	27.9%	4,507	25.3%	+737	+16.4%
Depreciation and amortisation	2,528	13.4%	2,470	13.8%	+58	+2.3%
Materials, repair and maintenance	2,605	13.9%	2,275	12.7%	+330	+14.5%
Taxes other than income tax	543	2.9%	521	2.9%	+22	+4.2%
Rent	311	1.7%	638	3.6%	-327	-51.3%
Other expenses	1,596	8.5%	1,579	8.8%	+17	+1.1%
Adjusted operating expenses	18,799	100.0%	17,848	100.0%	+951	+5.3%

Freight and transportation services

Expenses related to freight and transportation services increased by RUB 114 million, or 1.9% year-on-year, to RUB 5,972 million for the full year ended 31 December 2016 from RUB 4,507 million in 2015. This was driven by a 9.0% year-on-year RZD tariff indexing, which was partially offset by a 2.4% decrease in the transportation volumes of the Company's empty containers, as well as a decline in the average number of idle Company's flatcars resulted from improved empty run management, better fleet utilisation and overall market recovery.

Payroll and related charges

Payroll and related charges increased by RUB 737 million, or 16.4% year-on-year, to RUB 5,244 million for the full year ended 31 December 2016, from RUB 4,507 million for the previous year. This was primarily due to base salary indexing and performance-linked payments. This increase was partially offset by a 4.9% year-on-year decrease in TransContainer's average headcount from 3,816 to 3,628.

Depreciation and amortisation

Depreciation and amortisation increased by RUB 58 million, or 2.3% year-on-year, to RUB 2,528 million for the full year ended 31 December 2016, compared to RUB 2,470 million in 2015, reflecting the growth in value of property, plant and equipment other than construction in-progress in 2016.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance increased by 14.5% year-on-year to RUB 2,605 million for the full year ended 31 December 2016 compared to RUB 2,275 million in 2015. This was mainly due to an 6.9% year-on-year increase in a number of flatcar repairs, as well as higher average repair price. This expense item was also affected by maintenance and repair works on the Company's terminals.

Taxes other than income tax

Taxes other than income tax were up 4.2% year-on-year to RUB 543 million for the full year ended 31 December 2016, from RUB 521 million in the previous year, primarily due to changes in VAT settlements.

Rent

Rent expenses fell by RUB 327 million, or by 51.3% year-on-year, to RUB 311 million for the full year ended 31 December 2016 from RUB 638 million in the previous year, largely due to the flatcar operating lease contracts being 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 were up by 1.1% year-on-year to RUB 1,596 million, from RUB 1,579 million in the previous year. An increase in charity amount was offset by a decrease in costs related to consulting services and other expenses.

Interest expense

Interest expenses decreased by RUB 16 million, or 3.1% year-on-year, to RUB 492 million for the full year ended 31 December 2016 from RUB 508 million in the previous year, mainly due to a redemption of borrowings and amortisation of bonds throughout 2016. This effect was partially offset by interest expenses associated with a bond issue series BO2 in September 2016.

Interest income

Interest income increased by RUB 124 million, or 81.6% year-on-year, to RUB 276 million in the reporting year from RUB 152 million in 2015, mainly as a result of an increase in the Company's cash balances.

Profit before income tax

As a result of the reasons described above, as well as due to an increased contribution of the financial result of KedenTransService to the Company's profit, profit before income tax increased by RUB 531 million, or by 15.0% year-on-year, to RUB 4,079 million for the full year ended 31 December 2016 from RUB 3,548 million for the previous year.

Income tax expenses

Income tax expenses increased by RUB 118 million, or 16.5% year-on-year, to RUB 835 million for the full year ended 31 December 2016, from RUB 717 million in 2015, mainly as a result of an increase in taxable profit.

The effective tax rate for the full year ended 31 December 2016 remained flat at 20.5%.

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 2016 increased by RUB 413 million, or 14.6% year-on-year, to RUB 3,244 million compared to RUB 2,831 million in 2015. Taking into account the exchange differences relating to foreign operations and other effects, the total comprehensive income for the reporting year was up 34.3% and amounted to RUB 2,574 million, compared to RUB 1,917 million in 2015.

Liquidity and Capital Resources

As of 31 December 2016, the Company's net cash and cash equivalents amounted to RUB 5,525 million, while its current assets exceeded current liabilities by RUB 2,634 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 2016 and 2015, respectively.

RUB million	2016	2015	Change
Net cash provided by operating activities	6,236	4,201	2,035
Net cash used in investing activities	-1,564	-2,297	733
Net cash provided by financing activities	-976	-1,956	980
Net change in cash and cash equivalents	3,696	-52	3,748
Foreign exchange effect on cash and cash equivalents	-281	258	-539
Net cash and cash equivalents at the end of the period	5,525	2,110	3,415

Cash flow generated by operating activities

Cash flow generated by operating activities increased by RUB 2,035 million, or 48.4% year-on-year, to RUB 6,236 million for the full year ended 31 December 2016 from RUB 4,201 million in the previous year, mainly due to a 17.6% 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 733 million, or 31.9% year-on-year, to RUB 1,564 million for the full year ended 31 December 2016 from RUB 2,297 million for the previous year. This decrease was primarily due to an increase in positive flow of KedenTransService's dividends amounted to RUB 517 million.

Cash flow used in financing activities

Cash flow used by financing activities decreased by RUB 980 million or by 50.1% to negative RUB 976 million for the full year ended 31 December 2016, compared to negative RUB 1,956 million in 2015. The cash outflow associated with repayments of borrowings, bond amortisation and dividend payments was partially compensated by the new BO-02 RUB 5,000 million bond issue.

Capital Expenditure

Capital expenditure decreased by RUB 192 million, or 7.9% year-on-year, to RUB 2,242 million for the full year ended 31 December 2016 from RUB 2,434 million in the previous year. The majority of the capital expenditure was incurred for the reconstruction and expansion of container terminals in Krasnoyarsk, Yekaterinburg, Irkutsk and Moscow, as well as for the acquisition of ISO containers.

Planned capital expenditure for 2017

The Company's capital expenditure programme is aimed at maintaining TransContainer's position as a market leader in the Russian container sector, strengthening its competitive advantages, as well as optimising its asset structure and key operational metrics.

The total capital expenditure for 2017 is budgeted at RUB 7.9 billion (excluding VAT), however, the actual amount of capital expenditure is subject to the market conditions. The 2017 CAPEX programme is focused on the acquisition of flatcars and ISO containers and further improvement of 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 2016, the Company's financial indebtedness consisted of two outstanding bond issues and financial lease obligations in an aggregate amount of RUB 9,137 million, compared to RUB 5,780 million as of 31 December 2015. As of 31 December 2016, the Company's net debt was RUB 3,534 million.

As of 31 December 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 of the bonds for five years is 8.35% with interest paid semi-annually.

The series 4 bonds will be redeemed in four equal semi-annual instalments within the fourth and fifth years. As a result, these bonds are classified as of two portions: the long-term one with the carrying value amounted to RUB 1,249 million, and the short-term one with the carrying value amounted to RUB 2,633 million.

The amount of accrued interest is RUB 133 million and has been included as short-term debt in the interim condensed consolidated statement of financial position.

RUB-denominated bonds series BO-02

On 22 September 2016, 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 deduction of related offering costs amounted to RUB 4,987m. The annual coupon rate of the bonds for five years is 9.4% with interest paid semi-annually.

The series BO-02 bonds will be redeemed in four equal semi-annual instalments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

As at 31 December 2016, the carrying value of the bonds amounted to RUB 4,987 million. The amount of accrued interest is RUB 129 million and has been included as short-term debt in the consolidated statement of financial position.

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 2016.

RUB million	31 December 2016	31 December 2015
Current assets		
Inventory	209	315
Trade and other receivables	1,605	1,392
Prepayments and other current assets	3,584	3,527
Prepaid income tax	5	84
Short-term investments	78	7
Cash and cash equivalents	5,525	2,110
Non-current Assets classified as held for sale	0	0
Total current assets	11,006	7,435
Current liabilities		
Trade and other payables	4,279	3,405
Short-term debt and current portion of long-term debt	2,762	1,893
Income tax payable	21	99
Taxes other than income tax payable	378	634
Provisions	38	12
		10

Finance lease obligations, current maturities	18	18
Dividends payable	0	0
Accrued and other current liabilities	876	686
Deferred income	0	0
Total current liabilities	8,372	6,747
Working capital	2,634	688

Working capital increased by RUB 1,946 million to RUB 2,634 million at the end of the reporting period from RUB 688 million as at 31 December 2015.

Downloads

The consolidated financial statements for the full year ended 31 December 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 Monday, **3 April 2017**, at 14:00 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	89451608#

A replay of the call will be available until 3 May 2017 using the following details:

UK Free Call Dial In	0800 953 1533
Russia Dial In	8 499 677 1064
Replay Access Code	89451608#

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About TransContainer

TransContainer (LSE ticker: TRCN) is the leading intermodal container transportation company in Russia. It is the market leader in Russia by flatcar fleet size, container transportation by rail and rail-side container terminal throughput. As of 31 December 2016, it owns a network of 45 rail-side container terminals in Russia, 19 rail-side terminals in Kazakhstan (through its joint venture company KedenTransService) and operates one terminal in Slovakia. Company's sales network comprises 115 sales offices across Russia as well as presence in the CIS, Europe and Asia. TransContainer is listed at Moscow Exchange and LSE. Company's major shareholder with 50% +2 shares is United Transportation and Logistics Company, established by Russian Railways, Belorussian Railway and Kazakhstan Temir Zholy.

Legal Disclaimer

Some of the information in this announcement may contain projections or other forward-looking statements regarding future events or the future financial performance of the Company. You can identify forward-looking statements by terms such as 'expect', 'believe', 'anticipate', 'estimate', 'intend', 'will', 'could', 'may' or 'might', the negative of such terms or other similar expressions. PJSC "TransContainer" wishes to caution you that these statements are only predictions and that actual events or results may differ materially. PJSC "TransContainer" does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of PJSC "TransContainer", including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, rapid technological and market change in the industries PJSC "TransContainer" operates in, as well as many other risks specifically related to PJSC "TransContainer" and its operations