

JSC Transcontainer

Results for the six months ended 30 June 2013

JSC "TransContainer" (the "Company" together with its consolidated subsidiaries) today publishes its management report together with the reviewed interim condensed financial statements for the six months ended 30 June 2013. 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 of 30 June 2013, the Company estimates that it accounts for approximately 48% of all rail container transportation in Russia. It owns and operates 25,408 flatcars in Russia and, additionally, 4,599 flatcars in Kazakhstan via its subsidiary KedenTransService, as well as 61,000 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 also operates 18 inland rail-side terminals in Kazakhstan via its subsidiary KedenTransService. The Company's sales network comprises approximately 135 sales outlets across Russia with a presence in the CIS, Europe and Asia.

In the first half of 2013, the rail container market conditions were determined primarily by the continuing deceleration in the Russian economy. The pricing environment continued to be challenging despite the moderate growth of container transportation volumes resumed in the second quarter of 2013. The Company's rail container transportation volumes in Russia for the first six months 2013 amounted to 701 thousand TEU¹ from 717 thousand TEU for the corresponding period of 2012, down 2.2% year on year, whilst revenue-generating transportation² volumes decreased by 2.0% to 533 thousand TEU. In Kazakhstan, rail container transportation volumes in the first half of 2013 amounted to 94 thousand TEU compared to 9 thousand TEU a year earlier.

Terminal handling volumes in Russia decreased by 9.6% year on year to 621 thousand TEU in the reporting period, mainly due to a 74.2% decrease in handling of medium-duty containers. Terminal handling volumes in Kazakhstan were up 49.0% to 103 thousand TEU from 69 thousand TEU reflecting an increase in container handling at the Dostyk cross-border terminal.

Given the challenging operating environment, the Company paid special attention to cost control and optimisation during the reporting period. For the six months ended 30 June 2013, the Company's total revenue increased by 3.5% year on year to RUB 18,162 million, adjusted revenue decreased by 3.8% year on year to RUB 12,034 million, operating profit decreased by 0.7% year on year to RUB 3,726 million, and EBITDA was down 7.3% year on year to RUB 4,916 million. However, profit for the period increased by 1.4% to RUB 2,777 million in the first half of 2013 from RUB 2,739 million in the corresponding period of 2012, while total comprehensive income for the period grew by 6.9% year on year to RUB 2,977 million from RUB 2,786 million for the first six months of 2012. In terms of margins the Company managed to keep them stable: the EBITDA margin decreased from 42.4% for the six months ended 30 June 2012 to 40.9% for the six months ended 30 June 2013, while the net income margin improved from 21.9% to 23.1% respectively.

¹ Twenty-foot equivalent units (TEU)

² transportation of clients' containers and own loaded containers

As of 30 June 2013, the Company's total debt was RUB 9,354 million and net debt of only RUB 4,223 million, bringing the Net Debt/ LTM EBITDA ratio to a more than comfortable 0,4x.

Capital expenditure for the six months ended 30 June 2013 decreased by 21.0% year on year to RUB 1,276 million, reflecting the weaker operating environment and the Company's objective to accumulate a cash cushion in anticipation of the RUB-denominated bond series 1 redemption in February 2013 and dividend payments in August 2013. In accordance with the Company's policy, all capital expenditure in the reporting period was financed by the Company's own cash flow.

Outlook

After bottoming out in January-February 2013, the Russian container market has resumed moderate growth starting from March 2013. It supports the management's view that the Russian rail container market is expected to demonstrate middle single-digit growth rates for the full year 2013, subject to the overall economic environment. At the same time, the Company's management notes a continuing deceleration of Russia's economy and its vulnerability to external factors.

Given the weaker demand for rail cargo transportation and increasing competition in the container segment, the Company believes that there is a limited space for pricing improvements in the near term. Under these circumstances the Company's management will focus on improving the quality of transportation services and the Company's competitive positions and will continue to take measures aimed at cost control and business optimisation.

In the long term, we continue to believe that the Russian container transportation market is fundamentally attractive with sustainable growth potential, which is driven by Russia's economic development, further involvement in international trade, the WTO accession, growth in consumer demand and containerisation. Given that, the Company's management will continue to invest in rolling stock and terminal modernisation, as well as opportunistic M&A, in line with its strategy, subject to changes in the economic environment.

Key operating results

The Company's rail container transportation volumes for the first six months 2013 amounted to 701 thousand TEU from 717 thousand TEU for the first six months of 2012, down 2.2% year on year. This decrease mainly reflects a 9.2% drop in domestic transportation volumes, partly compensated by a 19.9% growth in imports. A decrease in the Company's domestic transportation was primarily driven by the tightening competition on domestic routes and partial employment of the Company's rolling stock in Kazakhstan and Central Asia by its subsidiary KedenTransService.

In Kazakhstan, rail container transportation volumes in the first half of 2013 amounted to 94 thousand TEU compared to nine thousand TEU a year earlier, driven by an increased in the number of flatcars under operation and customers' demand for integrated transportation services.

Transportation of containers by TransContainer's fleet in 1H 2013 (ISO Loaded + Empty), 000' TEU

| | 6m 2013 | 6m 2012 | Change 000' TEU | Percent |
|-------------------|----------------|----------------|----------------------------|----------------|
| Domestic Routes | 343.1 | 377.8 | -34.8 | -9.2% |
| Export | 180.3 | 178.3 | +1.9 | +1.1% |
| Import | 132.2 | 110.3 | +22.0 | +19.9% |
| Transit | 45.8 | 50.4 | -4.6 | -9.1% |
| All Routes | 701.3 | 716.8 | -15.5 | -2.2% |

The Company's revenue-generating container transportation volumes in Russia for the first six months of 2013 were down 2.0% to 533 thousand TEU compared to 544 thousand TEU for the same period of 2012. TransContainer's estimated share of Russia's rail container transportation for the first six months of 2013 decreased to 47.7% compared to 50.1% for the same period of 2012.

Terminal handling

For the first six months of 2013, throughput of the Company's rail container terminal network in Russia amounted to 621 thousand TEU, a decrease of 9.6% year on year. MDC handling volumes dropped 74.2% year on year for the same period.

Terminal handling volumes in Kazakhstan increased by 49.0% to 103 thousand TEU from 69 thousand TEU, mainly due to an increase in container handling at the Dostyk cross-border terminal. Non-container handling at the KedenTransServices' terminals increased by 24.4% year on year to 1,700 thousand tonnes for the reporting period.

Asset utilisation

In the first half of 2013, the flatcar and container empty runs improved considerably as a result of management efforts to optimise the fleet utilisation amid a challenging operating environment. Growth in the container and flatcar turnover reflects the weaker market environment in the first half of 2013.

| | 6m 2013 | 6m 2012 |
|--|----------------|----------------|
| Turnover of containers, days | 25.5 | 22.8 |
| Turnover of flatcars, days | 13.7 | 13.3 |
| Empty run ³ for containers, % | 30.0% | 37.5% |
| Empty run ³ for flatcars, % | 6.4% | 7.9% |

³ The Empty run ratio is calculated as an average empty run in kilometers divided by an average total run in kilometers

Description of Key Consolidated Statement of Comprehensive Income Items

The following table sets out the Company's results for the six months ended 30 June 2013 and 2012.

| RUB million | 6m 2013 | 6m 2012 | Period on period change | Period on period percent change |
|--|----------------|----------------|--------------------------------|--|
| Revenue | 18,162 | 17,556 | 606 | 3.5% |
| Other operating income | 347 | 183 | 164 | 89.6% |
| Operating expenses | -14,783 | -13,987 | -796 | 5.7% |
| Operating profit | 3,726 | 3,752 | -26 | -0.7% |
| Interest expense | -385 | -462 | 77 | -16.7% |
| Interest income | 141 | 104 | 37 | 35.6% |
| Foreign exchange gain, net | 72 | 43 | 29 | 67.4% |
| Share of result of associates | 5 | -22 | 27 | -122.7% |
| Gain from disposal of associate | - | 72 | -72 | -100% |
| Gain from early termination of finance lease obligations | 32 | - | 32 | 100.0% |
| Profit before income tax | 3,591 | 3,487 | 104 | 3.0% |
| Income tax expense | -814 | -748 | -66 | 8.8% |
| Profit for the period | 2,777 | 2,739 | 38 | 1.4% |
| Attributable to: | | | | |
| Equity holders of the parent | 2,786 | 2,722 | 64 | 2.4% |
| Non-controlling interest | -9 | 17 | -26 | -152.9% |
| Other comprehensive income for the period | 200 | 47 | 153 | 325.5% |
| Remeasurements of post-employment benefit plans | -8 | -4 | -4 | -100.0% |
| Exchange differences on translating foreign operations | 208 | 51 | 157 | 307.8% |

| | | | | |
|--|--------------|--------------|------------|-------------|
| Total comprehensive income for the period | 2,977 | 2,786 | 191 | 6.9% |
| Attributable to: | | | | |
| Equity holders of the parent | 2,927 | 2,757 | 170 | 6.2% |
| Non-controlling interest | 50 | 29 | 21 | 72.4% |

The Company's financial results for the six months ended 30 June 2013 reflect primarily the relatively weak operating and pricing environment in the rail container transportation market in Russia, partially compensated by the Company's efforts to improve operational efficiency and cost effectiveness.

On the back of the challenging market conditions in the first six months of 2013, the Company's total revenue increased by 3.5% year on year to RUB 18,162 million, while adjusted revenue were down 3.8% year on year to RUB 12,034 million. EBITDA declined by 7.3% from RUB 5,304 for the six months ended 30 June 2012 to RUB 4,913 million for the six months ended 30 June 2013, with profit for the period increasing by 1.4% from RUB 2,739 million to RUB 2,777 million respectively.

Non-IFRS financial information

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 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 | 6m 2013 | 6m 2012 | Period on period change | Period on period percent change |
|--|----------------|----------------|--------------------------------|--|
| Adjusted Revenue ¹ | 12,034 | 12,505 | -471 | -3.8% |
| Adjusted operating expenses ² | -8 655 | -8,936 | 281 | -3.1% |
| EBITDA ³ | 4,916 | 5,304 | -388 | -7.3% |
| Adjusted EBITDA margin ⁴ | 40.9% | 42.4% | -1.5% | |
| Total debt | 9,354 | 9,376 | -22 | -0.2% |
| Net debt ⁵ | 4,223 | 4,682 | -459 | -9.8% |
| Net debt/LTM EBITDA | 0.42 | 0.45 | -0.03 | |

¹Adjusted 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 sets out the breakdown of total revenue for the six months ended 30 June 2013 and 2012 respectively.

| RUB million | 6m 2013 | 6m 2012 | Period on period change | Period on period percent change |
|--------------------|----------------|----------------|--------------------------------|--|
|--------------------|----------------|----------------|--------------------------------|--|

| | | | | |
|--|---------------|---------------|------------|-------------|
| Integrated freight forwarding and logistics services | 10,766 | 9,144 | 1,622 | 17,7% |
| Rail-based container shipping services | 4,130 | 5,021 | -891 | -17,7% |
| Terminal services and agency fees | 1,964 | 1,950 | 14 | 0,7% |
| Truck deliveries | 676 | 768 | -92 | -12,0% |
| Other freight forwarding services | 285 | 436 | -151 | -34,6% |
| Bonded warehousing services | 191 | 190 | 1 | 0,5% |
| Other | 150 | 47 | 103 | 219,1% |
| Total revenue | 18,162 | 17,556 | 606 | 3.5% |

Total revenue increased by RUB 606 million, or 3.5%, from RUB 17,556 million for the six months ended 30 June 2012 to RUB 18,162 million for the six months ended 30 June 2013, primarily as a result of an increase in integrated freight and transportation services, driven by higher transportation volumes under through-rate contracts in Russia and developing operations in Kazakhstan. In addition, the revenue growth reflects an increase in terminal services driven by an expansion of KedenTransService's operations at Dostyk station.

The increase in the Company's total revenue was partially offset by a weaker pricing environment, a decrease in rail container transportation volumes in Russia, as well as by a reduction in container handling volumes and adjacent services at the rail-side terminals of the Company in Russia, mainly due to the phasing out of MDCs.

Adjusted Revenue

The following table sets out adjusted revenue calculations for the six months ended 30 June 2013 and 2012 respectively.

| RUB million | 6m 2013 | 6m 2012 | Period on period change | Period on period percent change |
|--|----------------|----------------|--------------------------------|--|
| Total revenue | 18,162 | 17,556 | 606 | 3.5% |
| Cost of integrated freight forwarding and logistics services | 6,128 | 5,051 | 1,077 | 21.3% |
| Adjusted Revenue | 12,034 | 12,505 | -471 | -3.8% |

Adjusted revenue (as defined above) declined by 3.8% from RUB 12,505 million for the six months ended 30 June 2012 to RUB 12,034 million for the six months ended 30 June 2013. This was primarily due to a 2.0% decrease in revenue-generating rail container transportation volumes by the Company's fleet in Russia and a 9.6% decrease in terminal handling volumes in Russia amid the weak pricing environment. This decrease was partially offset by an increase in container transportation and terminal handling volumes in Kazakhstan.

The following table sets out the components of relative contribution to adjusted revenue for the six months ended 30 June 2013 and 2012 respectively.

| 6m 2013 | | 6m 2012 | | Period on period change | |
|----------------|-----------------|----------------|-----------------|--------------------------------|----------------|
| RUB mln | share, % | RUB mln | share, % | RUB mln | Percent |

| | | | | | | |
|---|---------------|-------------|---------------|-------------|-------------|--------------|
| Rail-based container shipping services | 4,130 | 34.3% | 5,021 | 40.2% | -891 | -17.7% |
| Adjusted integrated freight forwarding and logistics services | 4,638 | 38.5% | 4,093 | 32.7% | 545 | 13.3% |
| Terminal services and agency fees | 1,964 | 16.3% | 1,950 | 15.6% | 14 | 0.7% |
| Truck deliveries | 676 | 5.6% | 768 | 6.1% | -92 | -12.0% |
| Other freight forwarding services | 285 | 2.4% | 436 | 3.5% | -151 | -34.6% |
| Bonded warehousing services | 191 | 1.6% | 190 | 1.5% | 1 | 0.5% |
| Other | 150 | 1.2% | 47 | 0.4% | 103 | 219.1% |
| Total adjusted revenue | 12,034 | 100% | 12,505 | 100% | -471 | -3.8% |

The structure of the Adjusted Revenue changed in the first half of 2013 compared to the same period of 2012. The share of rail-based container transportation services in the Adjusted Revenue decreased from 40.2% in 2012 to 34.3% in 2013, while the share of integrated freight forwarding and logistics services, net of cost of integrated freight forwarding and logistics services, increased to 38.5% from 32.7%. The share of terminal services and agency fees increased to 16.3%, whereas the share of other freight forwarding services and truck deliveries decreased marginally, while bonded warehousing and other services share slightly increased.

Integrated freight forwarding and logistics services

Revenue from integrated freight forwarding and logistics services increased by 17.7% year on year to RUB 10,766 million for the six months ended 30 June 2013.

The following table sets out adjusted integrated freight forwarding and logistics services calculation for the six months ended 30 June 2013 and 2012 respectively.

| RUB million | 6m 2013 | 6m 2012 | Period on period change | Period on period percent change |
|---|----------------|----------------|--------------------------------|--|
| Integrated freight forwarding and logistics services | 10,766 | 9,144 | 1,622 | 17.7% |
| Cost of integrated freight forwarding and logistics services | 6,128 | 5,051 | 1,077 | 21.3% |
| Adjusted revenue from integrated freight forwarding and logistics services | 4,638 | 4,093 | 545 | 13.3% |

Adjusted revenue from integrated freight forwarding and logistics services grew by 13.3% year on year to RUB 4,638 million in the reporting period. This increase reflects transportation volumes under integrated logistics contracts in Russia growing by 8.9% to 254 thousand TEU in the first six months ended 30 June 2013 from 234 thousand TEU a year earlier, as well as transportation volumes in Kazakhstan under through rate contracts increasing from 9 thousand TEU to 94 thousand TEU during respective periods.

Rail-based container transportation services

Revenue from rail-based container transportation decreased by 17.7% to RUB 4,130 million for the reporting period from RUB 5,021 million for the same period of 2012. This was mainly due to a decrease in revenue-generating transportation volumes, other than under integrated logistics contracts, in terms of TEU by 10.2% from 311 thousand TEU in the first half of 2012 to 279 thousand TEU in the first half of 2013, as well as due to a deterioration in the pricing environment and change in the mix of services in favour of the provision of Company's flatcars for transportation of client's containers.

Terminal services and agency fees

Revenue from terminal services, including agency fees, increased by 0.7% to RUB 1,964 million for the six months ended 30 June 2013 from RUB 1,950 million for the same period of 2012. This revenue growth was driven by a 49.0% year on year increase in terminal handling volumes of ISO container handling in Kazakhstan by KedenTransService's rail side terminals, which grew to 103 thousand TEU in the first half of 2013, as a result of the Company taking over a new handling yard at the Dostyk station under a long-term lease agreement. Non-container cargo handling by KedenTransService's terminals increased by 24.4% year on year to 1,700 thousand tonnes.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, decreased by 10.5% to RUB 801 million for the reporting period compared to RUB 895 million for the same period of 2012, as a result of a 9.6% decrease in TransContainer's terminal network throughput in Russia.

Truck deliveries

Revenue from truck deliveries decreased by RUB 92 million, or 12.0%, to RUB 676 million for the six months ended 30 June 2013 from RUB 768 million for the corresponding period of 2012. This was due to a 11.7% reduction in container transportation volumes by the Company's own and outsourced truck fleet from 289 thousand TEU in the first half of 2012 to 255 thousand TEU for the reporting period, predominantly associated with a decrease in the Company's terminal throughput.

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 34.6% from RUB 436 million to RUB 285 million. This decrease was primarily due to a decline in demand for added-value services amid the weak market environment.

Bonded warehousing services

Revenue from bonded warehousing services increased by RUB 1 million, or 0.5%, to RUB 191 million for the six months ended 30 June 2013 from RUB 190 million for the same period of 2012, as a result of the contribution from bonded warehousing services in Kazakhstan offsetting a relatively weak performance in Russia.

Operating expenses

The following table sets out a breakdown of the Company's operating expenses for the six months ended 30 June 2013 and 2012 respectively.

| RUB million | 6m 2013 | 6m 2012 | Period on period change | Period on period percent change |
|--|----------------|----------------|--------------------------------|--|
| Cost of integrated freight forwarding and logistics services | 6,128 | 5,051 | 1,077 | 21.3% |
| Payroll and related charges | 2,085 | 2,481 | -396 | -16.0% |
| Freight and transportation services | 2,242 | 2,472 | -230 | -9.3% |
| Depreciation and amortisation | 940 | 1,355 | -415 | -30.6% |
| Materials, repair and maintenance | 1,301 | 1,226 | 75 | 6.1% |
| Taxes other than income tax | 447 | 283 | 164 | 58.0% |
| Rent | 744 | 279 | 465 | 166.7% |

| | | | | |
|---------------------------------|---------------|---------------|------------|-------------|
| Other operating expenses | 896 | 840 | 56 | 6.7% |
| Total operating expenses | 14,783 | 13,987 | 796 | 5.7% |

TransContainer's total operating expenses grew by RUB 796 million, or 5.7%, to RUB 14,783 million for the six months ended 30 June 2013 from RUB 13,987 million for the six months ended 30 June 2012. This was primarily due to an increase in the cost of integrated freight forwarding and logistics service, rent, taxes other than income tax and other operating expenses, partially offset by a decrease in payroll and related charges and freight and transportation costs, as well as by depreciation and amortisation.

The following table sets out a breakdown of the Company's largest operating expenses for the six months ended 30 June 2013 and 2012 respectively.

| | 6m 2013 | | | 6m 2012 | | |
|--|---------------|-------------------------------|--------------------------|---------------|-------------------------------|--------------------------|
| | RUB mln | Percent of operating expenses | Percent of total revenue | RUB mln | Percent of operating expenses | Percent of total revenue |
| Cost of integrated freight forwarding and logistics services | 6,128 | 41.5% | 33.7% | 5,051 | 36.1% | 28.8% |
| Freight and transportation services | 2,085 | 14.1% | 11.5% | 2,481 | 17.7% | 14.1% |
| Payroll and related charges | 2,242 | 15.2% | 12.3% | 2,472 | 17.7% | 14.1% |
| Depreciation and amortisation | 940 | 6.4% | 5.2% | 1,355 | 9.7% | 7.7% |
| Materials, repair and maintenance | 1,301 | 8.8% | 7.2% | 1,226 | 8.8% | 7.0% |
| Taxes other than income tax | 447 | 3.0% | 2.5% | 283 | 2.0% | 1.6% |
| Rent | 744 | 5.0% | 4.1% | 279 | 2.0% | 1.6% |
| Other expenses | 896 | 6.1% | 4.9% | 840 | 6.0% | 4.8% |
| Total operating expenses | 14,783 | 100.0% | 81.4% | 13,987 | 100.0% | 79.7% |

As a percentage of the total revenue, total operating expenses increased from 79.7% for the six months ended 30 June 2012 to 81.4% for the six months ended 30 June 2013, primarily as a result of an increase in operating expenses exceeding the growth in total revenue. As a percentage of total revenue, costs related to freight and transportation services decreased from 14.1% in 2012 to 11.5% in 2013. The cost of integrated freight forwarding and logistics services increased from 28.8% in 2012 to 33.7% in 2013 and the share of costs for materials, repair and maintenance increased from 7.0% in 2012 to 7.2% in 2013 as a percentage of total revenue; share of depreciation and amortisation in total revenue decreased from 7.7% to 5.2%.

Cost of integrated freight forwarding and logistics services

Costs of integrated freight forwarding and logistics services increased by 21.3%, to RUB 6,128 million for the six months ended 30 June 2013 from RUB 5,051 million for the same period of 2012. This was driven predominantly by an increase in transportation volumes under integrated logistics contracts in Russia and in Kazakhstan, as well as by an increase in infrastructure tariffs including the tariffs paid to Russian Railways and JSC National Company "Kazakhstan Temir Zholy".

Adjusted operating expenses

The following table sets out adjusted operating expenses for the six months ended 30 June 2013 and 2012 respectively.

| RUB million | 6m 2013 | 6m 2012 | Period on period change | Period on period percent change |
|-------------|---------|---------|-------------------------|---------------------------------|
|-------------|---------|---------|-------------------------|---------------------------------|

| | | | | |
|--|--------------|--------------|-------------|--------------|
| Total operating expenses | 14,783 | 13,987 | 796 | 5.7% |
| Cost of integrated freight forwarding and logistics services | 6,128 | 5,051 | 1,077 | 21.3% |
| Adjusted operating expenses | 8,655 | 8,936 | -281 | -3.1% |

Adjusted operating expenses, as defined above, decreased by 3.1% to RUB 8,655 million for the six months ended 30 June 2013 from RUB 8,936 million for the same period of 2012, primarily due a decrease in freight and transportation costs, depreciation and amortisation as well as payrolls and related charges. The effect of these factors was partially offset by an increase in costs related to materials, repair and maintenance, as well as in rent and taxes other than income tax.

The following table sets out a breakdown of the Company's adjusted operating expenses, as defined above, for the six months ended 30 June 2013 and 2012 respectively.

| | 6m 2013 | | 6m 2012 | | Period on period change | |
|-------------------------------------|--------------|--|--------------|--|-------------------------|----------------|
| | RUB mln | Percent of adjusted operating expenses | RUB mln | Percent of adjusted operating expenses | RUB mln | Percent change |
| Freight and transportation services | 2,085 | 24.1% | 2,481 | 27.8% | -396 | -16.0% |
| Payroll and related charges | 2,242 | 25.9% | 2,472 | 27.7% | -230 | -9.3% |
| Depreciation and amortisation | 940 | 10.9% | 1,355 | 15.2% | -415 | -30.6% |
| Materials, repair and maintenance | 1,301 | 15.0% | 1,226 | 13.7% | 75 | 6.1% |
| Taxes other than income tax | 447 | 5.2% | 283 | 3.2% | 164 | 58.0% |
| Rent | 744 | 8.6% | 279 | 3.1% | 465 | 166.7% |
| Other expenses | 896 | 10.4% | 840 | 9.4% | 56 | 6.7% |
| Adjusted operating expenses | 8,655 | 100.0% | 8,936 | 100.0% | -281 | -3.1% |

Payroll and related charges

Payroll and related charges decreased by RUB 230 million, or 9.3%, to RUB 2,242 million for the six months ended 30 June 2013 from RUB 2,472 million for the same period of 2012. This decrease was mainly a result of several factors set out below:

- i) a 2.5% decrease in the average headcount in TransContainer;
- ii) a decrease in performance-linked payments to the Company's personnel;
- iii) a partial release of provisions related to the Company's stock option programme due to a partial vesting of its first tranche in the second half of 2012;
- iv) a scheduled indexing of base salaries.

Freight and transportation services

Expenses relating to freight and transportation services decreased by RUB 396 million, or 16.0%, to RUB 2,085 million for the six months ended 30 June 2013. This decrease was mainly due to a number of factors set out below:

- i) a decrease in empty run ratio of containers from 37.5% in the first half of 2012 to 30.0% for the reporting period;
- ii) a 9.9% decrease in rail-based transportation by the Company's own containers from 468 thousand TEU in 2012 to 422 thousand TEU in 2013.

These factors were partially offset by:

- i) a 6% increase in infrastructure and locomotive tariffs charged by Russian Railways;
- ii) an increase in costs of JSC KedenTransService for empty runs as a result of a launch of rail container transportation business in Central Asia in 2013.

Depreciation and amortisation

Depreciation and amortisation decreased by RUB 415 million, or 30.6% to RUB 940 million in the first half of 2013 from RUB 1,355 million for the same period of 2012, primarily due to the extension of depreciable lives of certain fixed assets conducted in 2013. If the previous accounting policy related depreciable lives had been adopted, the depreciation charge for the six months ended 30 June 2013 would have been RUB 1,373 million.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance grew by 6.1%, to RUB 1,301 million for the first six months of 2013 from RUB 1,226 million for the same period of 2012, primarily due to an increase in the number of repairs and an increase in the average cost of repairs of flatcars by approximately 11%, partially offset by a decrease in expenses related to the repair of buildings.

Taxes other than income tax

Taxes other than income tax increased by 58.0% to RUB 447 million for the six months ended 30 June 2013 from RUB 283 million for the same period of 2012, primarily due to VAT settlements mainly related to international rail transportation, particularly in Kazakhstan.

Rent

Rent expenses grew by RUB 465 million, or 2.7 times to RUB 744 million in the reporting period from RUB 279 million in the same period of 2012. This was primarily due to growth in expenses related to rent of third parties' rolling stock by JSC KedenTransService, as well as rent of additional handling yards at the Dostyk station by JSC KedenTransService from the fourth quarter of 2012.

Other expenses

Other expenses are an aggregate of various expense items such as security, consulting expenses, fuel and energy, licences and software, communication services, loss on sale of fixed assets etc. Other expenses increased by 6.7% to RUB 896 million in the first half of 2013 from RUB 840 million in the first half of 2012, primarily due to an increase in expenses related to fuel and energy, consulting services and a loss on the sale of fixed assets, partly offset by a decrease in expenses for licence and software and communication costs.

Operating profit

Operating profit decreased by RUB 26 million, or 0.7%, to RUB 3,726 million for the six months ended 30 June 2013 from RUB 3,752 million in the same period of 2012, as a result of the factors discussed above.

Interest expense

Interest expenses decreased by RUB 77 million, or 16.7%, to RUB 385 million for the first half of 2013 from RUB 462 million for the same period of 2012, mainly due to a refinancing of maturing RUB-denominated bonds series 1 and loans obtained from OJSC Alfa Bank by newly issued RUB-denominated bonds series 4.

Interest income

Interest income grew by RUB 37 million to RUB 141 million in the first half of 2013 from RUB 104 million for the same period of 2012 due to an increase in cash balances in deposit accounts. This was a result of an accumulation of cash in the anticipation of redemption of series 01 bond of JSC TransContainer and dividend payments.

Profit before income tax

Profit before income tax increased by RUB 104 million, or by 3.0%, from RUB 3,487 million for the six months ended 30 June 2012 to RUB 3,591 million for the six months ended 30 June 2013. This increase was due to the factors discussed above.

Income tax expenses

Income tax expenses increased by RUB 66 million, or 8.8%, to RUB 814 million in the first six months of 2013 from RUB 748 million for the same period of 2012, primarily due to an increase in non-deductible tax expenses. For the same reason the effective tax rate in the reporting period increased to 23% in 2013 compared to 21% in 2012.

Profit and Total comprehensive income for the period

As a result of the factors discussed above the profit for the six months ended 30 June 2013 decreased by RUB 38 million, or 1.4% to RUB 2,777 million compared with RUB 2,739 million for the same period of 2012. Taking into account the exchange differences in translating foreign operations and remeasurements of post-employment benefit plans, the total comprehensive income for the reporting period totalled RUB 2,977 million, compared to RUB 2,786 million for the first six months of 2012, up 6.9%.

Liquidity and Capital Resources

As of 30 June 2013 the Company's net cash and cash equivalents amounted to RUB 1,829 million and the Company's current assets exceeded current liabilities by RUB 3,322 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for, amongst other things, the purchase of flatcars and containers, the development of rail-side terminals and investment in the expansion and modernisation of other fixed assets. During the reporting period the Company's operations and its capital expenditures were financed from internally generated cash flows.

Cash flows

The following table sets out the principal components of the Company's consolidated cash flows for the six months ended 30 June 2013 and 2012 respectively.

| | 6m 2013 | 6m 2012 |
|---|----------------|----------------|
| Net cash provided by operating activities | 3,465 | 3,685 |
| Net cash used in investing activities | -3,147 | -1,551 |
| Net cash provided by financing activities | 120 | -640 |
| Net increase in cash and cash equivalents | 438 | 1,494 |
| Net cash and cash equivalents at the end of the period | 1,829 | 3,757 |

Cash flow generated by operating activities

Cash flow generated by operating activities decreased by RUB 220 million, or 6.0%, to RUB 3,465 million for the six months ended 30 June 2013 from RUB 3,685 million for the same period of 2012. This was primarily due to a decrease in operating profit before working capital changes by RUB 378 million, or 7.3%, from RUB 5,151 million for the first six months of 2012 to RUB 4,773 million in 2013. This decline was partially offset by a decrease in interest paid.

Cash flow used in investing activities

Cash flow used in investing activities increased by RUB 1,596 million, or approximately doubled, to RUB 3,147 million for the six months ended 30 June 2013 from RUB 1,551 million for the same period of 2012. This was primarily due to an increase of RUB 2,633 million in short-term investments represented by bank deposits, which was partially offset by a decrease in the purchase of property, plant and equipment by RUB 339 million.

Cash flow generated by financing activities

Cash flow generated by financing activities turned to positive RUB 120 million in the first half of 2013 from negative RUB 640 million for the same period of 2012, primarily due to proceeds from the issuance

of the RUB-denominated bonds series 4 remaining after redemption of the RUB-denominated bonds series 1 and bank loans.

Capital Expenditure

Capital expenditure decreased by RUB 339 million, or 21.0%, to RUB 1,276 million in the first half of 2013 from RUB 1,615 million in the first half of 2012, mainly due to a decrease in prices for rolling stock, as well as an optimisation of construction works at terminals.

Planned capital expenditure for 2013

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 and optimising its asset structure and key operational metrics.

The total capital expenditure in 2013 was initially budgeted at RUB 9.1 billion (excluding VAT), subject to market conditions, of which up to RUB 4.4 billion may be spent on the acquisition of new flatcars (including leasing); up to RUB 1.7 billion on the upgrade and modernisation of the Company's key rail-side terminals; up to RUB 1.2 billion on the acquisition of containers and up to RUB 1.8 billion on other capital expenditure items such as lifting equipment, trucks and other equipment. Given that there has been a decrease in the prices for flatcars and containers, the Company expects a decrease in capital expenditures for 2013, while the number of flatcars and containers to be acquired throughout the year will remain unchanged. The actual capital expenditure amount is also subject to the market environment and the Company's financial conditions.

Capital resources

The Company's operations and capital expenditures have historically been financed primarily from internally generated cash flow and proceeds from issuing domestic debt. As of 30 June 2013, the Company's financial indebtedness consisted of two outstanding bond issues, financial lease obligations and other borrowings in an aggregate amount of RUB 9,354 million compared to RUB 9,188 million as of 31 December 2012. As of 30 June 2013, the Company's net debt was RUB 4,223million.

As of 30 June 2013, 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 leased assets. The Company's indebtedness is denominated in Russian Roubles and fixed-rated.

RUB-denominated bonds series 1

On 4 March 2008, the Company issued non-convertible five-year bonds for a total amount of RUB 3,000 million at a par value of RUB 1,000 each. The coupon rate set for 2011 and 2012 was 9.5% per annum. These bonds were redeemed in February 2013 and for reporting purposes were classified as a short-term debt in the consolidated statement of financial position as at 31 December 2012.

RUB-denominated bonds series 2

On 10 June 2010, the Company issued non-convertible five-year amortising bonds for a total amount of RUB 3,000 million at a par value of RUB 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUB 2,975 million. The annual coupon on the bonds for five years is 8.8% with interest paid semi-annually. The series 2 bonds will be redeemed in four equal semi-annual installments during the fourth and fifth year. As a result, these bonds are classified as long-term borrowings as at the reporting date. As at 30 June 2013 the carrying value of the bonds amounted to RUB 2,986 million (RUB 2,982 million as at 31 December 2012).

As at 30 June 2013 the short-term portion of long-term bonds equals RUB 1,500 million (RUB 750 million as at 31 December 2012) and this amount has been included as short-term debt in the interim condensed consolidated statement of financial position. The amount of accrued interest is RUB 17 million (RUB 22 million as at 31 December 2012), and has been included as short-term debt in the interim condensed consolidated statement of financial position.

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 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 installments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date. As at 30 June 2013 the carrying value of the bonds amounted to RUB 4,988 million. The amount of accrued interest is RUB 171 million and has been included as short-term debt in the interim condensed consolidated statement of financial position.

Bank loans and other borrowings

On 18 March 2011 and 17 June 2011, the Company obtained loans from OSJC Alfa Bank for the total principal amount of RUB 1,822 million at interest rates varying from 9.5% to 9.75% per annum. These loans were drawn down to finance the acquisition of JSC KedenTransService. These loans were pre-paid in full in February 2013.

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 as of 30 June 2013 was RUB 499 million.

Working Capital

The Company's working capital is defined as the difference between its current assets and current liabilities. The table below sets out the key components of TransContainer's working capital for the six months ended 30 June 2013.

| | 30 June 2013 | 31 December 2012 |
|--|---------------------|-------------------------|
| Current assets | | |
| Inventory | 423 | 334 |
| Trade and other receivables | 2 147 | 1,262 |
| Prepayments and other current assets | 3 921 | 4,434 |
| Prepaid income tax | 116 | 132 |
| Short-term investments | 3 302 | 1,339 |
| Cash and cash equivalents | 1 829 | 1,318 |
| Total current assets | 11,738 | 8,819 |
| Current liabilities | | |
| Trade and other payables | 4 143 | 3,773 |
| Short-term debt | 1 688 | 5,695 |
| Income tax payable | 245 | 167 |
| Taxes other than income tax payable | 341 | 367 |
| Provisions | 3 | 10 |
| Finance lease obligations current maturities | 196 | 94 |
| Dividends payable | 1239 | - |
| Accrued and other current liabilities | 561 | 789 |
| Total current liabilities | 8,416 | 10,895 |
| Working capital | 3,322 | -2,076 |

Working capital increased by RUB 5,398 million from negative RUB 2,076 million as at 31 December 2012 to positive RUB 3,322 million at the end of the reporting period. This increase was primarily due to a decrease in short-term debt by RUB 4,007 million and an increase in short-term investments by RUB 1,963 million.

Downloads

The consolidated financial statements for the six months ended 30 June 2013 are available via the National Storage Mechanism at: <http://www.hemscott.com/nsm.do> or at the Company's website: <http://www.trcont.ru>

10 September 2013

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TransContainer

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