

FINANCIAL RESULTS

FINANCIAL REVIEW

The review provides an analysis of TransContainer's data (combined with subsidiaries) based on consolidated financial results for 2020 in accordance with international financial reporting standards (IFRS). In 2020, in the face of uncertainty and severe macroeconomic instability, the Company demonstrated an increase in operating and financial results, strengthened the position in the industry, continued to expand the network of routes and improve the quality of customer services¹.

The financial results are based on:

- the Company's success in provision of production assets for the business, i.e. the average railcar fleet had been increased by 14.6% compared to 2019 with a railcar turnover speedup to 11.9 days (-3.9% year-on-year), a technology was adopted to exchange the railcar fleet with partner companies and to use the third-party containers in scope of up to 8% of the Company's fleet;
- development of operations in a number of market segments: increasing traffic volumes in cooperation with the Vostochniy port, the return of the Company to the transit market through Kazakhstan for the first time since TransContainer withdrawal from JSC UTLC and sale of JSC Kedentransservice;
- increase in management and operational efficiency - a record-high level of labour productivity was achieved in transportations (745 TEUs/person-year, +19.9% compared to 2019) and adjusted revenue (RUB 1,024 thousand / person-month, +10.1% compared to 2019), and the container empty run ratio was minimum for the last five years (17.0%, -0.2 p. p. year-on-year).

Key Financial Indicators of the Company (RUB mln)

Item	2020	2019	Year-on-year change	
			RUB mln	%
Total revenue	103,497	86,179	17,318	20.1
Adjusted revenue ²	40,776	37,896	2,880	7.6
Adjusted expenses ^{2,3}	26,701	23,286	3,415	14.7
EBITDA ⁴	22,645	19,987	2,658	13.3
Adjusted EBITDA margin ⁵ (%)	55.5	52.7	-	3 p. p.
Profit for the period	12,659	11,750	909	7.7
Adjusted net profit margin ⁵ (%)	31.0	31.0	-	0 p. p.
Debt	63,223	22,352	40,871	182.9
Net debt ⁶	54,631	18,772	35,859	191.0
LTM EBITDA ⁷	22,645	19,987	2,658	13.3
Net debt / LTM EBITDA	2.41	0.94	1.47	-
Equity capital	22,509	48,434	-25,925	-53.5
Return on equity (%)	56.2	24.3	-	32 p. p.

¹ The review provides an analysis of TransContainer's data (combined with subsidiaries) based on consolidated financial results for 2020 in accordance with international financial reporting standards (IFRS).

² Adjusted Revenue is calculated as total revenue less cost of integrated freight forwarding and logistics services.

³ Adjusted Operating Expenses are calculated as operating expenses less cost of integrated freight forwarding and logistics services.

⁴ EBITDA is defined as profit for the period before income tax, interest expense and depreciation and amortisation.

⁵ Adjusted EBITDA Margin is defined as EBITDA divided by Adjusted Revenue.

⁶ Net Debt is calculated as long-term debt, finance lease obligations, short-term debt and current portion of the long-term debt less cash and cash equivalents.

⁷ LTM EBITDA is calculated as EBITDA for the past 12 months.

The volumes of revenue-generating transportations controlled by the Company increased by 16.2% year-on-year, to 1,946 thousand TEUs, and the adjusted revenue raised by 7.6% year-on-year and amounted RUB 40,776 mln with net revenue of 12,659 mln (7.7% increase year-on-year).

The key indicators of the Company's economic efficiency - net profit margin and return on equity - were 31.0 and 56.2% correspondingly.

As at 31 December 2020, the Company's total debt was RUB 63,223 mln with net debt of only RUB 54,631 mln, bringing the net debt to EBITDA ratio to 2.4x.

Key Financial Indicators of the Company (RUB mln)

Item	2020	2019	Year-on-year change	
			RUB mln	%
Total revenue	103,497	86,179	17,318	20.1
Other operating income	1,224	1,161	63	5.4
Operating expenses	-89,422	-71,569	-17,853	24.9
Operating profit	15,299	15,771	-472	-3.0
Interest expenses	-1,856	-1,118	-738	66.0
Interest income	522	368	154	41.8
Foreign exchange gain, net	292	-229	521	-227.5
Share of result of associates and JVs	102	583	-481	-82.5
Other financial results, net	1,861	21	1,840	8,761.9
Profit before income tax	16,220	15,396	824	5.4
Income tax expenses	-3,561	-3,646	85	-2.3
Profit for the period	12,659	11,750	909	7.7
Other comprehensive income	1,239	-555	1,794	-323.2
Remeasurements and other reserves for post-employment benefit plans	144	-131	275	-209.9
Exchange rate differences from the conversion of other foreign divisions into the presentation currency	212	-75	287	-382.7
Share in the conversion of financial information on joint ventures into the presentation currency	883	-349	1,232	-353.0
Total comprehensive income	13,898	11,195	2,703	24.1

ADJUSTMENTS AND ADDITIONAL FINANCIAL INFORMATION

The majority of the TransContainer'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. In particular, such charges include the value of railway tariffs and the third-party charges related to principal activities.

Third-party expenses, including railway tariff, are included in operating expenses on the services of third-parties belonging to core activities.

For analytical purposes, the Company includes the third parties' share in the Company's revenues and expenses.

Adjusted Revenue (RUB mln)

Item	2020	2019	Year-on-year change	
			RUB mln	%
Total revenue	103,497	86,179	17,318	20.1
Third-party charges related to principal activities	-62,721	-48,283	-14,438	29.9
Adjusted revenue¹	40,776	37,896	2,880	7.6

Adjusted Revenue Related to Integrated Freight Forwarding and Logistics Services (RUB mln)

Item	2020	2019	Year-on-year change	
			RUB mln	%
Integrated freight forwarding and logistics services	96,665	79,895	16,770	21.0
Third-party charges related to integrated freight forwarding and logistics services	-62,721	-48,283	-14,438	29.9
Adjusted revenue related to integrated freight forwarding and logistics services	33,944	31,612	2,332	7.4

Operating Expenses Adjustment (RUB mln)

Item	2020	2019	Year-on-year change	
			RUB mln	%
Operating expenses	89,422	71,569	17,853	24.9
Third-party charges related to principal activities	-62,721	-48,283	-14,438	29.9
Adjusted operating expenses	26,701	23,286	3,415	14.7

Some items used, such as adjusted revenue, adjusted operating expenses, EBITDA, adjusted EBITDA margin and adjusted net profit margin, are not IFRS financial metrics and constitute supplementary indices of the

Company's operating activities. They are used as additional analytical tools with limited applicability, so they shall be used neither separately nor together instead of IFRS metrics.

TOTAL REVENUE

The revenue includes three main components: integrated freight forwarding and logistics services, agency services and other services.

Integrated freight forwarding and logistics services are a package of services that includes container transportation, processing at container terminals, trucking, forwarding and logistics services. As relates to the method of provision, it is an all-inclusive single price service.

The Company acts on behalf of the Russian Railways as an agent in providing mandatory rail services to all users of the railways at the Group's terminals defined by the legislation of the Russian Federation as sites of common use. The Company acts as an intermediary (agent) between the customers and the Russian Railways for a commission.

Other services of the Company include the following: rolling stock and container fleet operation, terminal service, other freight forwarding, trucking.

¹ Revenue less cost of co-contractors.