JSC Transcontainer

Results for the three months ended 31 March 2013

JSC "TransContainer" (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 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 31 March 2013, the Company estimates that it accounts for 48.5% of all rail container transportation in Russia. It owns and operates 25,044 flatcars and more than 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 is comprised of approximately 140 sales outlets across Russia with a presence in the CIS, Europe and Asia.

During the first three months of 2013, the rail container market conditions continued to be under pressure due to continuing slowdown in the Russian economy. The Company's rail container transportation volumes in Russia for the three months ended 31 March 2013 decreased by 1.3% to 342 thousand twenty-foot equivalent units ("TEU") compared to 347 thousand TEU in the same period of 2012, whilst revenue-generating transportation[1] volumes decreased by 0.4% to 259 thousand TEU. Terminal handling volumes decreased for the reporting period by 10.9% to 297 thousand TEU, mainly due to a 69.4% decrease in handling of medium-duty containers.

During the reporting period, the Company's total revenue increased by 0.3% to RUR 8,558 million, adjusted revenue decreased by 6.1% to RUR 5,633 million, operating profit decreased by 13.6% to RUR 1,595 million, and EBITDA fell by 12.3% to RUR 2,129 million. However, profit for the period decreased by just 7.5% from RUR 1,198 million to RUR 1,108 million while total comprehensive income for the period grew by 23.9% from RUR 939 million for the first three months of 2012 to RUR 1,163 million for the reporting priod.

As of 31 March 2013, the Company's total debt was RUR 9,346 million and net debt of only RUR 5,112 million, bringing the Net Debt/ LTM EBITDA ratio to a very comfortable 50.9%.

Capital expenditure for three months ended 31 March 2013 shrunk by 49.3% to RUR 305 million reflecting the weak operating environment and the Company's attitude to accumulate a cash cushion in anticipation of the RUR bond series 1 redemption in February 2013. In accordance with the Company's policy, all capital expenditure during the reporting was financed by the Company's own cash flow.

Outlook

After reaching a bottom in January-February 2013 the Russian container market started to grow again in March 2013. It supports management's view that the Russian rail container market is expected to demonstrate middle single-digit growth rates for the year 2013 as a whole, subject to overall economic environment. At the same time, the Company's management notes the vulnerability of Russia's economy to any external shocks and its mixed performance in 2013.

The weaker demand for rail cargo transportation, higher levels of competition in the container segment put operator tariffs under pressure in the first quarter of 2013 and the pricing environment has not been restored yet. As well as looking to continue with its marketing efforts and to improve the quality of

[1] transportation of clients' containers and own loaded containers

service, the Company's management aims at keeping profitability levels in line with those achieved in 2012.

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. In the long term we continue to believe that the Russian container transportation market is fundamentally attractive with sustainable growth potential, driven by Russia's economic development, its further involvement in international trade, WTO accession, growth in consumer demand and containerisation.

Key operating results

The Company's rail container transportation volumes in Russia for the first quarter of 2013 decreased by 1.3% to 342 thousand TEU compared to 347 thousand TEU for the same period of 2012. This was mainly due to an 11% drop in domestic transportation volumes, partly compensated for by growth in imports, which grew by 36.4%. A decrease in the Company's domestic transportation on the back of a 2.8% reduction in Russia's total domestic rail container turnover and the tightening competition on domestic routes, was also driven by a change in focus towards the fast growing import transportation segment and partial employment of the Company's rolling stock in Kazakhstan and Central Asia by its subsidiary KedenTransService.

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

	1Q 2013	1Q 2012	Change 1Q 2013 / 1Q 2012	
			000' TEU	Percent
Domestic Routes	167.1	186.8	-19.6	-10.5%
Export	90.7	90.6	+0.1	+0.1%
Import	64.4	47.2	+17.2	+36.4%
Transit	20.1	22.2	-2.1	-9.4%
All Routes	342.4	346.8	-4.4	-1.3%

Rail container transportation volumes implemented by KedenTransService, the Company's subsidiary in Kazakhstan, amounted to about 20 thousand TEU in 1Q 2013, which represents more than a 4-fold increase to the first quarter of 2012. The Company's revenue-generating container transportation[2] volumes in Russia decreased by 0.4% in the first quarter of 2013 to 259 thousand TEU from 260 thousand TEU in the first quarter of 2012. TransContainer's estimated share of Russia's rail container transportation market decreased to 48.5% in the first quarter of 2013 compared to 49.7% in the first quarter of 2012.

Terminal handling

Throughput of the Company's rail container terminal network in Russia in the first quarter of 2013 decreased by 10.9% to 297 thousand TEU compared to 333 thousand TEU for the same period of 2012. This decline is mainly due to the continuing phasing out of medium-duty containers (MDC) - MDC handling volumes fell by 69.4%. The volume of ISO container handling in Kazakhstan by KedenTransService's rail side terminals amounted to 57 thousand TEU in the first quarter of 2013, a 64.8% increase over the first quarter of 2012.

Asset utilisation

In the first quarter of 2013, both flatcar and container empty runs improved considerably, mainly due to fleet relocation undertaken by the Company at the end of 2012 ahead of tariff increases by Russian

[2] transportation of clients' containers and own loaded containers

Railways (RZD) in January 2013. Growth in the container and flatcar turnover reflects the weak market environment in the first quarter of 2013 combined with the low season effect in January and February of 2013.

	1Q 2013	1Q 2012
Turnover of containers, days	26.0	23.1
Turnover of flatcars, days	14.0	13.6
Empty run[3] for containers, %	29.2%	39.3%
Empty run[3] for flatcars, %	6.1%	8.1%

[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 three months ended 31 March 2013 and 2012.

RUR million	1Q 2013	1Q 2012	Period on period change	Period on period percent change
Revenue	8,558	8,529	29	0.3%
Other operating income	228	145	83	57.2%
Operating expenses	-7,191	-6,828	-363	5.3%
Operating profit	**1,595**	**1,846**	**-251**	**-13.6%**
Interest expense	-208	-215	7	-3.3%
Interest income	66	41	25	61.0%
Foreign exchange gain, net	-	-127		
Share of result of associates	1	-13	14	-107.7%
Profit before income tax	**1,454**	**1,532**	**-78**	**-5.1%**
Income tax expense	-346	-334	-12	3.6%
Profit for the period	**1,108**	**1,198**	**-90**	**-7.5%**
Attributable to:				
Equity holders of the parent	1,099	1,198	-99	-8.3%
Non-controlling interest	9	-		
Other comprehensive income				
Remeasurements and other reserves for post-employment benefit plans	1	1	0	0.0%
Exchange differences on translating foreign operations	55	-259	314	121.2%
Total comprehensive income for the period	**1,164**	**940**	**224**	**23.8%**
Attributable to:				
Equity holders of the parent	1,172	1,020	152	14.9%
Non-controlling interest	-8	-80	72	-90.0%

The Company's financial results for the three months ended 31 March 2013 reflect primarily the weak operating and pricing environment in the rail container transportation market growth 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 quarter of 2013 the Company's total revenue increased by 0.3% to RUR 8,558 million, while adjusted revenue decreased by 6.1% to RUR 5,633 million. EBITDA declined by 12.3% from RUR 2,428 for the three months ended 31 March 2012 to RUR 2,129 million for the three months ended 31 March 2013, with profit for the period decreasing by 7.5% from RUR 1,198 million to RUR 1,108 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.

RUR million	**1Q 2013**	**1Q 2012**	**Period on period change**	**Period on period percent change**
Adjusted Revenue[1]	5,633	5,999	-366	-6.1%
Adjusted operating expenses[2]	4,266	4,298	-32	-0.7%
EBITDA[3]	2,129	2,428	-299	-12.3%
Adjusted EBITDA margin[4]	37.8%	40.5%		
Total debt	9,346	9,188	158	1.7%
Net debt[5]	5,112	4,805	307	6.4%

[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 sets out the breakdown of total revenue for the three months ended 31 March 2013 and 2012 respectively.

RUR million	**1Q 2013**	**1Q 2012**	**Period on period change**	**Period on period percent change**
Integrated freight forwarding and logistics services	5,011	4,486	525	11.7%
Rail-based container shipping services	1,979	2,474	-495	-20.0%
Terminal services and agency fees	968	869	99	11.4%
Truck deliveries	314	362	-48	-13.3%
Other freight forwarding services	132	208	-76	-36.5%
Bonded warehousing services	93	100	-7	-7.0%
Other	61	30	31	103.3%
Total revenue	**8,558**	**8,529**	**29**	**0.3%**

Total revenue increased by RUR 29 million, or 0.3%, from RUR 8,529 million for the three months ended 31 March 2012 to RUR 8,558 million for the three months ended 31 March 2013. This increase was primarily due to an increase in integrated freight and transportation services driven by a sustainable demand for complex transportation services in Russia and developing operations in Kazakhstan as well as due to 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 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 three months ended 31 March 2013 and 2012 respectively.

RUR million	1Q 2013	1Q 2012	Period on period change	Period on period percent change
Total revenue	8,558	8,529	29	0.3%
Cost of integrated freight forwarding and logistics services	2,925	2,530	395	15.6%
Adjusted Revenue	**5,633**	**5,999**	**-366**	**-6.1%**

Adjusted revenue (as defined above) declined by 6.1% from RUR 5,999 million for the three months ended 31 March 2012 to RUR 5,633 million for the three months ended 31 March 2013. This was primarily due to a 0.4% decrease in revenue-generating rail container transportation volumes by the Company's fleet in Russia and a 10.9% 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 three months ended 31 March 2013 and 2012 respectively.

	1Q 2013		1Q 2012		Period on period change	
	RUR mln	share, %	RUR mln	share, %	RUR mln	Percent
Rail-based container shipping services	1 979	35.1%	2 474	41.2%	-495	-20.0%
Adjusted integrated freight forwarding and logistics services	2 086	37.0%	1 956	32.6%	130	6.6%
Terminal services and agency fees	968	17.2%	869	14.5%	99	11.4%
Truck deliveries	314	5.6%	362	6.0%	-48	-13.3%
Other freight forwarding services	132	2.3%	208	3.5%	-76	-36.5%
Bonded warehousing services	93	1.7%	100	1.7%	-7	-7.0%
Other	61	1.1%	30	0.5%	31	103.3%
Total adjusted revenue	**5 633**	**100%**	**5 999**	**100%**	**-366**	**-6.1%**

The structure of the Adjusted Revenue changed in the first quarter of 2013 as compared to the same period of 2012. The share of rail-based container transportation services in thee Adjusted Revenue decreased from 41.2% in 2012 to 35.1% in 2013 while the share of integrated freight forwarding and logistics services, net of cost of integrated freight forwarding and logistics services, increased to 37.0% from 32.6%, the share of terminal services and agency fees increased to 17.2% whilst the share of other services decreased marginally.

Integrated freight forwarding and logistics services

Revenue from integrated freight forwarding and logistics services increased by 11.7% to RUR 5,011 million for the three months ended 31 March 2013.

The following table sets out adjusted integrated freight forwarding and logistics services calculation for the three months ended 31 March 2013 and 2012 respectively.

RUR million	1Q 2013	1Q 2012	Period on period change	Period on period percent change
Integrated freight forwarding and logistics services	5,011	4,486	525	11.7%
Cost of integrated freight forwarding and logistics services	2,925	2,530	395	15.6%
Adjusted revenue from integrated freight forwarding and logistics services	**2,086**	**1,956**	**130**	**6.6%**

Adjusted revenue from integrated freight forwarding and logistics services grew by 6.6% to RUR 2,086 million for the reporting period. This increase was primarily due to sustainable transportation volumes under integrated logistics contracts in Russia at 114 thousand TEU in the first quarter of 2013 and an increase in transportation volumes in Kazakhstan under through rate contracts to 15 thousand TEU.

Rail-based container transportation services

Revenue from rail-based container transportation decreased by 20.0% to RUR 1,979 million for the reporting period from RUR 2,474 million for the same period of 2012 mainly due to a decrease in revenue-generating transportation volumes, other than under integrated logistics contracts, in terms of TEU by 1.0% from 146 thousand TEU in the first quarter of 2012 to 144 thousand TEU in the first quarter 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 11.4% to RUR 968 million for the three months ended 31 March 2013 from RUR 869 million for the same period of 2012.

This increase was primarily due to an increase in terminal handling volumes of ISO container handling in Kazakhstan by KedenTransService's rail side terminals to 57 thousand TEU in the first quarter of 2013 representing a 64.8% increase over the first quarter of 2012 which resulted from taking over a new handling yard at the Dostyk station under a long-term lease agreement.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, decreased by 7.8% to RUR 380 million for the reporting period compared to RUR 412 million for the same period of 2012, as a result of a 10.9% decrease in TransContainer's terminal network throughput in Russia, partially offset by tariff indexing.

Truck deliveries

Revenue from truck deliveries decreased by RUR 48 million, or 13.3%, to RUR 314 million for the three months ended 31 March 2013 from RUR 362 million for the same period of 2012. This was due to a 13.6% reduction in container transportation volumes by the Company's own and outsourced truck fleet from 136 thousand TEU in 2012 to 118 thousand TEU in 2013, a result of 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, decreased by 36.5% from RUR 208 million to RUR 132 million. This decrease was primarily due a decrease in demand for added-value services amid the weak market environment.

Bonded warehousing services

Revenue from bonded warehousing services decreased by RUR 7 million, or 7.0%, to RUR 93 million for the three months ended 31 March 2013 from RUR 100 million for the same period of 2012 primarily due to a decrease in storage time.

Operating expenses

The following table sets out a breakdown of the Company's operating expenses for the three months ended 31 March 2013 and 2012 respectively.

RUR million	1Q 2013	1Q 2012	Period on period change	Period on period percent change
Cost of integrated freight forwarding and logistics services	2,925	2,530	395	15.6%
Payroll and related charges	1,143	1,173	-30	-2.6%
Freight and transportation services	1,111	1,268	-157	-12.4%
Materials, repair and maintenance	610	556	54	9.7%
Depreciation and amortisation	467	681	-214	-31.4%
Rent	283	125	158	126.4%
Taxes other than income tax	200	127	73	57.5%
Other operating expenses	452	368	84	22.8%
Total operating expenses	**7,191**	**6,828**	**363**	**5.3%**

TransContainer's total operating expenses grew by RUR 363 million, or 5.3%, to RUR 7,191 million for the three months ended 31 March 2013 from RUR 6,828 million for the three months ended 31 March 2012, primarily due to an increase in the cost of integrated freight forwarding and logistics service, rent, taxes other than income tax and operating other 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 three months ended 31 March 2013 and 2012 respectively.

	1Q 2013			1Q 2012		
	RUR mln	Percent of operating expenses	Percent of total revenue	RUR mln	Percent of operating expenses	Percent of total revenue
Cost of integrated freight forwarding and logistics services	2,925	40.7%	34.2%	2,530	37.1%	29.7%
Freight and transportation services	1,111	15.4%	13.0%	1,268	18.6%	14.9%
Payroll and related charges	1,143	15.9%	13.4%	1,173	17.2%	13.8%
Depreciation and amortisation	467	6.5%	5.5%	681	10.0%	8.0%
Materials, repair and maintenance	610	8.5%	7.1%	556	8.1%	6.5%
Taxes other than income tax	200	2.8%	2.3%	127	1.9%	1.5%
Rent	283	3.9%	3.3%	125	1.8%	1.5%
Other expenses	452	6.3%	5.3%	368	5.4%	4.3%
Total operating expenses	**7,191**	**100.0%**	**84.0%**	**6,828**	**100.0%**	**80.1%**

As a percentage of the total revenue, total operating expenses increased from 80.1% for the three months ended 31 March 2012 to 84.0% for the three months ended 31 March 2013, primarily due to an increase in operating expenses exceeding the increase in total revenue. As a percentage of total revenue, costs related to freight and transportation services decreased from 14.9% in 2012 to 13.0% in 2013; cost of integrated freight forwarding and logistics services increased from 29.7% in 2012 to 34.2% in 2012;

share of costs for materials, repair and maintenance increased from 8.1% in 2012 to 8.5% in 2013 as a percentage of total revenue, share of depreciation and amortisation in total revenue decreased from 10.0% to 5.5%.

Cost of integrated freight forwarding and logistics services

Costs of integrated freight forwarding and logistics services increased by 15.6%, to RUR 2,925 million for the three months ended 31 March 2013 from RUR 2,530 million for the same period of 2012, driven predominantly by an increase in volume of outsourced transportation services involved in TransContainer's integrated logistics solutions, 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 three months ended 31 March 2013 and 2012 respectively.

RUR million	**1Q 2013**	**1Q 2012**	**Period on period change**	**Period on period percent change**
Total operating expenses	7,191	6,828	363	5,3%
Cost of integrated freight forwarding and logistics services	2,925	2,530	395	15,6%
Adjusted operating expenses	**4,266**	**4,298**	**-32**	**-0,7%**

Adjusted operating expenses, as defined above, decreased by 0.7% to RUR 4,266 million for the three months 31 March 2013 from RUR 4,298 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 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 three months ended 31 March 2013 and 2012 respectively.

	1Q 2013		**1Q 2012**		**Period on period change**	
	RUR mln	**Percent of adjusted operating expenses**	**RUR mln**	**Percent of adjusted operating expenses**	**RUR mln**	**Percent change**
Freight and transportation services	1,111	26.0%	1,268	29.5%	-157	-12.4%
Payroll and related charges	1,143	26.8%	1,173	27.3%	-30	-2.6%
Depreciation and amortisation	467	10.9%	681	15.8%	-214	-31.4%
Materials, repair and maintenance	610	14.3%	556	12.9%	54	9.7%
Taxes other than income tax	200	4.7%	127	3.0%	73	57.5%
Rent	283	6.6%	125	2.9%	158	126.4%
Other expenses	452	10.6%	368	8.6%	84	22.8%
Adjusted operating expenses	**4,266**	**100.0%**	**4,298**	**100.0%**	**-32**	**-0.7%**

Payroll and related charges

Payroll and related charges decreased by RUR 30 million, or 2.6%, to RUR 1,143 million for the three months ended 31 March 2013 from RUR 1,173 million for the same period of 2012. This decrease was a result of several factors set out below:

i) a decrease in the average headcount of 2.7% in TransContainer;
ii) a decrease in performance-linked payments to the Company's personnel;

iii) partial release of provisions related to the Company's stock option programme due to partial vesting of its first tranche;

iv) a scheduled indexing of base salaries.

Freight and transportation services

Expenses relating to freight and transportation services decreased by RUR 157 million, or 12.4%, to RUR 1,111 million for the three months ended 31 March 2013. This decrease was mainly due to a number of factors set out below:

i) a decrease in empty run ratio of containers from 39.3% in 2012 to 29.2% in 2013;

ii) a decrease in rail-based transportation by the Company's own containers by 9.7% from 227 thousand TEU in 2012 to 205 thousand TEU in 2013.

These factors were partially offset by:

i) a 6% increase in tariffs charged for empty runs 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.

Depreciation and amortisation

Depreciation and amortisation decreased by 31.4% to RUR 467 million in the first quarter of 2013 from RUR 681 million for the same period of 2012 primarily due to extension of depreciable lives of certain fixed assets conducted in 2013 which led to a decrease in accumulated depreciation for the reporting period of RUR 214 million.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance increased by 9.7%, to RUR 610 million for the first three months of 2013 from RUR 556 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 20% 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 57.5% to RUR 200 million for the three months ended 31 March 2013 from RUR 127 million for the same period of 2012 primarily due to VAT settlements.

Rent

Rent expenses grew by RUR 158 million, or 2.3 times to RUR 283 million in the reporting period from RUR 125 million in the same period of 2012, primarily due to growth in expenses related to rent of third parties' rolling stock by JSC KedenTransService as well as to 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, licenses and software, communication services, loss on sale of fixed assets etc. Other expenses increased by 22.8% to RUR 452 million in the first quarter of 2013 from RUR 368 million in the first quarter of 2012, primarily due to an increase in expenses related to fuel and energy, consulting services and loss on sale of fixed assets, partly offset by a decrease in expenses for license and software and communication costs.

Operating profit

Operating profit decreased by RUR 251 million, or 13.6%, to RUR 1,595 million for the three months ended 31 March 2013 from RUR 1,846 million in the same period of 2012, as a result of the factors discussed above.

Interest expense

Interest expenses decreased by RUR 7 million, or 3.3%, to RUR 208 million for the first three months of 2013 from RUR 215 million for the same period of 2012 due to a refinancing of maturing RUR bonds series 1 and loans obtained from OJSC Alfa Bank by newly issued RUR bonds series 4 as well as due to the redemption of bonds of JSC KedentTansService in April 2012 and redemption of the financial lease obligations throughout 2012.

Interest income

Interest income increased by RUR 25 million to RUR 66 million in the first quarter of 2013 from RUR 41 million for the same period of 2012 due to an increase in cash balances in deposit accounts resulting primarily from an accumulation of cash in anticipation of redemption of series 01 bond of JSC TransContainer at the beginning of 2013.

Profit before income tax

Profit before income tax decreased by RUR 78 million, or by 5.1%, from RUR 1,532 million for the three months ended 31 March 2012 to RUR 1,454 million for the three months ended 31 March 2013. This increase was due to the factors discussed above.

Income tax expenses

Income tax expenses increased by RUR 12 million, or 3.6%, to RUR 346 million in the first three months of 2013 from RUR 334 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 23.8% in 2013 compared to 21.8% in 2012.

Profit and Total comprehensive income for the period

As a result of the factors discussed above the profit for the three months ended 31 March 2013 decreased by RUR 90 million, or 7.5% to RUR 1,108 million compared with RUR 1,198 million for the same period of 2012. Taking into account the exchange differences in translating foreign operations, the total comprehensive income for the reporting period totaled RUR 1,164 million compared to RUR 940 million for the first three months of 2012, up 23.8%.

Liquidity and Capital Resources

As of 31 March 2013 the Company's net cash and cash equivalents amounted to RUR 2,037 million and the Company's current assets exceeded current liabilities by RUR 4,394 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 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 three months ended 31 March 2013 and 2012 respectively.

	1Q 2013	**1Q 2012**
Net cash provided by operating activities	1,715	1,878
Net cash used in investing activities	-1,110	-170
Net cash provided by financing activities	106	-70
Net increase in cash and cash equivalents	711	1,638
Net cash and cash equivalents at the end of the period	**2,037**	**3,836**

Cash flow generated by operating activities

Cash flow generated by operating activities decreased by RUR 163 million, or 8.7%, to RUR 1,715 million for the three months ended 31 March 2013 from RUR 1,878 million for the same period of 2012. This was primarily due to a decrease in operating profit before working capital changes by RUR 420 million, or 16.3%, from RUR 2,582 million for the first three months of 2012 to RUR 2,162 million in 2013. This decrease was partially offset by changes in working capital.

Cash flow used in investing activities

Cash flow used in investing activities increased by RUR 940 million, or 6.5 times, to RUR 1,110 million for the three months ended 31 March 2013 from RUR 170 million for the same period of 2012. This increase was primarily due to an increase of RUR 1,644 million in short-term investments which was partially offset by a decrease in the purchase of property, plant and equipment by RUR 296 million.

Cash flow generated by financing activities

Cash flow generated by financing activities turned to positive RUR 106 million in the first quarter of 2013 from negative RUR 70 million for the same period of 2012, primarily due proceeds from issuance of the RUR bonds series 4 remaining after redemption of the RUR bonds series 1 and bank loans.

Capital Expenditure

Capital expenditure decreased by RUR 296 million, or 49.3%, to RUR 305 million in the first quarter of 2013 from RUR 601 million in the first quarter of 2012. The majority of the capital expenditure was a result of the acquisition of ISO containers, construction and other investments. During 2012 the Company acquired 1,005 units of ISO containers.

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 is budgeted at RUR 9.1 billion (excluding VAT), subject to market conditions, of which up to RUR 4.4 billion may be spent on the acquisition of new flatcars (including leasing); up to RUR 1.7 billion on the upgrade and modernisation of the Company's key rail-side terminals; up to RUR 1.2 billion on the acquisition of containers and up to RUR 1.8 billion on other capital expenditure items such as lifting equipment, trucks and other equipment. The actual capital expenditure amount is subject to the market environment and 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 31 March 2013, the Company's financial indebtedness consisted of two outstanding bond issues, financial lease obligations and other borrowings in an aggregate amount of RUR 9,346 million compared to RUR 9,188 million as of 31 December 2012. As of 31 March 2013, the Company's net debt was RUR 5,112 million.

As of 31 March 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.

RUR bonds series 1

On 4 March 2008, the Company issued non-convertible five-year bonds for a total amount of RUR 3,000 million at a par value of RUR 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.

RUR bonds series 2

On 10 June 2010, the Company issued non-convertible five-year amortising bonds for a total amount of RUR 3,000 million at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 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 31 March 2013 the short-term portion of long-term bonds equals RUR 750 million and this amount has been included as short-term debt in the interim condensed consolidated statement of financial position. As at 31 March 2013 the carrying value of the bonds amounted to RUR 2,236 million (RUR 2,232 million as at 31 December 2012). The amount of accrued interest is RUR 83 million (RUR 22 million as at 31 December 2012), and has been included as short-term debt in the interim condensed consolidated statement of financial position.

RUR bonds series 4

On 1 February 2013, the Company issued non-convertible five-year bonds for a total amount of RUR 5,000 million at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 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 31 March 2013 the carrying value of the bonds amounted to RUR 4,988 million. The amount of accrued interest is RUR 67 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 RUR 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 RUR 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 31 March 2013 was RUR 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 three months ended 31 March 2013.

	31 March 2013	**31 December 2012**
Current assets		
Inventory	362	334
Trade and other receivables	1,951	1,262
Prepayments and other current assets	3,609	4,434
Prepaid income tax	67	132
Short-term investments	2,197	1,339
Cash and cash equivalents	2,037	1,318
Total current assets	**10,223**	**8,819**
Current liabilities		
Trade and other payables	3,460	3,773
Short-term debt	900	5,695
Income tax payable	207	168
Taxes other than income tax payable	413	367
Provisions	1	10
Finance lease obligations current maturities	93	94
Accrued and other current liabilities	755	789
Total current liabilities	**5,829**	**10,896**

Working capital	4,394	-2,077

Working capital increased by RUR 6,471 million from negative RUR 2,077 million as at 31 December 2012 to positive RUR 4,394 million at the end of the reporting period. This increase was primarily due to a redemption of RUR 4,795 million in short-term debt and an increase in short-term investments by RUR 858 million and in cash and cash equivalents by RUR 719 million.

Downloads

The consolidated financial statements for the three months ended 31 March 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

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