Globaltrans

Russia's leading freight rail group

HERE FOR THE LONG HAUL

Annual Report 2014

Globaltrans is a leading freight rail transportation group operating in Russia, the CIS and the Baltic countries.

"In what was a challenging year for both the freight rail transportation sector and Russia in general, the Group was nonetheless able to maintain its market share and produce a respectable overall performance. This achievement was a result of our balanced fleet supported by our long-term service contracts, which together provided a solid footing for us to navigate the challenges in 2014.

The resilience of our operational performance was encouraging, with the Group increasing freight rail turnover while demonstrating a high level of operational efficiency."

Sergey Maltsev, Chief Executive Officer, Executive Director, member of the Board

See CEO's Review ***Page 10*** *>>*

The images included in this Annual Report were provided by Globaltrans and OJSC Russian Railways.

2014 HIGHLIGHTS

Freight Rail Turnover up 3% year-on-year to 159.7 billion tonnes-km

+3%

*See Operational Performance **Page 18** >>*

Market Share maintained at 8.4%

8.4%

*See Operational Performance **Page 18** >>*

The share of Net Revenue from Operation of Rolling Stock covered by long-term service contracts

>60%

*See Our Clients and Partners **Page 28** >>*

Empty Run Ratio for gondola cars maintained at 38%, the lowest level in the last five years

38%

*See Operational Performance **Page 18** >>*

Solid operational performance

> Freight Rail Turnover up 3% year-on-year with solid performance in priority segments;
> Sustainably high operational efficiency with Empty Run Ratio for gondola cars at 38%;
> More than 60% of Net Revenue from Operation of Rolling Stock is covered by long-term service contracts[1].

Efficient cost control, strong Free Cash Flow

> Adjusted Revenue down 7% year-on-year to RUB 41,890 million*, largely driven by weak pricing environment in the gondola segment;
> Total Operating Cash Costs up 2% year-on-year, below the growth of Freight Rail Turnover, mitigating the impact of inflation;
> Adjusted EBITDA Margin of 42%* with Adjusted EBITDA of RUB 17,560 million*, down 16% year-on-year;
> Strong Free Cash Flow of RUB 11,907 million*, down 13% year-on-year.

Continued focus on deleveraging

> Continued deleveraging, with Net Debt down 21% year-on-year to RUB 23,658 million*, Net Debt to Adjusted EBITDA at 1.3x*;
> The Board of Directors recommends to prioritise deleveraging and forgo a dividend for 2014 due to preference for use of cash flow for debt repayments, given current borrowing environment with excessive RUB interest rates and continued weak pricing.

1 In 2014; Including service contracts with Rosneft, MMK and Metalloinvest.

Summary of presentation of financial and other information
All financial information presented in this Annual Report is derived from the consolidated financial statements of Globaltrans Investment PLC (the "Company" or, together with its subsidiaries, "Globaltrans" or the "Group") and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113 ("EU IFRS"). The Group's consolidated financial statements for the year ended 31 December 2014 are included in the Financial Statements section of this Annual Report. Financial statements for prior years can be found on Globaltrans' corporate website (www.globaltrans.com/download-centre). The presentation currency of the Group's consolidated financial statements was changed from US Dollars to Russian Roubles ("RUB") effective from the results for the year ending 31 December 2014. The Company believes that the presentation of financial results in RUB, which is the functional currency of the Company as well as its Cypriot and Russian subsidiaries, provides greater transparency given the recent volatility of the RUB exchange rate and provides shareholders with a more accurate reflection of the Group's underlying performance. Certain financial information which is derived from management accounts is marked in this Annual Report with an asterisk (*). In this Annual Report the Group has used certain non-GAAP financial information (not recognised by EU IFRS or IFRS) as supplementary explanations of the Group's operating performance. Non-GAAP information and operational measures requiring additional explanation or defining are marked with initial capital letters and the explanations or definitions are provided on pages 179-180 of this Annual Report. Rounding adjustments have been made in calculating some of the financial and operational information included in this Annual Report. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

This Annual Report including its appendices may contain forward-looking statements regarding future events or the future financial performance of the Group. Forward-looking statements can be identified by terms such as expect, believe, estimate, anticipate, intend, will, could, may, or might, and the negative of such terms or other similar expressions. By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. The Group cautions that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Group operates may differ materially from those described in or suggested by the forward-looking statements contained in this Annual Report. For a detailed description of the presentation of financial and other information, please see pages 181-182 of this Annual Report.

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Up-to-date information can be found on our corporate website:

www.globaltrans.com

At a Glance

Globaltrans is a rail transportation group focused exclusively on the freight logistics sector in Russia, the CIS and the Baltic countries. It provides sophisticated transportation and logistics solutions to companies in key industries, including metals, mining, and oil and gas.

A LEADING RAIL GROUP SERVING BUSINESSES ACROSS THE WORLD'S LARGEST COUNTRY

Our business

Large, modern fleet
Globaltrans operates a Total Fleet of about 66,000 units[2] of rolling stock, most of which belong to the Group. Our Owned Fleet is among the most modern in the industry, with an average age of just nine years[2]. The core of the fleet consists of universal gondola cars and rail tank cars.

Effective operational platform
Our operational platform is built on industry-leading logistics and best-in-class route management. This combination enables the Group to deliver best-in-class service, high levels of fleet utilisation and low Empty Runs.

Established blue-chip client base
Globaltrans is a trusted partner of leading industrial groups that supply international customers from Russia and the CIS countries. Our partners operate primarily in the metallurgical, industrial materials and energy sectors, where we assist them with sophisticated transport solutions.

Balanced business model
Balance is achieved by running a fleet split between gondola and rail tank cars, supported by long-term service contracts and best-in-class logistics.

Public and committed to international governance standards
Over 50% of Globaltrans' shares are held by third parties, mainly international investors, and the Group is committed to protecting and promoting the interests of its shareholders through the application of robust governance standards and effective risk controls. The Board is headed by an Independent Non-Executive Chairman and comprises an experienced and well-balanced team, including three additional Independent Non-Executive Directors.

Our logistics

Sophisticated logistics
Our deep understanding of managing complex logistics is key to our success. Effective route management provides "win-win" situations, saving our clients time, and therefore money, while delivering productivity gains for the Group.

High fleet utilisation
Our centralised gondola logistics system simplifies the complex task of fleet management and dispatch and helps us to maintain high levels of utilisation and efficiency across our rolling stock.

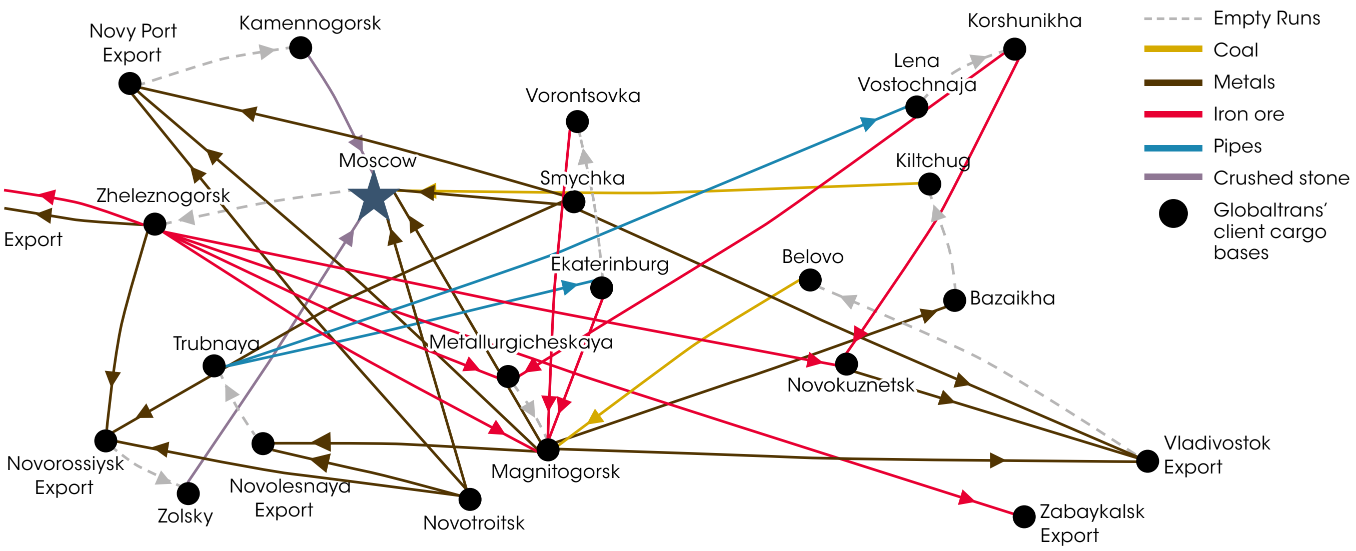
Enhanced service
Thanks to our investments in rolling stock, our customers can access one of the largest, most modern fleets in the network, guaranteeing greater reliability and service quality.

Sizeable long-term contracts
Globaltrans' long-term service contracts offer key clients tailored freight rail solutions that improve the speed and reliability of cargo off-take and reduce costs for the customer. The logistics of interconnected plants facilitates the efficient matching of inbound and outbound traffic (ore, metals and coal) thus minimising Empty Runs for Globaltrans' gondola fleet.

Improved delivery times
Block train logistics enables effective transportation solutions for both the customer and Globaltrans. By introducing cargo or client-specific block trains all bound for the same direction, we can dispense with the time-consuming need to couple and decouple individual railcars at multiple sorting stations. This enables us to greatly increase our railcars' average daily distance, thereby improving delivery times and rolling stock utilisation. Globaltrans uses this process widely to transport oil products and oil by rail.

2 As of the end of 2014.

OUR GONDOLA CARS LOGISTICS: KEY ILLUSTRATIVE ROUTES



Source: Globaltrans

Our Empty Run Ratio for gondola cars

Source: Globaltrans

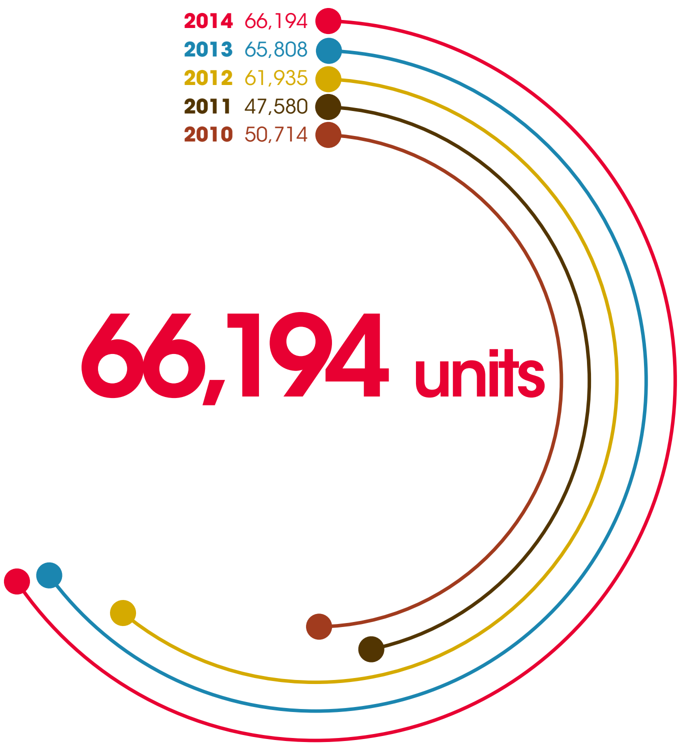
Our Total Empty Run Ratio

Source: Globaltrans

Average age of our Owned Fleet, as of the end of 2014

8.7 years

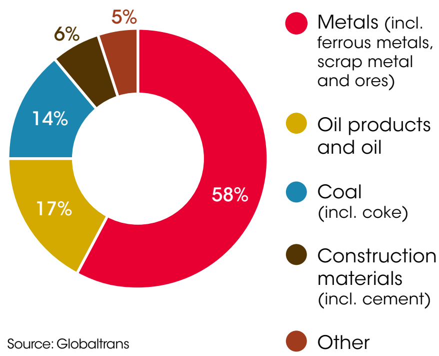
Our Total Fleet, as of the end of 2014



Source: Globaltrans

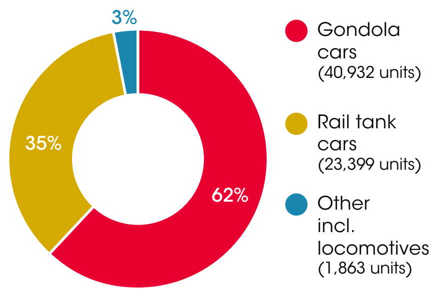
Our Freight Rail Turnover by freight, 2014

159.7 billion tonnes-km



Source: Globaltrans

Our Total Fleet by type of rolling stock, as of the end of 2014



Source: Globaltrans

EXCEPTIONAL EXPERIENCE

Our management team brings together individuals with a strong background in the railway sector as well as a broader range of industrial experience. The team possesses a highly entrepreneurial management style that has enabled the Group to grow over time and to adapt quickly to the developing market. Their insight and commitment to growing the business is crucial to the long-term future of Globaltrans.

Sergey Maltsev
Chief Executive Officer, Executive Director, member of the Board

Mr Maltsev co-founded Globaltrans and has been instrumental in the development of the private freight rail market in Russia, which has seen him recognised as an "Honoured Railwayman of Russia". He has spent more than 25 years working in the rail sector.

Alexander Shenets
Chief Financial Officer

Mr Shenets has been the CFO of Globaltrans since the Group's establishment. He has more than 12 years of experience in senior finance positions, mostly in the rail sector and he has previously held positions at numerous transportation companies.

Valery Shpakov
First Deputy Chief Executive Officer, CEO of New Forwarding Company

Mr Shpakov joined New Forwarding Company (a subsidiary of Globaltrans) in 2003 and has been its CEO since 2007. He is an experienced manager with a track record of over 30 years in the rail industry. He began his career in the private sector in 1999 and has held managerial positions at various companies in the transport sector. He is also a recipient of the "Honoured Railwayman of Russia" Award.

Vladimir Prokofiev

Deputy Chief Executive Officer, CEO of BaltTransServis

Mr Prokofiev has served as CEO of BaltTransServis (a Globaltrans subsidiary) since 1999. With more than 40 years of experience in the rail sector, he is one of the industry's most experienced managers. He is also a recipient of the "Honoured Railwayman of Russia" Award.

Irina Alexandrova

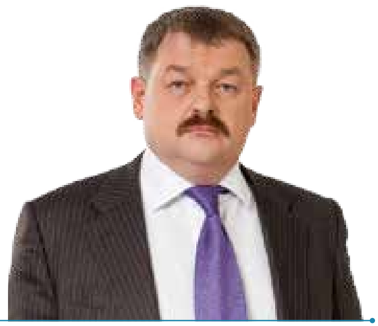
Deputy Chief Executive Officer, CEO of GTI Management

Ms Alexandrova, the Group's Deputy Chief Executive Officer, has served as CEO of GTI Management (the Globaltrans subsidiary created through the recent merger of Sevtechnotrans and Ferrotrans) since September 2006. She has more than 15 years of management experience in the railway industry.

Vyacheslav Stanislavsky

Deputy Chief Executive Officer, Operations

Mr Stanislavsky has worked for New Forwarding Company (a subsidiary of Globaltrans) as Deputy General Director for Operations and Commerce since March 2010 and as First Deputy General Director since April 2011. He has more than 30 years of experience in the rail industry.



Alexander Storozhev

Chief Procurement Officer, Executive Director, member of the Board

Mr Storozhev joined the Group in 2003 and has worked in senior management positions of the railway sector for over 20 years. His main responsibility is the procurement of new rolling stock and he was the driving force behind the successful implementation of the Group's capital investment programmes.

Roman Goncharov

Head of Treasury

Mr Goncharov has served as CFO of New Forwarding Company (a subsidiary of Globaltrans) since 2007 and has over 12 years of management experience. His qualifications include an MBA from the Moscow International School of Business.

We have a long history of successful growth, including as a publicly listed company for the last six years.

HERE FOR THE LONG HAUL

OUR HISTORY

2004

Establishment of Globaltrans.

2008

> Globaltrans conducts its initial public offering ("IPO"), the first by a Russia-focused freight rail company, on the London Stock Exchange, creating a free-float of more than 30%.
> Acquisition of leasing businesses in Estonia.
> Total Fleet of about 27,000 units.

2009

> Successful SPO to finance business expansion.
> Acquisition of 50% stake[3] in BaltTransServis, now a key subsidiary that operates rail tank cars and locomotives.
> Total Fleet exceeds 37,000 units.

3 Increased to 60% in 2011.

2010

> Business expansion through acquisition of new rolling stock and increase in leased-in fleet.
> Total Fleet exceeds 50,000 units.

2011

Globaltrans is an entrepreneurial success story, born out of the reform of the freight rail sector in Russia in the early 2000s. It is the creation of a group of visionary entrepreneur-managers who saw the opportunity to establish a modern, dynamic freight rail company and challenge the accepted order.

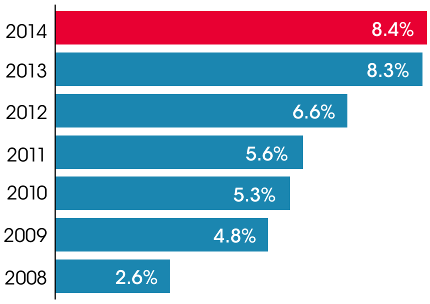
Our highly experienced management team has been with the business since the beginning and has built a strong track record, particularly for its successful stewardship of the Group during the recent market downswings. Innovation continues to be a strong feature of the Group, with the management continually adapting to changes in the sector.

As a result, Globaltrans has been a pioneer of the industry and was the first in the Russian freight rail sector to:

- Focus on gondola logistics and tailored IT solutions;
- List its shares on an international exchange, providing it with access to international funding and equity financing; and
- Enter into long-term outsourcing arrangements with key clients.

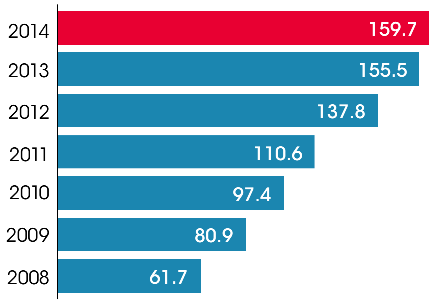
We pride ourselves on our ability to adapt to industry conditions and we retain a flexible and opportunistic approach to making investments focused on returns. We have done this by using the proceeds from our 2009 secondary public offering ("SPO") to buy new railcars at attractive prices and our 2012 SPO to buy captive rail operators for growth. Thanks to our innovation and dynamism, we have more than doubled the size of our fleet over the last six years.

Total Market Share



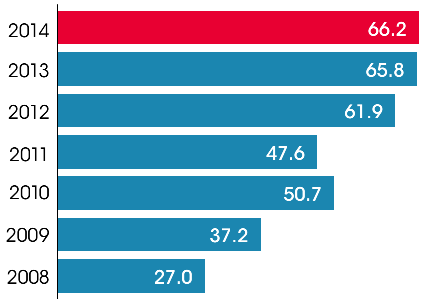
Source: Globaltrans

Freight Rail Turnover, billion tonnes-km



Source: Globaltrans

Total Fleet, thousand units, year-end



Source: Globaltrans

See Operational Performance ***Page 18*** *>>*

2012

- Captive rail operator of Metalloinvest acquired and three-year service contract signed.
- Large-scale investments in new rolling stock, substitution of leased-in fleet with owned railcars.
- Successful SPO to finance growth.
- Total Fleet exceeds 61,000 units.

2013

- Continued market consolidation through the acquisition of MMK's captive rail freight operator and a five-year service contract signed.
- Creation of single gondola dispatching centre, with all 40,000 gondola cars now centrally operated.
- Total Fleet exceeds 65,000 units.

2014

- Expansion CAPEX programme placed on hold due to market conditions.
- Long-term service contracts generate more than 60% of Net Revenue from Operation of Rolling Stock after successful extension of Rosneft service contract.
- Reorganisation of subsidiaries to drive efficiency and cost cutting.
- Total Fleet exceeds 66,000 units.

2015

"Globaltrans' growth is based on a business model that is designed for the long haul, yet flexible enough to manage short-term fluctuations and rapid changes in market conditions."

MICHAEL ZAMPELAS
Chairman, Independent Non-Executive Director

POSITIVE LONG-TERM INDUSTRY PROSPECTS

In 2014 the Russian economy, already affected by slowing output, was hit by decreasing oil prices and currency devaluation.

Prices in the freight rail sector remained weak, primarily in the gondola car segment. Unsurprisingly, our financial performance suffered, with Adjusted Revenue down 7% and Adjusted EBITDA down 16% year-on-year.

More positively, the Group posted a resilient operational performance. We were able to increase Freight Rail Turnover by 3% year-on-year, assisted by our long-term contracts and well-balanced fleet. Moreover, the management continued to control costs well, as the Group's Operational Cash Costs grew more slowly than Freight Rail Turnover, mitigating the effect of inflation.

We continued to be prudent in capital allocation, keeping the Group's expansion CAPEX on hold and focusing on further deleveraging.

Governance

Having completed my second year as Independent Chairman, I am pleased to report that the Board is successful and has been actively engaged in supporting management and upholding its commitment to transparency and governance. Collaboration among Board members is excellent and our ability to draw on a wider range of relevant skills and experience has resulted in better decision-making. Our Independent Non-Executives are highly involved and the Board's relationship with the executive team is productive.

The introduction of a unified Board structure across some of our subsidiary companies has also made our governance framework more effective and transparent.

Market Share maintained at 8.4%

8.4%

Net Debt decreased 21% year-on-year to RUB 23,658 million* at the end of 2014

-21%

"Our excellent reputation for client service is due to the everyday actions of our people."

During 2014, the Board was active on numerous fronts, including:

> Defining a more detailed set of measurements introduced to improve management benchmarking and increase accountability; and
> Increasing scrutiny of the Group's finance, risk management and operational systems to ensure that the appropriate processes were embedded within the reporting mechanisms and staff culture.

Going forward, the Board will continue to monitor operational performance and business efficiency. The Board also remains fully focused on the issue of cash generation in order to reduce leverage further and maintain Globaltrans' reputation for financial discipline.

In summary, I lead a Board with an outstanding set of skills and experience that is committed to best practice in corporate governance.

Strategy

Transforming Russia's rail infrastructure into a modern, productive network remains a multi-decade project and our Group was built with this timeframe in mind. Globaltrans' growth is based on a business model that is designed for the long haul, yet flexible enough to manage short-term fluctuations and rapid changes in market conditions.

In 2014, while our core strategy remained unchanged, the Board focused on preserving the Group's long-term competitive position and protecting shareholder value. Therefore, management efforts concentrated much more on service quality, cost containment and operational performance.

Our long-term focus on client service is evident by the fact that we secured a number of significant extensions to existing major contracts in 2014 from clients who recognise our strong commitment to them. Long-term service contracts account for a large proportion of our freight volumes and enable us to keep fleet logistical efficiency levels high. More than 60% of the Group's Net Revenue from Operation of Rolling Stock now comes from such long-term contracts, which are mutually beneficial.

Cash management conservatism is another key pillar of our strategy. A strong balance sheet means we have an ability to pursue value-enhancing opportunities. But it is also vital that our clients view our Group as a stable, low-risk partner, particularly where we are delivering large-scale outsourcing projects on their behalf. In 2014, we worked hard to retain our balance sheet flexibility and succeeded in reducing Net Debt by 21% during the year.

Dividend

Appropriate shareholder remuneration has always been a priority for the Board, as demonstrated by the Group's consistent distribution track record since listing on the London Stock Exchange in 2008. However, dividend decisions are always made considering a broad framework of factors impacting the Group's performance and outlook. Due to the current environment categorised by excessive interest rates on RUB borrowings and continued downward pressure on pricing, primarily in the gondola segment, the Board has recommended not to pay a dividend in respect of the 2014 financial year and to apply cash for debt repayments. This decision will enable Globaltrans to focus on further debt reduction and position the Group to take advantage of opportunities that the market may present in the future. The Board will revisit the decision regarding the dividend in the next 12 months.

Our people

Our excellent reputation for client service is due to the everyday actions of our people. During this challenging period for Globaltrans, our employees have continued to deliver superior levels of service and unstinting support and added value to our customers. On behalf of the Board, I would like to thank all our people for their hard work and ongoing commitment to the Group.

Summary

The immediate prospects for the industry remain challenging. Nonetheless, we should not lose sight of the fact that the long-term prospects for the freight industry are positive. Rail continues to be the main carrier of goods in Russia and the competitive landscape remains highly fragmented.

Our Group's fundamentals are equally strong: we have an outstanding leadership team that has led Globaltrans successfully through previous turbulent periods, a proven business model, a robust financial position and a great customer franchise.

Looking beyond the current volatility, I am confident that the fundamental strengths of our business will remain unchanged.

Michael Zampelas

Michael Zampelas
Chairman, Independent Non-Executive Director

"Globaltrans was among the first companies to identify the importance of logistics outsourcing as a business trend in Russia."

SERGEY MALTSEV
Chief Executive Officer, Executive Director, member of the Board

RESPECTABLE OVERALL GROUP PERFORMANCE

In what was a challenging year for both the freight rail transportation sector and Russia in general, the Group was able to maintain its market share and produce a respectable overall performance.

This achievement was a result of our balanced fleet supported by our long-term service contracts, which together provided a solid footing for us to navigate the challenges in 2014. The resilience of our operational performance was encouraging, with the Group increasing freight rail turnover while demonstrating a high level of operational efficiency.

Financial performance

Our financial performance was affected by the general weakness in the economy and continued unfavourable pricing environment.

Adjusted Revenue fell 7% year-on-year to RUB 41,890 million*. Our sizeable exposure to the relatively stable oil products and oil rail transportation segment, along with our long-term service contracts which account for over 60% of Net Revenue for Operation of Rolling Stock, helped us to partly mitigate the impact of the challenging market conditions.

Adjusted EBITDA fell 16% year-on-year to RUB 17,560 million* and the Adjusted EBITDA Margin also slipped, but remained at the solid level of 42%* (2013: 46%*). Again, our targeted approach to cost-cutting helped to keep the rate of increase in our Operating Cash Costs of 2% below the rate of growth of the Group's Freight Rail Turnover, mitigating the impact of inflation, and thereby partly offsetting the pressure on profitability.

Adjusted EBITDA Margin remained at solid level of 42%*, a decline from 46%* in 2013

42%*

Net Debt to Adjusted EBITDA down to 1.3x* (2013: 1.4x*)

1.3x*

"In 2015, we will continue to keep a tight rein on costs and maintain our focus on extracting value from our best-in-class logistics."

The business again produced solid cash flow in 2014, generating RUB 11,907 million* in Free Cash Flow, albeit 13% below the level of the prior year. This strong performance enabled us to deleverage further, continuing the trend of the last year. As a result, our Net Debt declined 21% year-on-year and we closed the year with a Net Debt to Adjusted EBITDA at the level of 1.3x*. The Group's share of RUB-denominated debt further increased to 98% with the share of debt with a fixed interest rate at 90%* at the end of 2014. In the current trading environment, debt reduction remains a priority for the Group. Profit for the year was negatively affected by the impairment of goodwill in the amount of RUB 5,828 million[4]. As a result, the Group reported Profit for the year of RUB 571 million, against RUB 8,068 million for 2013. Profit for the year removing the impact of the impairment of goodwill was RUB 6,399 million* in 2014, a decline of 21% year-on-year.

Operations

While 2014 was a quieter year generally for the Group in terms of corporate activity, we made good progress in numerous areas, as we focused on ensuring that the Group was in the best shape possible to weather the difficult market environment.

In 2014, we continued to strengthen our partnerships with our blue-chip customers. Two of the Group's major customers, MMK, one of the world's largest steel companies, and Metalloinvest, a leading mining and metals company, both extended their large-scale outsourcing contracts with Globaltrans. The contract with MMK was extended into early 2019, while the contract with Metalloinvest was prolonged through to the end of 2016. We also extended our successful cooperation with Rosneft, a leading Russian oil company, to 2016.

The success of these mandates proves that our decision to commit time, money and resources to developing our partnering model over the last decade has been vindicated. Globaltrans was among the first to identify the importance of logistics outsourcing as a business trend in Russia. This continues to gather pace, as more and more companies realise the benefits of linking with a specialist freight management and logistics group such as Globaltrans.

We also continued to look at ways to improve our operating efficiency, a key cornerstone of our successful business model. Having migrated our entire 40,000 gondola fleet to a single dispatching centre in 2013, we worked hard to ensure we maintained our low level of Empty Runs. We were greatly helped by our long-term contracts, which secured a major portion of our gondola fleet. As a result, the Group was able to maintain the Empty Run Ratio for the gondola fleet at a steady 38%, the same level as 2013 and the lowest for the last five years. The Total Empty Run Ratio improved further to 51% from 53% in the previous year.

Outlook

As we move into 2015, business conditions remain difficult. As a management team, we have worked together for more than a decade, establishing Globaltrans as a leading innovator in the sector, pioneering the development of sophisticated fleet logistics, establishing our partner outsourcing model and leading the modernisation of our industry.

Along the way, we have learned many valuable lessons: the value of patience, of looking to the long-term, trusting our business model, investing in partnerships and keeping our business flexible. We have also steered the Group successfully through periods of major turbulence, most notably during 2008-2009 in the wake of the financial crisis. While episodes such as this have stretched our capabilities managerially and operationally, the Group has emerged stronger.

In 2015, we will continue to keep a tight rein on costs and maintain our focus on extracting value from our best-in-class logistics. In an environment characterised by continued downward pressure on pricing, general economic uncertainty and high interest rates, our strong Free Cash Flow enables us to continue to deleverage and maintain a strong balance sheet, ensuring we are able to capitalise on opportunities that may arise.

We firmly believe that the long-term prospects for the freight rail industry are positive as 87% of goods in Russia are transported by rail[5]. The industry remains highly fragmented and ripe for consolidation by players such as Globaltrans with strong operational capabilities and low leverage.

Sergey Maltsev
Chief Executive Officer, Executive Director, member of the Board

4 In 2014, the Group recognised an impairment of goodwill in amount of RUB 5,828 million related to acquisitions of captive rail operators completed in 2012 and 2013. The impairment primarily reflects increased cost of capital in Russia, deterioration of economic conditions, as well as the continued weak pricing environment in the gondola segment.
5 The share of the overall Russian freight turnover in 2014, excluding pipeline traffic.

DELIVERING OUR STRATEGY

FUNDAMENTALS

OUR VISION

To be Russia's leading independent freight rail Group and the partner of choice for blue-chip customers in Russia.

MISSION

To drive shareholder value

OUR PRINCIPLES

Independence
Innovation
Partnerships
Operational excellence

STRATEGIC GROWTH DRIVERS

A focus on freight rail transportation

A commitment to a balanced fleet

A preference for returns-oriented opportunistic growth

An emphasis on strong capital discipline

We have a clear strategy to drive shareholder value. Our vision is to be Russia's leading independent freight rail Group and a trusted partner for leading blue-chip companies in Russia and the CIS countries.

STRATEGIC PRIORITIES

1 Delivering Returns-oriented Growth	> Carefully chosen strategic acquisitions. > Opportunistic organic growth. > Expansion into new freight rail segments.
2 Delivering Operational Excellence	> Large, modern, well-maintained fleet. > Wide geographical footprint. > Centralised logistics and best-in-class IT. > Partnerships with key customers, one-stop-shop solutions. > Outstanding client service.
3 Maintaining a Resilient Business Profile	> Well-balanced fleet, divided between gondola and rail tank cars. > Ensuring high utilisation levels through long-term outsourcing contracts.
4 Preserving a Sound Financial Profile	> Solid balance sheet with low FX exposure. > Prudent capital allocation.

Q&A with Sergey Maltsev, Chief Executive Officer

What were the key strategic achievements for Globaltrans in 2014?

We succeeded in building our partnering arrangements further, extending our contracts with two principal blue-chip customers, Metalloinvest and MMK, and also expanded our long-term cooperation with Rosneft, a leading Russian oil company. In a difficult market, these were major achievements and now mean that over 60% of the Group's Net Revenue from Operation of Rolling Stock is underpinned by long-term contracts.

How have the recent changes in the macro environment affected your strategy?

Our aim is to deliver long-term growth through the whole economic cycle, based on our business model, which is constructed on three pillars: a balanced fleet, a strong capital base and an opportunistic, but disciplined, approach to growth.

We pursue our strategic priorities in a highly pragmatic manner, depending on the situation on the ground at the time. The recent macro deterioration means our priority is to protect the business and maintain our competitiveness. And so our aim is to run the Group as efficiently as possible, hence our focus on efficiency indicators such as Empty Run Ratio for gondola cars, which has been retained at 38%, its best level for the last five years.

We have also been successful at securing much of our volumes through long-term contracts, and we extended several important contracts in 2014. This means that the business has a degree of downside protection in today's difficult markets.

Balance sheet strength is also hugely important in such conditions and this has been another priority for the Group. Therefore, we continued to reduce our borrowings in order to ensure that we can take advantage of any opportunities that might arise.

Why has consolidation not already happened in the Russian rail industry? Will it happen?

Deregulation and the introduction of competition inevitably result in market consolidation. But this does not happen overnight. Our nation's rail infrastructure needs long-term investment and, as it gradually modernises, so we will see greater rail operator consolidation, as customers demand better, faster and more efficient supply-chain support that can only be guaranteed by modern, efficient players such as Globaltrans. In the short-term, the tremors in the economy may spur a partial shake-up in our market and force a number of smaller, more highly leveraged players to exit. However, only time will tell.

"The Group is run by entrepreneur-managers, whose distinctive vision of creating a modern, innovative and pioneering force in the sector has marked us out from the rest of the industry."

SERGEY MALTSEV
Chief Executive Officer, Executive Director, member of the Board

How is Globaltrans differentiated strategically within your industry?

There are several factors that mark us out from our peers, in terms of both our management approach and our operating model.

First, the Group is run by entrepreneur-managers, whose distinctive vision of creating a modern, innovative and pioneering force in the sector has marked us out from the rest of the industry. As a result, we pioneered the development of sophisticated fleet logistics; we anticipated the trend towards outsourcing; we invented an operating model that is becoming standard in our industry; we led the calls for further deregulation of the industry; and we raised capital by listing the Group in London back in 2008 and adopting international standards of governance in our business.

Second, the flexibility inherent in our business model encourages our management team to balance short-term decision-making against the longer-term strategic needs of the Group. This has been achieved while maintaining high levels of operating efficiency, a solid balance sheet and putting in place long-term contracts.

What will be your main area of focus in 2015?

All the signs are that 2015 is going to be a challenging year for the broader economy and our industry. Although Globaltrans is well positioned, we take nothing for granted. The likelihood is that the economic backdrop will remain tough, and so our main focus will be to improve our overall levels of operating efficiency, target ways to optimise our cost base and continue to expand our partnership agreements with key clients. Retaining a solid balance sheet will remain a key priority for us. In summary, 2015 means being smarter, getting closer to our clients and being vigilant regarding costs and conservative in terms of capital allocation.

CHALLENGING MARKET ENVIRONMENT

The Russian freight rail industry experienced a challenging year in 2014 with sluggish demand for freight rail transportation reflecting the deterioration in economic conditions and deceleration in investment activity.

Nonetheless, freight rail maintained its leading position as the key means of transport for the Russian economy, with 87% of the overall Russian freight turnover, excluding pipeline traffic.

Despite the weak economic environment, overall Russian freight rail transportation volumes were down just 1% year-on-year to 1,227 million tonnes in 2014.

Furthermore, an overall change in logistics led to increased average distances, driving a rise in overall Russian freight rail turnover of 5% in the year to 2,298 billion tonnes-km in 2014.

Key cargo segments demonstrated a relatively stable performance, with Russian rail volumes of coal (including coke) up 1% year-on-year, oil products and oil up 2% year-on-year and metals cargos (including ferrous metals, scrap metal and ores) down 1% year-on-year. The performance of construction materials (including cement) was negatively impacted, with rail volumes down 14% year-on-year.

Land area, Russia

17.1 m sq.km

Total length of railways, Russia

85,200 km

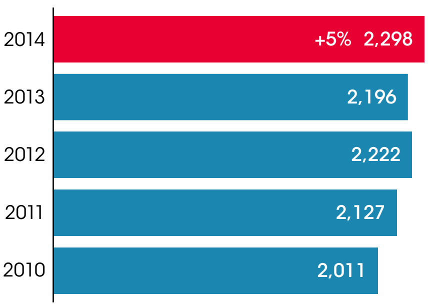
Proportion of overall Russian freight turnover carried by rail[6]

87%

6 Excluding pipeline traffic.

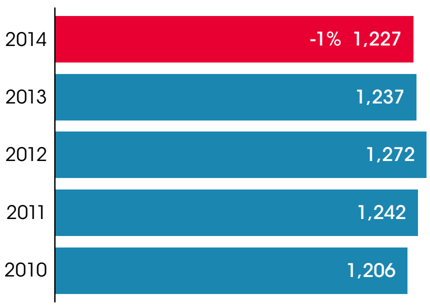
Source: Rosstat, Russian Railways

Development in overall Russian freight rail turnover
(billion tonnes-km)



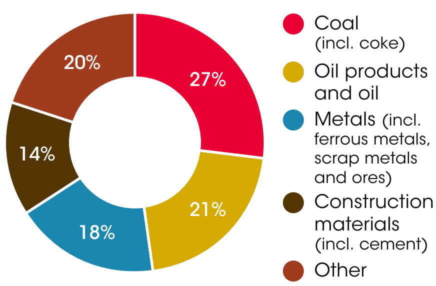
Source: Rosstat

Development in overall Russian freight rail transportation volumes
(million tonnes)



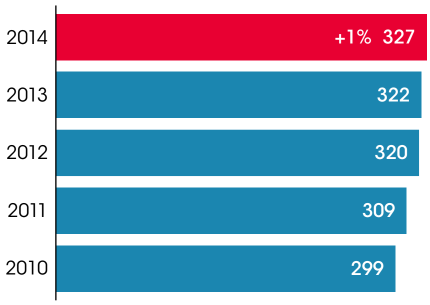
Source: Rosstat

Overall Russian freight rail transportation volumes by freight, 2014



Source: Rosstat

Coal (incl. coke)
(million tonnes)

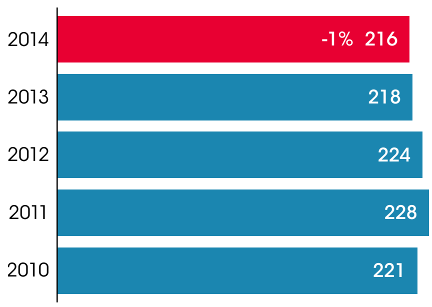


Source: Rosstat

Oil products and oil
(million tonnes)

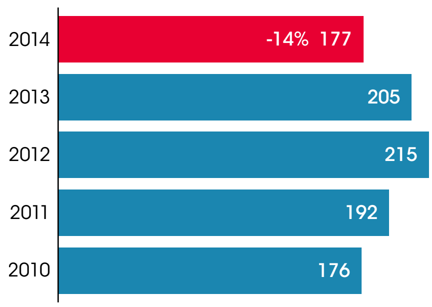
Source: Rosstat

Metals cargos (incl. ferrous metals, scrap metal and ores)
(million tonnes)



Source: Rosstat

Construction materials (incl. cement)
(million tonnes)



Source: Rosstat

STANDING STRONG

Solid operational performance with continued focus on priority segments

Despite the difficult market conditions, Globaltrans continued to demonstrate a solid performance by focusing on its priority segments of rail transportation of metals cargos and oil products and oil.

In 2014 Globaltrans transported 102.7 millions tonnes of cargo (in line with the performance in 2013), while increasing Freight Rail Turnover up 3% year-on-year to 159.7 billion tonnes-km. All the Group's railcars were fully deployed, with Average Rolling Stock Operated up 1% to 53,813 units during the reporting year. The Group's total Market Share remained stable at 8.4% in 2014.

The Group's operational model is built on the formation of a fleet balanced between gondola cars, used for transportation of various bulk cargos, and rail tank cars, which are deployed primarily in the rail transportation of oil products and oil.

Globaltrans' long-term contracts with its key clients in the metals and oil products and oil industries enable the Group to achieve stability of volumes and highly efficient logistics, the right combination for today's markets.

Metals cargos (including ferrous metals, scrap metal and ores) is one of the key operational segments for Globaltrans. In 2014, the Freight Rail Turnover from this segment increased 6% year-on-year and metals cargos comprised 58% of the Group's overall Freight Rail Turnover. The Group's Market Share of freight rail transportation of metals cargos amounted to 23.4% in the reporting year. In the metallurgical segment, the Group can leverage its strong logistics capabilities and take advantage of its long-term contracts with major clients. As metallurgical facilities require both inbound and outbound cargo traffic, it provides one of the best platforms to optimise railcar logistics. The efficient matching of inbound and outbound routes facilitates the looping of railcar traffic, reducing Empty Runs and improving productivity.

HIGHLIGHTS

Globaltrans' Freight Rail Turnover increased 3% year-on-year to 159.7 billion tonnes-km in 2014 while Transportation Volumes remained stable at 102.7 million tonnes.

Freight Rail Turnover growth (year-on-year)

+3%

The Group's Market Share was maintained at 8.4%. All railcars remained fully deployed, with Average Rolling Stock Operated up 1% year-on-year.

Market Share maintained

8.4%

In the priority segments of rail transportation of metals cargos and oil products and oil, the Group's Freight Rail Turnover increased 6% and 2% respectively.

Freight Rail Turnover growth in metals segment (year-on-year)

+6%

Freight Rail Turnover growth in oil products and oil (year-on-year)

+2%

Average Price per Trip remained under pressure mainly due to the weak pricing environment in the gondola segment, declining 7% year-on-year to RUB 26,804 in 2014.

Average Price per Trip (year-on-year)

-7%

Strong operational efficiency maintained, with the Group's Empty Run Ratio for gondola cars remaining flat at 38% in 2014 and the Total Empty Run Ratio further improving to 51% (2013: 53%).

Empty Run Ratio for gondola cars

38%

All key service contracts were successfully extended, with more than 60% of the Group's Net Revenue from Operation of Rolling Stock covered by long-term service contracts in 2014[7].

Share of Net Revenue from Operation of Rolling Stock covered by long-term contracts

>60%

7 Including service contracts with Rosneft, MMK and Metalloinvest.

Performance highlights of Globaltrans' freight rail transportation business

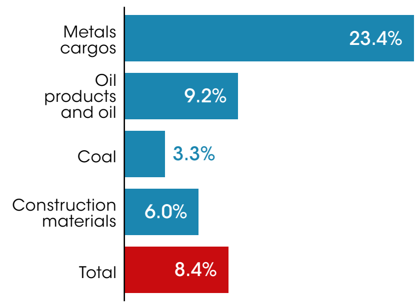
	2013	2014	Change
Freight Rail Turnover, billion tonnes-km (incl. Engaged Fleet)	155.5	**159.7**	3%
Transportation Volume, million tonnes (incl. Engaged Fleet)	102.4	**102.7**	0%
Freight Rail Turnover, billion tonnes-km (excl. Engaged Fleet)	131.0	**135.1**	3%
Transportation Volume, million tonnes (excl. Engaged Fleet)	86.0	**86.9**	1%
Market Share	8.3%	**8.4%**	–
Average Price per Trip, RUB	28,948	**26,804**	–7%
Average Rolling Stock Operated, units	53,445	**53,813**	1%
Average Distance of Loaded Trip, km	1,521	**1,547**	2%
Average Number of Loaded Trips per Railcar	25.1	**25.4**	1%
Total Empty Run Ratio, %	53%	**51%**	–
Empty Run Ratio for gondola cars, %	38%	**38%**	–
Share of Empty Run kms Paid by Globaltrans	89%	**87%**	–

Oil products and oil is the second largest segment for Globaltrans, contributing 17% of the Group's Freight Rail Turnover in 2014. Globaltrans demonstrated a solid performance in this segment due to its unique capabilities as a provider of block train services using the Group's own locomotives, as the use of block trains improves delivery times and rolling stock utilisation.

During the reporting period, the Group's Freight Rail Turnover from oil products and oil was up 2% year-on-year, primarily reflecting changed logistics. The Group's Market Share in the segment amounted to 9.2% in 2014.

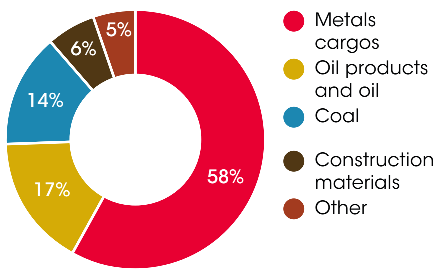
Globaltrans is also active in the coal and construction materials segments. During 2014, the Group reduced its exposure to both segments in response to the difficult environment, using its flexibility to shift operations to the higher revenue-generating metals segment. During the reporting year, the segment for rail transportation of coal (including coke) contributed 14% of the Group's Freight Rail Turnover, with construction materials (including cement) adding another 6%. Globaltrans' Freight Rail Turnover was down 3% year-on-year for coal and 12% year-on-year for construction materials in 2014. The other cargos' Freight Rail Turnover was up 4% year-on-year, contributing 5% to Globaltrans' Freight Rail Turnover in the reporting year.

Market Share, 2014



Source: Globaltrans

Freight Rail Turnover by freight, 2014



Source: Globaltrans

Freight Rail Turnover, billion tonnes-km

	2013	2014	Change, %
Metals cargos	87.6	**92.8**	6%
Oil products and oil	25.7	**26.4**	2%
Coal	23.2	**22.5**	-3%
Construction materials	11.2	**9.8**	-12%
Other	7.8	**8.1**	4%
Total	**155.5**	**159.7**	**3%**

Proven ability to develop partnerships with key long-term clients

Globaltrans has historically been focused on developing long-term beneficial relationships with its key clients by leveraging its high-quality service offerings and premium logistics capabilities.

Today, Globaltrans has a stable premium customer base of companies that operate across Russia and the CIS countries. The Group's subsidiaries serve more than 500 clients, the majority of which are Russian blue-chip companies, including leading mining and metals companies like EVRAZ, Mechel, Metalloinvest, MMK, Severstal and TMK, and prominent energy companies such as Gazpromneft, Lukoil and Rosneft.

Net Revenue from Operation of Rolling Stock by largest clients (incl. their affiliates and suppliers)

	2013	2014
Rosneft	29%	**34%**
MMK	17%	**18%**
Metalloinvest	13%	**11%**
Gazpromneft	8%	**9%**
EVRAZ	3%	**4%**
Sovfracht	2%	**4%**
TMK	1%	**1%**
Severstal	2%	**1%**
Lukoil	2%	**<1%**
Mechel	1%	**<1%**
Other (incl. small and medium enterprises)	22%	**17%**

The scale of the Group's operations and an in-depth understanding of our clients' transportation needs enables Globaltrans to maintain a consistently high level of customer retention. Globaltrans was the one of the first companies to develop deeper and more integrated commercial relationships with major clients and long-term contract partnerships provide mutually beneficial solutions for clients and the Group. Our tailored approach enables the Group to reduce costs and improve the speed and reliability of cargo off-take. For Globaltrans, such contracts provide significant operational advantages along with a high level of fleet deployment.

Since 2012, the Group has expanded and extended the proportion of long-term contracts in its client portfolio, which contributed 63% of the Group's Net Revenue from Operation of Rolling Stock in 2014. Continuing with this strategy in 2014, Globaltrans extended the timeframes of its cooperation with two key clients in the metals industry:

> MMK, one of the world's largest steel producers and a leading Russian metals company (www.mmk.ru), contributed 18% of the Group's Net Revenue from Operation of Rolling Stock in 2014. Under the terms of its long-term service contract, MMK outsources 70% of its freight rail transportation needs with Globaltrans. The initial five-year contract (which was originally signed in 2013) has since been extended for an additional 12 months to the end of February 2019; and

> The Group's long-term service contract with Metalloinvest, a leading global producer and supplier of HBI and iron ore products, and a regional producer of high-quality steel (www.metalloinvest.com), was extended for an additional 19 months until the end of 2016. Globaltrans is responsible for 100% of Metalloinvest's transportation needs. During the year, the contract with Metalloinvest contributed 11% of Globaltrans' Net Revenue from Operation of Rolling Stock.

In the oil products and oil segment, Globaltrans continued its successful cooperation with Rosneft, a leading Russian oil company (www.rosneft.com), successfully renegotiating and extending its service contract to the end of March 2016. Rosneft contributed 34% of the Group's Net Revenue from Operation of Rolling Stock in 2014.

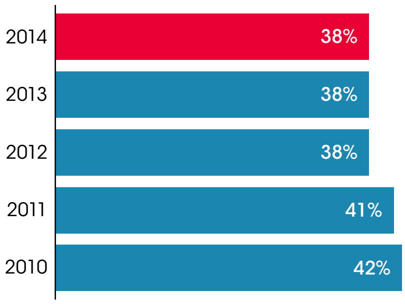
High operational efficiency maintained despite weak market conditions

Efficient logistics is one of the cornerstones of Globaltrans' business model as it enables the Group to stay competitive and provide clients with timely and reliable service. The Group has one of the largest gondola car fleets in Russia, consisting of 40,000 units and the integrated fleet of gondola cars is operated from a single dispatching centre that manages the wide geographic route spread. It is this seamless combination of the integrated fleet and the Group's fleet management systems that enables Globaltrans to provide an efficient fleet management service, supported by optimised fleet repair and maintenance schedules.

Traditionally, Globaltrans has placed great importance on investing and developing high-quality comprehensive logistics. The solid experience gained from many years of serving large metals companies has enabled the Group to become efficient in forming looped gondola runs that reduce the number of empty kilometres and increase capacity utilisation. The large-scale long-term contracts with interconnected plants (ores, metals, coal) secure for the Group a lasting and recurring competitive advantage in logistics, which is central to delivering efficient fleet management.

The Empty Run Ratio is a key operational metric that measures the efficiency of the Group's logistics. Converting Empty Runs into loaded trips means higher revenue as more cargo can be carried and costs lowered due to less distance travelled empty. In the last five years, Globaltrans has continuously improved its Empty Run Ratio and, despite the weak market environment, this metric was maintained in 2014 at its lowest level over the last five years. The Group's Empty Run Ratio for gondola cars remained stable at 38% in 2014, while the Total Empty Run Ratio (for all types of rolling stock) improved, decreasing to 51% from 53% in the previous year.

Empty Run Ratio for gondola cars



Source: Globaltrans

Integrated fleet management system

Valery Shpakov,
First Deputy Chief Executive Officer, CEO of New Forwarding Company

We continued to develop our integrated fleet management system established through New Forwarding Company, a subsidiary of Globaltrans. Currently, we manage more than 40,000 gondola cars from a single dispatching centre.

Logistics and dispatching control remain the key drivers of our fleet efficiency. We have our own custom-built logistics centre providing automated routines and real-time computation of transportation improvements, to ensure we can accommodate our customer needs properly. A 24-hour dispatching centre, which enables the client to monitor the movement of cargo at all transportation stages on a near real-time basis.

The Russian economy felt weakness in 2014, which had an immediate effect on the freight rail transportation market, reducing demand and changing clients' transportation patterns. Fortunately, the long-term service contracts previously agreed with our key metals clients (MMK and Metalloinvest) enabled us to reach full fleet utilisation and maintain our high levels of operational efficiency.

In 2014, we also increased our cooperation with EVRAZ by ensuring stable ore deliveries from Metalloinvest mines. Similarly, we continued our successful cooperation with TMK.

As the Russian economy continued to slow, competition in the freight rail market increased. As a result, we worked consistently hard to make our business more efficient and established and introduced state-of-the-art solutions in rolling stock management. On occasion, we sacrificed transitory benefits to achieve the most effective and long-term cooperation with our key partners.

During 2014, our key priority remained to ensure that we provide the most effective and reliable customer service to our clients. For example, we have replaced gondola cars with specialised dump cars to serve some of our routes. As a result, we have substantially reduced the time required to load and unload ore at client's facilities.

Large modern fleet supports solid market position

Globaltrans operates one of the largest, most modern fleet of railcars in Russia. The average age of Globaltrans' Owned Fleet is just 8.7 years (the useful life of gondola and rail tank cars are 22 and 32 years, respectively). The technical condition of the railcar fleet is critical to delivering reliability, a key element of Globaltrans' high-quality service offering.

Fleet scale is the other crucial factor that facilitates the superior servicing of large clients and an ability to operate across the whole country while meeting changing customer requirements. Globaltrans' Total Fleet exceeds 66,000 units, the majority of which is directly owned by the Group (92%). The remaining 8% is leased from third parties and primarily used to enhance operational efficiency and enable a rapid response to any changes in client demand. In addition, Globaltrans deploys rolling stock subcontracted from third-party rail operators (Engaged Fleet) as required to meet customer demand not already covered by the Group's Owned and Leased-in Fleets. As of the end of 2014, the Group's Engaged Fleet amounted to about 10,000 units.

The majority of the Group's fleet is operated by Globaltrans (85% of Total Fleet as of the end of 2014). The operating business is also complemented by the Group's leasing business, which remained at 15% of the Total Fleet leased out at the end of the year. This leased fleet primarily consists of rail tank cars, with business operations concentrated in the Group's Estonian subsidiaries.

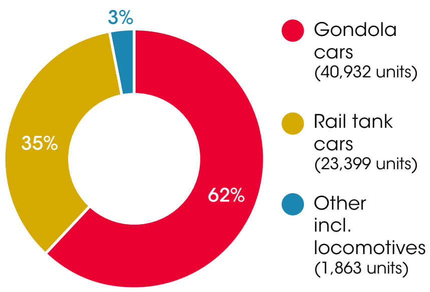
The commercial split of Globaltrans' fleet is well-balanced between universal gondola cars and rail tank cars.

Universal gondola cars are used for transportation of various bulk cargos. As of the end of 2014, the Group's gondola fleet amounted to 40,932 units or 62% of the Total Fleet.

The second largest type of railcar operated by the Group is rail tank cars. The Group's fleet of rail tank cars amounted to 23,399 units or 35% of the Total Fleet as of the end of 2014.

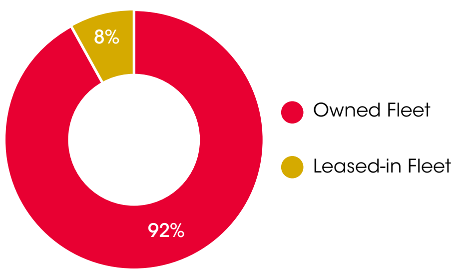
Globaltrans operates one of the largest privately owned locomotive fleets in the Russian freight rail market, with 75 units as of the end of 2014. The vast majority of the Group's owned locomotives are used for the transportation of oil products and oil in the form of block trains, which serve to improve delivery times and fleet utilisation. The majority of locomotive traction in the industry is provided by Russian Railways OJSC ("RZD") (www.rzd.ru), but reform of the industry is expected in time to lead to the gradual deregulation of this segment.

Total Fleet by type, as of the end of 2014



Source: Globaltrans

Total Fleet by ownership, as of the end of 2014



Source: Globaltrans

Globaltrans' Total Fleet, as of the end of 2014

>66,000

Average age of our Owned Fleet, as of the end of 2014

8.7 years

"Efficient logistics is one of the cornerstones of Globaltrans' business model as it enables the Group to stay competitive and provide clients with timely and reliable service."


028

Selected operational information for the year ended 31 December 2014

Rolling stock fleet

	As at 31 December 2014	As at 31 December 2013	Change	Change, %
Owned Fleet				
Gondola cars	**40,019**	40,095	(76)	0%
Rail tank cars	**18,916**	19,061	(145)	-1%
Locomotives	**75**	75	0	0%
Other railcars	**1,615**	1,893	(278)	-15%
Total	**60,625**	**61,124**	**(499)**	**-1%**
Owned Fleet as % of Total Fleet	**92%**	93%	–	–
Leased-in Fleet				
Gondola cars	**913**	533	380	71%
Rail tank cars	**4,483**	4,151	332	8%
Locomotives	**0**	0	0	N/A
Other railcars	**173**	0	173	N/A
Total	**5,569**	**4,684**	**885**	**19%**
Leased-in Fleet as % of Total Fleet	**8%**	7%	–	–
Total Fleet (Owned Fleet + Leased-in Fleet)	**66,194**	**65,808**	**386**	**1%**
Total Fleet by type of rolling stock, %				
Gondola cars	**62%**	62%	–	–
Rail tank cars	**35%**	35%	–	–
Locomotives	**0.1%**	0.1%	–	–
Other railcars	**3%**	3%	–	–
Total	**100%**	**100%**	**-**	**-**
Leased-out Fleet				
Gondola cars	**353**	600	(247)	-41%
Rail tank cars	**9,113**	8,887	226	3%
Locomotives	**3**	3	0	0%
Other railcars	**713**	893	(180)	-20%
Total	**10,182**	**10,383**	**(201)**	**-2%**
Leased-out Fleet as % of Total Fleet	**15%**	16%	–	–
Average age of Owned Fleet				
Gondola cars	**7.1**	6.4	–	–
Rail tank cars	**11.4**	10.5	–	–
Locomotives	**12.8**	11.8	–	–
Other railcars	**16.2**	18.6	–	–
Total	**8.7**	**8.0**	**-**	**-**

Operation of rolling stock (incl. Engaged Fleet)

	2014	2013	Change	Change, %
Freight Rail Turnover, billion tonnes-km				
Metals cargos	**92.8**	**87.6**	**5.3**	**6%**
Ferrous metals	**34.3**	32.2	2.1	6%
Scrap metal	**4.3**	3.7	0.6	15%
Iron ore	**54.2**	51.6	2.6	5%
Oil products and oil	**26.4**	**25.7**	**0.6**	**2%**
Coal (incl. coke)	**22.5**	**23.2**	**(0.6)**	**-3%**
Construction materials	**9.8**	**11.2**	**(1.4)**	**-12%**
Crushed stone	**8.7**	10.1	(1.4)	-14%
Cement	**0.4**	0.3	0.1	32%
Other construction materials	**0.7**	0.8	(0.1)	-10%
Other	**8.1**	7.8	0.3	4%
Total	**159.7**	**155.5**	**4.2**	**3%**

Freight Rail Turnover by cargo type, %				
Metals cargos (incl. ferrous metal, scrap metal and iron ore)	**58%**	56%	–	–
Oil products and oil	**17%**	17%	–	–
Coal (incl. coke)	**14%**	15%	–	–
Construction materials (incl. cement)	**6%**	7%	–	–
Other	**5%**	5%	–	–
Total	**100%**	**100%**	**–**	**–**

Transportation Volume, million tonnes				
Metals cargos	**50.6**	**50.0**	**0.6**	**1%**
Ferrous metals	**18.4**	18.2	0.2	1%
Scrap metal	**3.9**	3.6	0.3	8%
Iron ore	**28.4**	28.2	0.1	0%
Oil products and oil	**23.5**	**23.9**	**(0.4)**	**-2%**
Coal (incl. coke)	**10.9**	**10.8**	**0.1**	**1%**
Construction materials	**10.6**	**11.0**	**(0.3)**	**-3%**
Crushed stone	**9.4**	9.7	(0.3)	-3%
Cement	**0.3**	0.2	0.1	51%
Other construction materials	**0.9**	1.1	(0.1)	-13%
Other	**7.0**	6.7	0.3	4%
Total	**102.7**	**102.4**	**0.3**	**0%**

Operation of rolling stock (excl. Engaged Fleet)

	2014	2013	Change	Change, %
Freight Rail Turnover, billion tonnes-km				
Metals cargos	**73.6**	**65.9**	**7.7**	**12%**
Ferrous metals	**28.8**	25.5	3.3	13%
Scrap metal	**3.7**	2.1	1.7	80%
Iron ore	**41.1**	38.3	2.7	7%
Oil products and oil	**25.3**	**25.1**	**0.2**	**1%**
Coal (incl. coke)	**19.1**	**21.2**	**(2.2)**	**-10%**
Construction materials	**9.3**	**11.0**	**(1.7)**	**-15%**
Crushed stone	**8.3**	9.9	(1.7)	-17%
Cement	**0.4**	0.3	0.1	24%
Other construction materials	**0.7**	0.8	(0.1)	-14%
Other	**7.8**	7.8	0.1	1%
Total	**135.1**	**131.0**	**4.1**	**3%**

	2014	2013	Change	Change, %
Transportation Volume, million tonnes				
Metals cargos	**38.9**	35.7	3.1	9%
Ferrous metals	**14.6**	13.4	1.1	9%
Scrap metal	**3.4**	2.3	1.1	49%
Iron ore	**20.9**	20.0	0.9	4%
Oil products and oil	**22.3**	**23.0**	**(0.7)**	**-3%**
Coal (incl. coke)	**9.1**	**9.8**	**(0.7)**	**-7%**
Construction materials	**9.9**	**10.8**	**(0.9)**	**-8%**
Crushed stone	**8.8**	9.5	(0.7)	-7%
Cement	**0.3**	0.2	0.1	38%
Other construction materials	**0.8**	1.0	(0.3)	-27%
Other	**6.7**	6.6	0.1	1%
Total	**86.9**	**86.0**	**0.9**	**1%**

	2014	2013	Change	Change, %
Average Rolling Stock Operated, units				
Gondola cars	**39,469**	38,920	549	1%
Rail tank cars	**13,393**	13,535	(142)	-1%
Locomotives	**46**	38	8	20%
Other railcars	**905**	952	(47)	-5%
Total	**53,813**	**53,445**	**368**	**1%**

	2014	2013	Change	Change, %
Average Number of Loaded Trips per Railcar				
Gondola cars	**24.5**	23.9	0.6	3%
Rail tank cars	**27.3**	28.3	(0.9)	-3%
Other railcars	**39.7**	32.1	7.7	24%
Total	**25.4**	**25.1**	**0.3**	**1%**

	2014	2013	Change	Change, %
Average Distance of Loaded Trip, km				
Gondola cars	**1,723**	1,706	17	1%
Rail tank cars	**1,124**	1,076	48	4%
Other railcars	**1,153**	1,483	(329)	-22%
Total	**1,547**	**1,521**	**27**	**2%**

	2014	2013	Change	Change, %
Average Price per Trip, RUB	**26,804**	**28,948**	**(2,144)**	**-7%**

	2014	2013	Change	Change, %
Net Revenue from Operation of Rolling Stock by cargo type, RUB million				
Metals cargos	**11,680***	**12,472***	**(791)**	**-6%**
Ferrous metals	**6,553***	6,986*	(434)	-6%
Scrap metal	**750***	573*	177	31%
Iron ore	**4,378***	4,912*	(535)	-11%
Oil products and oil	**19,091***	**19,202***	**(112)**	**-1%**
Coal (incl. coke)	**2,755***	**3,370***	**(615)**	**-18%**
Construction materials (incl. cement)	**1,522***	**2,093***	**(571)**	**-27%**
Other	**1,612***	**1,719***	**(106)**	**-6%**
Total	**36,661***	**38,856***	**(2,195)**	**-6%**

Net Revenue from Operation of Rolling Stock by cargo type, %				
Metals cargos (incl. ferrous metal, scrap metal and iron ore)	**32%**	32%	–	–
Oil products and oil	**52%**	49%	–	–
Coal (incl. coke)	**8%**	9%	–	–
Construction materials (incl. cement)	**4%**	5%	–	–
Other	**4%**	4%	–	–
Total	**100%**	**100%**	**–**	**–**

Net Revenue from Operation of Rolling Stock by largest clients (incl. their affiliates and suppliers), %				
Rosneft	**34%**	29%	–	–
MMK	**18%**	17%	–	–
Metalloinvest	**11%**	13%	–	–
Gazpromneft	**9%**	8%	–	–
EVRAZ	**4%**	3%	–	–
Sovfracht	**4%**	2%	–	–
TMK	**1%**	1%	–	–
Severstal	**1%**	2%	–	–
Lukoil	**<1%**	2%	–	–
Mechel	**<1%**	1%	–	–
Other (incl. small and medium enterprises)	**17%**	22%	–	–

Empty Run Ratio, %				
Gondola cars	**38%**	38%	–	–
Rail tank cars and other railcars	**102%**	109%	–	–
Total Empty Run Ratio, %	**51%**	**53%**	**–**	**–**
Empty Run Costs, RUB million	**10,354***	**9,857***	**497**	**5%**
Share of Empty Run Kilometres Paid by Globaltrans, %	**87%**	**89%**	**–**	**–**

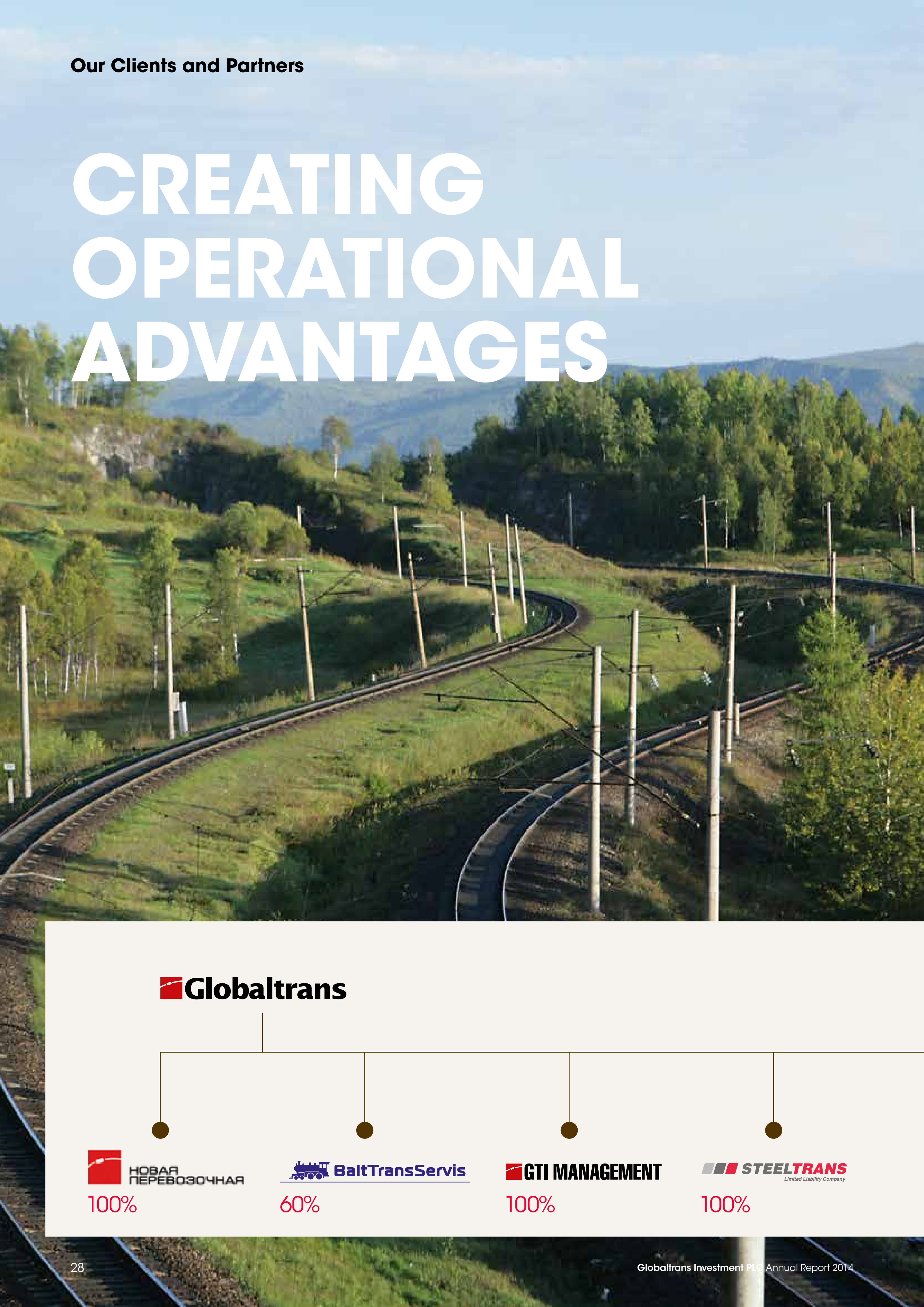
Engaged Fleet

	2014	2013	Change	Change, %
Net Revenue from Engaged Fleet, RUB million	**1,622***	**1,872***	**(250)**	**-13%**

Employees

	As at 31 December 2014	As at 31 December 2013	Change	Change, %
Employees by departments (simplified)				
Operations	**1,052**	1,102	(50)	-5%
Administrative	**523**	518	5	1%
Total	**1,575**	**1,620**	**(45)**	**-3%**

CREATING OPERATIONAL ADVANTAGES



Globaltrans

НОВАЯ ПЕРЕВОЗОЧНАЯ
100%

BaltTransServis
60%

GTI MANAGEMENT
100%

STEELTRANS Limited Liability Company
100%

MAGNITOGORSK IRON & STEEL WORKS

Vyacheslav Bobylev, Director for Logistics, MMK

We agreed with Globaltrans to increase the service volumes under our long-term contract by 10% on average for the duration of 2014.

In addition, over the last year our companies have worked together to successfully implement numerous challenging logistics projects.

The high quality of services rendered by Globaltrans subsidiaries has enabled MMK to meet its various transportation challenges efficiently and effectively.

Served in Russia and the CIS countries

>500 clients

Share of Net Revenue from Operation of Rolling Stock covered by long-term service contracts in 2014

>60%

Metalloinvest

Nazim Efendiev, First Deputy General Director, Chief Commercial Officer, Metalloinvest

Following the three-year partnership agreement made in 2012 between Globaltrans and our company, Globaltrans' subsidiaries have now assumed the full scope of obligations to deliver Metalloinvest products to clients. The subsidiaries of Globaltrans transported various types of goods (such as concentrate, pellets, briquettes, pig iron and steel) for us, both within and outside Russia.

Our long-standing cooperation reflects the professionalism and profound expertise of the Globaltrans management team with its extensive experience and in-depth knowledge of the railway industry.

Globaltrans was one of the first players in the Russian rail transportation market to make IT a key tool to enhance business efficiency. As a result, the Group has always been one step ahead of its competitors, improving logistics and keeping clients informed on a near real-time basis of freight movement at all transportation stages.

Our cooperation is characterised by both a strict compliance with obligations assumed and a concrete commitment to addressing any operating issues that may arise, collectively and in a positive manner.

TMK

Mikhail Anenkov, Deputy General Director, Logistics, TMK

During the years of our collaboration in freight rail transportation, Globaltrans has proved to be a reliable partner with a strong competitive position.

Globaltrans has offered TMK numerous exclusive services of providing rolling stock and forwarding services to enhance our transportation logistics efficiency while maintaining transportation safety for our group companies.

As the Russian economy has slowed, strong cooperation with a reliable rail operator guarantees stability for our company, in terms of both pricing and the railcar availability.

Globaltrans' rolling stock fleet has modern cars with significant internal capacity, which is critical to pipe transportation. In addition, Globaltrans' subsidiaries act as the forwarding agent for TMK's trading house. This service contributes substantially to our achieving efficient multimodal transportation: the number of intermediaries is reduced, the mutual payment procedure is simplified and any administrative, technical and technological issues are resolved swiftly.

Simplified corporate structure at the end of 2014, % owned

SPACECOM	SPACECOM TRANS AS	НОВА ПЕРЕВІЗНА
65.25%	65%	100%

Financial Review

Highlights

In the context of a challenging year for the freight rail transportation sector, Globaltrans produced a solid overall financial performance in 2014.

> The Group generated RUB 41,890 million* of Adjusted Revenue, a decline of 7% year-on-year largely reflecting the weak pricing environment in the gondola segment;
> The Group's targeted approach to cost-cutting helped to keep the rate of increase in the Total Operating Cash Costs at 2% year-on-year, below the growth of the Group's Freight Rail Turnover, mitigating the impact of inflation;
> Adjusted EBITDA fell 16% year-on-year to RUB 17,560 million* while the Adjusted EBITDA Margin slipped to 42%* from 46%* in 2013;
> The business again produced solid cash flow in 2014 generating RUB 11,907 million* in Free Cash Flow, down 13% year-on-year;
> Profit for the year was negatively affected by the impairment of goodwill in the amount of RUB 5,828 million[8]. As a result, the Group reported Profit for the year of RUB 571 million against RUB 8,068 million for 2013. Profit for the year removing the impact of the impairment of goodwill was RUB 6,399 million* in 2014, a decline of 21% year-on-year; and
> The Group continued its strategy of deleveraging and reduced Net Debt by 21% year-on-year to RUB 23,658 million* at the end of 2014. Net Debt to Adjusted EBITDA stood at a level of 1.3x* (2013 end: 1.4x*). The Group's share of RUB-denominated debt further increased to 98% with the share of debt with a fixed interest rate at 90%* at the end of 2014.

Results in detail

The following table provides the Group's key financial and operational information for the years ended 31 December 2014 and 2013.

EU IFRS financial information

	2013 RUB mln	2014 RUB mln	Change %
Revenue			
Including	74,289	**68,700**	-8%
Total Revenue – operator's services	70,107	**65,093**	-7%
Total Revenue – operating lease	3,785	**3,259**	-14%
Total cost of sales, selling and marketing costs and administrative expenses	(59,903)	**(57,326)**	-4%
Impairment of goodwill	–	**(5,828)**	N/A
Operating profit	14,424	**5,577**	-61%
Finance costs – net	(3,513)	**(2,788)**	-21%
Profit for the year	8,068	**571**	-93%
Profit/(loss) attributable to:			
Owners of the Group	5,826	**(1,416)**	-124%
Non-controlling interests	2,242	**1,987**	-11%
Basic and diluted earnings/(losses) per share for profit/(loss) attributable to the equity holders of the Group during the year (expressed in RUB per share)	32.59	**(7.92)**	-124%

	2013 RUB mln	2014 RUB mln	Change %
Cash generated from operations	21,125	**18,854**	-11%
Tax paid	2,665	**2,286**	-14%
Net cash from operating activities	18,460	**16,568**	-10%
Net cash used in investing activities	(7,108)	**(1,042)**	-85%
Net cash used in financing activities	(13,486)	**(14,815)**	10%

8 In 2014, the Group recognised an impairment of goodwill in amount of RUB 5,828 million related to acquisitions of captive rail operators completed in 2012 and 2013. The impairment primarily reflects increased cost of capital in Russia, deterioration of economic conditions, as well as the continued weak pricing environment in the gondola segment.

Non-GAAP financial information

	2013 RUB mln	2014 RUB mln	Change %
Adjusted Revenue	44,910*	**41,890***	-7%
Including			
Net Revenue from Operation of Rolling Stock	38,856*	**36,661***	-6%
Operating lease of rolling stock	3,785	**3,259**	-14%
Net Revenue from Engaged Fleet	1,872*	**1,622***	-13%
Total Operating Cash Costs	(23,702)*	**(24,152)***	2%
Including			
Empty Run Cost	(9,857)*	**(10,354)***	5%
Repairs and maintenance	(4,165)	**(3,800)**	-9%
Employee benefit expense	(3,067)	**(3,236)**	6%
Operating lease rentals – rolling stock	(1,280)	**(1,249)**	-2%
Adjusted EBITDA	20,840*	**17,560***	-16%
Adjusted EBITDA Margin, %	46%*	**42%***	–
Free Cash Flow	13,632*	**11,907***	-13%

Debt profile

	As at 31 December 2013 RUB mln	As at 31 December 2014 RUB mln	Change %
Total debt	33,179	**28,306**	-15%
Cash and cash equivalents	3,406	**4,648**	36%
Net Debt	29,773*	**23,658***	-21%
Net Debt to Adjusted EBITDA (x)	1.4	**1.3**	–

Operational information

	2013	2014	Change %
Freight Rail Turnover, billion tonnes-km (incl. Engaged Fleet)	155.5	**159.7**	3%
Transportation Volume, million tonnes (incl. Engaged Fleet)	102.4	**102.7**	0%
Freight Rail Turnover, billion tonnes-km (excl. Engaged Fleet)	131.0	**135.1**	3%
Transportation Volume, million tonnes (excl. Engaged Fleet)	86.0	**86.9**	1%
Market Share	8.3%	**8.4%**	–
Average Price per Trip, RUB	28,948	**26,804**	-7%
Average Rolling Stock Operated, units	53,445	**53,813**	1%
Average Distance of Loaded Trip, km	1,521	**1,547**	2%
Average Number of Loaded Trips per Railcar	25.1	**25.4**	1%
Total Empty Run Ratio, %	53%	**51%**	–
Empty Run Ratio for gondola cars, %	38%	**38%**	–
Share of Empty Run kms Paid by Globaltrans	89%	**87%**	–
Total Fleet, units (at year-end)	65,808	**66,194**	1%
Including Owned Fleet, units (at year-end)	61,124	**60,625**	-1%
Average age of Owned Fleet, years (at year-end)	8.0	**8.7**	–
Total number of employees (at year-end)	1,620	**1,575**	-3%

Revenue

The Group generated Total Revenue of RUB 68,700 million in 2014, a decrease of 8% year-on-year reflecting primarily the decrease in the Group's Adjusted Revenue as well as a decrease in respective "pass through" items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations".

The following table provides details of Total Revenue, broken down by revenue-generating activity, for the years ended 31 December 2014 and 2013.

	2013 RUB mln	2014 RUB mln	Change %
Railway transportation – operators services (tariff borne by the Group)[9]	49,211	**44,996**	-9%
Railway transportation – operators services (tariff borne by the client)	20,896	**20,097**	-4%
Railway transportation – freight forwarding	62	**29**	-53%
Operating lease of rolling stock	3,785	**3,259**	-14%
Other	336	**319**	-5%
Total Revenue	**74,289**	**68,700**	**-8%**

Adjusted Revenue

Adjusted Revenue is a non-GAAP financial measure defined as "Total Revenue" adjusted for "pass through" items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations". "Infrastructure and locomotive tariffs: loaded trips" comprises revenue resulting from tariffs that customers pay to the Group and the Group pays on to RZD, which are reflected in equal amounts in both the Group's Total Revenue and Cost of sales. "Services provided by other transportation organisations" is revenue resulting from the tariffs that customers pay to the Group and the Group pays on to third-party rail operators for subcontracting their rolling stock, which are reflected in equal amounts in both the Group's Total Revenue and Cost of sales. The net result of Engaged Fleet operations is reflected as Net Revenue from Engaged Fleet being a part of Adjusted Revenue.

The Group's Adjusted Revenue decreased 7% year-on-year to RUB 41,890 million* in 2014, reflecting the factors discussed below.

The following table provides details of Adjusted Revenue for the years ended 31 December 2014 and 2013 and its reconciliation to Total Revenue.

	2013 RUB mln	2014 RUB mln	Change %
Total Revenue	74,289	**68,700**	-8%
Minus "pass through" items			
Infrastructure and locomotive tariffs: loaded trips	24,391	**23,251**	-5%
Services provided by other transportation organisations	4,988	**3,560**	-29%
Adjusted Revenue	**44,910***	**41,890***	**-7%**

The principal components of Adjusted Revenue include: (i) Net Revenue from Operation of Rolling Stock; (ii) Revenue from operating lease of rolling stock; (iii) Net Revenue from Engaged Fleet; and (iv) other revenues generated by the Group's non-core business activities, including repair and maintenance services provided to third parties and freight forwarding.

The following table provides a breakdown of Adjusted Revenue for the years ended 31 December 2014 and 2013.

	2013 RUB mln	2014 RUB mln	Change %
Net Revenue from Operation of Rolling Stock	38,856*	**36,661***	-6%
Operating lease of rolling stock	3,785	**3,259**	-14%
Net Revenue from Engaged Fleet	1,872*	**1,622***	-13%
Railway transportation – freight forwarding	62	**29**	-53%
Other	336	**319**	-5%
Adjusted Revenue	**44,910***	**41,890***	**-7%**

9 Includes "Infrastructure and locomotive tariffs: loaded trips" for the year ended 31 December 2014 of RUB 23,251 million (2013: RUB 24,391 million) and "Services provided by other transportation organisations" of RUB 3,560 million (2013: RUB 4,988 million).

Net Revenue from Operation of Rolling Stock

Net Revenue from Operation of Rolling Stock is a non-GAAP financial measure describing the net revenue generated from freight rail transportation and is defined as "Total Revenue – operator's services[10]" less "Infrastructure and locomotive tariffs: loaded trips", "Services provided by other transportation organisations" and Net Revenue from Engaged Fleet.

Net Revenue from Operation of Rolling Stock accounted for 88% of the Group's Adjusted Revenue in 2014.

The following table provides Net Revenue from Operation of Rolling Stock for the years ended 31 December 2014 and 2013, and its reconciliation to Total Revenue – operator's services.

	2013 RUB mln	2014 RUB mln	Change %
Total Revenue – operator's services[10]	70,107	**65,093**	-7%
Minus			
Infrastructure and locomotive tariffs: loaded trips	24,391	**23,251**	-5%
Services provided by other transportation organisations	4,988	**3,560**	-29%
Net Revenue from Engaged Fleet	1,872*	**1,622***	-13%
Net Revenue from Operation of Rolling Stock	38,856*	**36,661***	-6%

The Group's Net Revenue from Operation of Rolling Stock decreased 6% year-on-year to RUB 36,661 million* in 2014. The key factors that contributed to the change in the Group's Net Revenue from Operation of Rolling Stock included:
> Average Price per Trip was down 7% year-on-year primarily reflecting the weak pricing environment in the gondola segment;
> Average Rolling Stock Operated was up 1% year-on-year to 53,813 units in 2014; and
> Average Number of Loaded Trips per Railcar increased 1% year-on-year to 25.4 trips in 2014 due to the changed logistics.

Revenue from operating lease of rolling stock

Revenue from operating lease of rolling stock, which accounted for 8% of the Group's Adjusted Revenue in 2014, was down 14% year-on-year to RUB 3,259 million, primarily reflecting a decline in the leasing rates.

Net Revenue from Engaged Fleet

Net Revenue from the Engaged Fleet represents the net sum of the price charged to clients for transportation by the Group utilising Engaged Fleet less the loaded railway tariff charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips") and less the cost of engaging fleet from third-party rail operators (included in the EU IFRS line item "Services provided by other transportation organisations").

Net Revenue from Engaged Fleet declined 13% year-on-year to RUB 1,622 million* in 2014. The decrease was primarily driven by the weak pricing environment in the gondola segment.

In 2014, the Engaged Fleet contributed 15% of the Group's Freight Rail Turnover. The Group engaged about 10 thousand units of rolling stock from third parties as of 31 December 2014 to meet demand under service contracts not covered by Owned and Leased-in Fleets.

Cost of sales, selling and marketing costs and administrative expenses

In 2014 the Group's Total cost of sales, selling and marketing costs and administrative expenses amounted to RUB 57,326 million, a decrease of 4% compared to the previous year, primarily reflecting the factors described below:
> "Pass through" cost items ("Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations") decreased 9% year-on-year to RUB 26,810 million*; and
> The Group's Cost of sales, selling and marketing costs and administrative expenses adjusted for the "pass-through" cost items remained stable year-on-year and were RUB 30,515 million* in 2014, which reflected:
    > 2% year-on-year increase in Total Operating Cash Costs to RUB 24,152 million*, below the growth of the Group's Freight Rail Turnover, mitigating the impact of inflation; and
    > 7% year-on-year decline in Total Operating Non-Cash Costs to RUB 6,363 million* in 2014.

The following table provides a breakdown of cost of sales, selling and marketing costs and administrative expenses for the years ended 31 December 2014 and 2013.

	2013 RUB mln	2014 RUB mln	Change %
Cost of sales	55,152	**52,789**	-4%
Selling and marketing costs	536	**334**	-38%
Administrative expenses	4,215	**4,202**	0%
Total cost of sales, selling and marketing costs and administrative expenses	**59,903**	**57,326**	**-4%**

10 Defined as the sum of the following EU IFRS line items: "Railway transportation – operator's services (tariff borne by the Group)" and "Railway transportation – operator's services (tariff borne by the client)".

In order to show the dynamics and nature of the Group's cost base, individual items of Total cost of sales, selling and marketing costs and administrative expenses have been regrouped as shown below:

	2013 RUB mln	2014 RUB mln	Change %
"Pass through" cost items	**29,379***	**26,810***	**-9%**
Infrastructure and locomotive tariffs: loaded trips	24,391	**23,251**	-5%
Services provided by other transportation organisations	4,988	**3,560**	-29%
Total Operating Cash Costs	**23,702***	**24,152***	**2%**
Empty Run Costs	9,857*	**10,354***	5%
Repairs and maintenance	4,165	**3,800**	-9%
Employee benefit expense	3,067	**3,236**	6%
Fuel and spare parts – locomotives	1,212	**1,403**	16%
Operating lease rentals – rolling stock	1,280	**1,249**	-2%
Infrastructure and Locomotive Tariffs – Other Tariffs	972*	**1,018***	5%
Engagement of locomotive crews	450	**468**	4%
Legal, consulting and other professional fees	160	**102**	-36%
Other Operating Cash Costs	2,539*	**2,522***	-1%
Total Operating Non-Cash Costs	**6,822***	**6,363***	**-7%**
Depreciation of property, plant and equipment	5,246	**5,085**	-3%
Amortisation of intangible assets	1,021	**1,079**	6%
Impairment charge for receivables	369	**178**	-52%
Impairment of property, plant and equipment	–	**0**[11]	N/A
Loss on sale of property, plant and equipment	187	**22**	-88%
Total cost of sales, selling and marketing costs and administrative expenses	**59,903**	**57,326**	**-4%**

"Pass Through" cost items

Infrastructure and locomotive tariffs: loaded trips

Infrastructure and locomotive tariffs: loaded trips is in principle a "pass through" cost item for the Group[12] and is reflected in equal amounts in both the Group's Total Revenue and cost of sales. Infrastructure and locomotive tariffs: loaded trips decreased 5% year-on-year to RUB 23,251 million in 2014.

Services provided by other transportation organisations

Services provided by other transportation organisations is in principle a "pass through" cost item for the Group and is reflected in equal amounts in both the Group's Total Revenue and Cost of sales. This cost item includes tariffs that the Group pays on to third-party rail operators for subcontracting their rolling stock (Engaged Fleet), which are reflected equally in both the Group's Total Revenue and Cost of sales. Services provided by other transportation organisations declined 29% year-on-year to RUB 3,560 million in 2014, primarily reflecting weak pricing environment in the gondola segment, as well as a change in sub-contracting terms with third-party rail operators.

Total Operating Cash Costs

Total Operating Cash Costs (a non-GAAP financial measure) represent operating cost items payable in cash and calculated as "Total cost of sales, selling and marketing costs and administrative expenses" less the "pass through" cost items and non-cash cost items.

The Group's Total Operating Cash Costs increased 2% year-on-year to RUB 24,152 million*, below the growth of the Group's Freight Rail Turnover (up 3% year-on-year in the same period), mitigating the impact of inflation. The combination of factors described below have contributed to the change in Total Operating Cash Costs.

11 RUB 0.2 million.
12 Under contracts where the RZD tariff is borne by the Group, the Group has a contractual relationship with the client. The Group sets the terms of the transactions, such as selling and payment terms and in some cases bears credit risk and controls the flow of receipts and payments.

The following table provides a breakdown of the Total Operating Cash Costs for the years ended 31 December 2014 and 2013.

	2014 % of Total	2013 RUB mln	2014 RUB mln	Change %
Empty Run Costs	**43%**	9,857*	**10,354***	5%
Repairs and maintenance	**16%**	4,165	**3,800**	-9%
Employee benefit expense	**13%**	3,067	**3,236**	6%
Fuel and spare parts – locomotives	**6%**	1,212	**1,403**	16%
Operating lease rentals – rolling stock	**5%**	1,280	**1,249**	-2%
Infrastructure and Locomotive Tariffs – Other Tariffs	**4%**	972*	**1,018***	5%
Engagement of locomotive crews	**2%**	450	**468**	4%
Legal, consulting and other professional fees	**0.4%**	160	**102**	-36%
Other Operating Cash Costs	**10%**	2,539*	**2,522***	-1%
Total Operating Cash Costs	**100%**	**23,702***	**24,152***	**2%**

Empty Run Costs

Empty Run Costs (a non-GAAP financial measure) accounted for 43% of the Group's Total Operating Cash Costs in 2014. Empty Run Costs were up 5% year-on-year to RUB 10,354 million* in 2014, reflecting a combination of the following factors:

- An increase in the Group's business volumes with Freight Rail Turnover up 3% year-on-year;
- A change in logistics in the segment of rail transportation of oil products and oil;
- A freeze in the RZD regulated tariff for the traction of empty railcars;
- An improvement in the Total Empty Run Ratio to 51% (2013: 53%), primarily resulting from a decrease in the Empty Run Ratio for rail tank cars due to changed logistics. The Empty Run Ratio for gondola cars remained stable at a low level of 38%; and
- The Share of Empty Run Kilometres paid by Globaltrans slightly improved to 87% (2013: 89%).

Repairs and maintenance

Repairs and maintenance accounted for 16% of the Group's Total Operating Cash Costs in 2014. This cost item was RUB 3,800 million in the reporting year, decreasing 9% year-on-year, reflecting growth in the number of current repairs, which were more than offset by improved pricing for repairs and spare parts and a decline in expenses related to repair and maintenance of locomotives.

Employee benefit expense

Employee benefit expense, which accounted for 13% of the Group's Total Operating Cash Costs, was up 6% year-on-year to RUB 3,236 million in 2014, driven by a combination of inflation driven increases in salaries, an increase in social insurance taxes and growth in employment termination expenses, which were partially offset by the ongoing optimisation in the number of employees. The number of the Group's employees declined 3% (about 45 employees) by the end of 2014 compared to the end of the previous year.

Fuel and spare parts – locomotives

Fuel and spare parts – locomotives expenses, accounting for 6% of the Group's Total Operating Cash Costs, were RUB 1,403 million in 2014, an increase of 16% compared to the previous year, primarily reflecting the increase in the average number of locomotives operated, as well as changed logistics in the segment for rail transportation of oil products and oil.

Operating lease rentals – rolling stock

Operating lease rentals – rolling stock, which accounted for 5% of the Group's Total Operating Cash Costs in 2014, decreased 2% to RUB 1,249 million compared to the previous year, reflecting a combination of an increase in the average number of railcars leased-in to meet additional demand for the Group's services which was fully offset by a decline in the market leasing rates.

Infrastructure and Locomotive Tariffs – Other Tariffs

Infrastructure and Locomotive Tariffs – Other Tariffs (a non-GAAP financial measure), which is presented as part of the "Infrastructure and locomotive tariffs: empty run trips and other tariffs" component of cost of sales reported under EU IFRS, accounted for 4% of the Group's Total Operating Cash Costs in 2014. This cost item includes the costs of relocation of rolling stock to and from maintenance, the transition of purchased rolling stock to its first place of commercial utilisation, and the relocation of rolling stock in and from lease operations as well as other expenses.

Infrastructure and Locomotive Tariffs – Other Tariffs amounted to RUB 1,018 million* in 2014, an increase of 5% year-on-year, reflecting primarily growth in number of rolling stock relocations to and from maintenance as the number of current repairs increased.

Engagement of locomotive crews

Costs related to the engagement of locomotive crews from RZD were up 4% year-on-year to RUB 468 million in 2014, largely due to the increase in the average number of locomotives operated.

Other Operating Cash Costs

Other Operating Cash Costs (a non-GAAP financial measure) include cost items such as "Operating lease rentals – office", "Auditors' remuneration", "Advertising and promotion", "Communication costs", "Information services", "Taxes (other than income tax and value added taxes)" and "Other expenses".

Other Operating Cash Costs, which accounted for 10% of the Group's Total Operating Cash Costs, declined 1% to RUB 2,522 million* in 2014 compared to the previous year, reflecting a decrease in Taxes (other than income tax and value added taxes) which predominantly includes property tax, a decrease in Operating lease rentals – office and Information services which were partially offset by an increase in other administrative expenses as a part of Other expenses.

Total Operating Non-Cash Costs

Total Operating Non-Cash Costs (a non-GAAP financial measure) include cost items such as "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Impairment charge for receivables", "Impairment of property, plant and equipment" and "(Gain)/loss on sale of property, plant and equipment".

The following table provides a breakdown of the Total Operating Non-Cash Costs for the years ended 31 December 2014 and 2013.

	2013 RUB mln	2014 RUB mln	Change %
Depreciation of property, plant and equipment	5,246	**5,085**	-3%
Amortisation of intangible assets	1,021	**1,079**	6%
Impairment charge for receivables	369	**178**	-52%
Impairment of property, plant and equipment	–	**0**[13]	N/A
Loss on sale of property, plant and equipment	187	**22**	-88%
Total Operating Non-Cash Costs	**6,822***	**6,363***	**-7%**

Total Operating Non-Cash Costs were RUB 6,363 million* in 2014, a decrease of 7% compared to the previous year, reflecting the combination of the following factors:

- Depreciation of property, plant and equipment was down 3% year-on-year to RUB 5,085 million in 2014;
- Amortisation of intangible assets increased 6% to RUB 1,079 million compared to the previous year, primarily reflecting the full period consolidation of Steeltrans (renamed from MMK-Trans). Amortisation of intangible assets includes the amortisation of customer relationships related to the service contracts with Metalloinvest and MMK; and
- Impairment charge for receivables was RUB 178 million in 2014 compared to RUB 369 million recorded in the previous year.

Adjusted EBITDA (non-GAAP financial measure)

The Group's Adjusted EBITDA in 2014 was RUB 17,560 million*, a decline of 16% year-on-year. The Adjusted EBITDA Margin decreased to 42%* in the reporting year compared to 46%* in the previous year.

The difference between EBITDA and Adjusted EBITDA arises primarily from "Net foreign exchange transaction gains/(losses) on borrowings and other liabilities" and "Net foreign exchange transaction gains/(losses) on cash and cash equivalents and other monetary assets", which are eliminated from Adjusted EBITDA.

13 RUB 0.2 million.

The following table provides detail on Adjusted EBITDA for the years ended 31 December 2014 and 2013, and its reconciliation to EBITDA and Profit for the year.

	2013 RUB mln	2014 RUB mln	Change %
Profit for the year	8,068	**571**	-93%
Plus (Minus)			
Income tax expense	2,850	**2,206**	-23%
Finance costs – net	3,513	**2,788**	-21%
Net foreign exchange transaction gains/(losses) on borrowings and other liabilities	70	**(431)**	-718%
Net foreign exchange transaction gains on cash and cash equivalents and other monetary assets	207	**539**	161%
Amortisation of intangible assets	1,021	**1,079**	6%
Depreciation of property, plant and equipment	5,246	**5,085**	-3%
Impairment of goodwill	–	**5,828**	N/A
EBITDA	**20,974***	**17,665***	**-16%**
Minus (Plus)			
Net foreign exchange transaction gains/(losses) on borrowings and other liabilities	70	**(431)**	-718%
Net foreign exchange transaction gains on cash and cash equivalents and other monetary assets	207	**539**	161%
Share of profit/(loss) of associates	7	**(12)**	-279%
Other gains – net	37	**31**	-18%
Loss on sale of property, plant and equipment	(187)	**(22)**	-88%
Adjusted EBITDA	**20,840***	**17,560***	**-16%**

Finance income and costs

The following table provides a breakdown of Finance income and costs for the years ended 31 December 2014 and 2013.

	2013 RUB mln	2014 RUB mln	Change %
Interest expense:			
Borrowings from third parties	(70)	**(16)**	-77%
Bank borrowings	(2,423)	**(1,923)**	-21%
Non-convertible bond	(1,155)	**(1,100)**	-5%
Finance leases	(66)	**(34)**	-48%
Other finance costs	(189)	**(19)**	-90%
Total interest expense	**(3,903)**	**(3,093)**	**-21%**
Net foreign exchange transaction gains/(losses) on borrowings and other liabilities	70	**(431)**	-718%
Finance costs	**(3,833)**	**(3,524)**	**-8%**
Interest income:			
Loans receivables from third parties	1	**1**	-2%
Bank balances	30	**41**	39%
Short-term bank deposits	83	**143**	72%
Total interest income	**114**	**185**	**63%**
Net foreign exchange transaction gains on cash and cash equivalents and other monetary assets	207	**539**	161%
Other finance income	–	**11**	N/A
Finance income	**320**	**736**	**130%**
Net finance costs	**(3,513)**	**(2,788)**	**-21%**

Finance income

Finance income was RUB 736 million in 2014 compared to RUB 320 million in the previous year, reflecting a combination of an increase in total interest income to RUB 185 million and an increase in net foreign exchange transaction gains on the Group's US Dollar-denominated cash and cash equivalents and other monetary assets to RUB 539 million.

Finance costs

Finance costs decreased 8% year-on-year to RUB 3,524 million in 2014, reflecting a combination of the following factors:

> Total interest expense was down 21% year-on-year to RUB 3,093 million in 2014, largely driven by a 15% decline in the Group's Total debt as of the end of 2014 compared to the end of the previous year; and

> RUB 431 million Net foreign exchange transaction losses on borrowings and other liabilities recorded in the 2014 compared to RUB 70 million Net foreign exchange transaction gains in the previous year. This change primarily reflected Net foreign exchange transaction losses on the US Dollar-denominated borrowings of the Group's subsidiaries[14].

Profit before income tax

The Group reported Profit before income tax of RUB 2,777 million in 2014, a decrease of 75% compared to the previous year. The change in Profit before income tax was driven by a combination of the following factors:

> A 61% year-on-year decrease in the Group's Operating profit to RUB 5,577 million largely impacted by the impairment of goodwill related to the acquisition of captive rail operators in 2012-2013 in the amount of RUB 5,828 million[15]; and

> Partially offset by a 21% year-on-year (RUB 725 million) decrease in Net finance cost largely driven by decreased Interest expense.

Income tax expense

Income tax expense decreased 23% year-on-year to RUB 2,206 million in 2014, primarily reflecting a decrease in the Group's Profit before income tax.

The weighted average effective tax rate for the year ended 31 December 2014 was 79.4% (2013: 26.1%). Excluding the impact of the impairment charge of goodwill which was an exceptional item with no tax implications for the Group, the weighted average effective tax rate for the year ended 31 December 2014 was 25.6%.

Liquidity and capital resources

In 2014, the Group's expansion CAPEX remained on hold with the Group's capital expenditure consisting primarily of maintenance CAPEX. The Group was able to meet its liquidity and capital expenditure needs comfortably from operating cash flow, cash and cash equivalents available at 31 December 2014 as well as proceeds from borrowings.

The Group manages its liquidity based on expected cash flows. As at 31 December 2014, the Group had Net Working Capital of RUB 3,184 million*. Utilising its anticipated operating cash flow and borrowings, the Group believes that it has sufficient working capital to enable it to operate successfully and expand its business when appropriate opportunities arise.

14 The 2014 year-end exchange rate of Russian Rouble against the US Dollar weakened by 72% compared to the end of 2013; the 2014 year-end exchange rate of Ukrainian Hryvnia against the US Dollar weakened by 97% compared to the end of 2013.

15 In 2014, the Group recognised an impairment of goodwill in amount of RUB 5,828 million related to acquisitions of captive rail operators completed in 2012 and 2013. The impairment primarily reflects increased cost of capital in Russia, deterioration of economic conditions, as well as the continued weak pricing environment in the gondola segment.

Cash Flows

The following table sets out the principal components of the Group's consolidated cash flow statement for the years ended 31 December 2014 and 2013.

	2013 RUB mln	2014 RUB mln
Cash flows from operating activities	20,877	**17,591**
Changes in working capital:		
Inventories	(58)	**(91)**
Trade and other receivables	2,323	**(246)**
Trade and other payables	(2,017)	**1,600**
Cash generated from operations	21,125	**18,854**
Tax paid	(2,665)	**(2,286)**
Net cash from operating activities	**18,460**	**16,568**
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(6,120)	**–**
Indemnification received	–	**78**
Loans repayments received from third parties	3	**1**
Purchases of property, plant and equipment	(1,275)	**(1,532)**
Purchases of intangible assets	–	**0**[16]
Proceeds from disposal of property, plant and equipment	172	**221**
Interest received	113	**190**
Net cash used in investing activities	**(7,108)**	**(1,042)**
Cash flows from financing activities		
Net cash inflows (outflows) from borrowings and financial leases[17]	(4,310)*	**(5,393)***
Acquisition of non-controlling interests	–	**(2)**
Interest paid	(3,553)	**(3,129)**
Dividends paid to Company's shareholders	(3,907)	**(3,984)**
Dividends paid to non-controlling interests	(1,715)	**(2,307)**
Net cash used in financing activities	**(13,486)**	**(14,815)**
Net (decrease)/increase in cash and cash equivalents	(2,133)	**711**
Exchange gains on cash and cash equivalents	127	**530**
Cash and cash equivalents at beginning of year	5,412	**3,406**
Cash and cash equivalents at end of year	**3,406**	**4,648**

Net cash from operating activities

Net cash generated from operating activities decreased 10% year-on-year to RUB 16,568 million in 2014, reflecting a decrease in Cash flows from operating activities primarily on the back of the weak pricing environment, which was partially offset by decreased cash requirements for financing working capital compared to the previous year.

Net cash used in investing activities

Net cash used in investing activities declined to RUB 1,042 million in 2014 from RUB 7,108 million in the previous year, reflecting the low investment activity of the Group in the reporting year. In 2013, the Group completed the acquisition of Steeltrans (renamed from MMK-Trans).

Net cash used in financing activities

Net cash used in financing activities was RUB 14,815 million in 2014 compared to RUB 13,486 million in the previous year. This increase primarily reflected the combination of the following factors:

> Net cash outflows from borrowings and finance leases[17] of RUB 5,393 million* in 2014 compared to RUB 4,310 million* in the previous year, reflecting the Group's lower investing activity in the reporting year;

> A decrease of 12% year-on-year in interest paid to RUB 3,129 million in 2014, mainly reflecting a decline in total borrowings during the reporting period; and

> Payment of RUB 2,307 million in dividends to non-controlling interests in subsidiaries, compared to RUB 1,715 million paid in the previous year.

16 RUB 49 thousand.

17 Net Cash inflows (outflows) from borrowings and financial leases defined as a balance between the following line items: "Proceeds from borrowings", "Repayments of borrowings" and "Finance lease principal payments".

Capital expenditure

The Group's capital expenditure for the acquisition of rolling stock on an accrual basis was RUB 1,354 million in 2014 compared to RUB 1,133 million in the previous year. In both periods, the Group's capital expenditure consisted primarily of maintenance CAPEX. The low level of maintenance CAPEX reflects the relatively young age of the Group's Owned Fleet, with an average age of 8.7 years as of the end of 2014.

The Group's Owned Fleet decreased by 499 units, or 1% year-on-year to 60,625 units as of the end of 2014 reflecting a write-off of railcars purchased as a part of acquisition of captive rail operators in 2012-2013 due to ended useful life. In 2015-2016, the Group expects a write-off of around 1,000 units of rolling stock.

Capital resources

As of 31 December 2014, the Group's financial indebtedness consisted of bank borrowings, non-convertible unsecured bonds and finance lease liabilities for an aggregate principal amount of RUB 28,306 million (including accrued interest of RUB 374 million*), representing a 15% decrease compared to the end of the previous year.

The Group's Net Debt as of the end of 2014 amounted to RUB 23,658 million*, a decrease of 21% from Net Debt at the end of 2013.

The following table provides detail on the Group's financial indebtedness structure as of 31 December 2014 (including accrued interest of RUB 374 million*).

	As of 31 December 2014 RUB mln	% of Total
Bank borrowings	**17,328**	61%
Non-convertible unsecured bonds	**10,772**	38%
Finance lease liabilities	**188**	1%
Loans from third parties	**18**	0%
Total	**28,306**	**100%**

As of 31 December 2014 the Group's leverage remained at a comfortable level with a ratio of Net Debt to Adjusted EBITDA of 1.3x* (31 December 2013: 1.4x*).

The currency structure of the Group's indebtedness was further improved with RUB-denominated borrowings accounting for 98% of the Group's debt portfolio as of 31 December 2014, compared to 94% as of the end of 2013.

The carrying amounts were denominated in the following currencies as of 31 December 2014.

	As of 31 December 2014 RUB mln	% of Total
Russian Rouble	**27,714**	98%
US Dollar	**592**	2%
Total	**28,306**	**100%**

The weighted average effective interest rate was 10.3%* at 31 December 2014 compared to 9.1%* as of the end of 2013, reflecting an increase in the market interest rates, as well as a further increase in the share of RUB-denominated debt in the Group's borrowings. The share of borrowings with a fixed interest rates increased to 90%* at 31 December 2014 compared to 87%* at the end of 2013.

The Group has a balanced maturity profile, supported by the Group's solid cash flow generation, available cash and cash equivalents, as well as undrawn borrowing facilities in amount of RUB 21,902 million as of the end of 2014. In March 2015, the Group's Russian subsidiary New Forwarding Company has redeemed its three-year 10 billion RUB-denominated exchange-traded, non-convertible bonds with a five-year RUB-denominated credit facility.

The following table gives the maturity profile of the Group's borrowings (including accrued interest of RUB 374 million*) as of 31 December 2014.

	As of 31 December 2014 RUB mln
First half of 2015	**14,434***
Second half of 2015	**3,822***
2016	**6,723***
2017-2019	**3,327***
Total	**28,306**
Free Cash Flow in 2014	**11,907***
Cash and cash equivalents	**4,648**
Undrawn borrowing facilities	**21,902**

Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties may not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Maple Valley Investments, Onyx Investments and Marigold Investments[18] are Company's shareholders with a direct shareholding as at 31 December 2013 and as at 31 December 2014 of 11.5% each. As at 31 December 2013, Envesta Investment Limited and its affiliates held 10.8% and in early 2014 it distributed its shares in the Group to Litten Investments Limited and Goldriver Resources Limited. Litten Investments Limited and Goldriver Resources Limited, both controlled by members of Key Management of the Group[19], have a direct shareholding in the Group of 6.3% and 4.5% respectively, as at 31 December 2014.

54.5% of the shares represent the free market-float and are held by external investors through the Global Depositary Receipts. The remaining 0.2% of the shares of the Group are controlled by Directors and management of the Group.

Until March 2013, Transportation Investments Holding Limited held 34.5% of the Group's shares which were then disposed to Maple Valley Investments, Onyx Investments and Marigold Investments.

The following table sets forth the summary of transactions, which were carried out with related parties for the years ended 31 December 2014 and 2013.

	2013 RUB mln	2014 RUB mln
Sales of services	904	**1**
Purchases of services	311	**242**
Additions of property, plant and equipment	4	**8**
Profit on disposals of property, plant and equipment	11	**1**
Key Management salaries and other short-term employee benefits[20]	814	**669**

The following table sets forth the year-end balances with related parties arising from sales/purchases of goods/services.

	2013 RUB mln	2014 RUB mln
Trade and other receivables	5	**10**
Prepayments	40	**50**
Trade payables	11	**11**
Advances	0[21]	**5**

The following table sets forth the Group's operating lease commitments under non-cancellable operating leases with related parties.

	2013 RUB mln	2014 RUB mln
Group as lessee	126	**91**

18 Konstantin Nikolaev, Nikita Mishin and Andrey Filatov are beneficiaries with regard to 11.5% of Globaltrans' ordinary share capital each through their respective SPVs (Maple Valley Investments, Onyx Investments and Marigold Investments). These individuals are co-founders of Globaltrans as well as founders and strategic shareholders of Global Ports Investments PLC, Russia's leading container port operator, which is also listed on the London Stock Exchange.

19 Alexander Eliseev, Non-Executive Director and co-founder of Globaltrans; Sergey Maltsev, Chief Executive Officer, Executive Director and co-founder of Globaltrans.

20 "Key Management salaries and other short-term employee benefits" include Directors' remuneration paid to the Directors of the Group both by the Group and by subsidiaries of the Group in respect of services provided to such subsidiaries amounting to RUB 116 million (2013: RUB 116 million).

21 RUB 0.2 million.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has adopted a formal process to identify, evaluate and manage key risks and uncertainties. Using it, the Group systematically monitors and assesses risks that are critical to its performance and strategic delivery.

The risks the Board of Directors considers to be significant are presented on the following pages. The order in which these risks are presented is not an indication of the probability of their occurrence or the magnitude of their potential effects. There may be additional risks not currently known to the Group, or that it believes are immaterial, which could also have an adverse effect on the Group's business, financial condition, results of operations or future prospects and the trading price of the Global Depositary Receipts.

STRATEGIC: The risks that influence the Group's ability to achieve its strategy

Risk	Risk Description	Controls and Mitigating Factors
General economic situation and operating environment	The Group and its subsidiaries operate mainly in the Russian Federation, other emerging markets and Estonia. Emerging markets, such as the Russian Federation, Kazakhstan and Ukraine, are subject to greater risks than more developed markets, including significant economic, political, social, legal and legislative risks. Moreover, the Group's business depends on the demand in the Russian freight rail transportation market, which in turn depends on certain key commodities sectors and, accordingly, on economic conditions in Russia, European countries and elsewhere. A decrease in demand for key commodities in Russia, or in adjacent countries where the commodities of the Group's key customers are shipped by rail, as a result of an economic downturn, political crisis or other event in Russia or another relevant country, negatively impacts the Group's business and its growth prospects. The political turmoil experienced within Ukraine and sanctions imposed by the United States and the European Union on Russia and by Russia on other countries have had a negative impact on the Russian economy, resulted in a significant weakening of the Russian Rouble, increased the cost of borrowing, made it harder to raise funding from international sources and had a negative impact on the freight rail transportation market and on the Group's business. The ongoing threat of further sanctions by the United States, the European Union and other countries and by Russia on other countries and the continuation or escalation of turmoil in the region, could affect our ability to conduct our business, increase the negative impact on the Russian economy and have a negative impact on the demand for key commodities in Russia. The threat of sanctions against the existing customers of the Group or any difficulties in their financial condition may decrease demand for the Group's services and/or negatively impact the Group's logistics. In addition, the political instability in Ukraine could have a negative impact on the Group's business and assets in Ukraine and/or on ability of the Group's customers to carry the business in Ukraine.	Mitigation methodology involves understanding the political and economic uncertainties of the operating environment and the risks faced by all our business operations. The Group's compliance and legal teams constantly monitor changes in legislation and report them to the Group's management and Board of Directors. The Group has built an effective risk management system that includes risk controls and mitigation on all levels. Risk managers have direct access to the Key Management of the Group. A well-balanced fleet is one of the cornerstones of the Group's business model. The Group intends to continue to maintain a balance between universal gondola cars, adaptable to the demand for the transportation of particular bulk cargos, and rail tank cars, which are used for the rail transportation of oil products and oil, a sector in which the demand historically has been relatively stable. In addition, the Group has entered into long-term service contracts with several of its large clients. Management assessed possible impairment of the Group's tangible and intangible assets by considering the current economic environment and outlook. The future economic and regulatory situation may differ from management's current expectations. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

Risk	Risk Description	Controls and Mitigating Factors
Regulatory risk and relations with government authorities and state-owned enterprises	The Group is subject to regulatory risks relating to the operation of the Russian railway transportation market and the reform of the railway industry. Any unexpected changes to the regulatory environment of the Russian railway transportation market or on other markets where the Group operates, could negatively impact the Group and its business. Government authorities have a significant influence over the functioning of the Russian freight rail market. A deterioration in the Group's direct or indirect relationship with Government authorities at either the local or federal level could result in greater Government scrutiny of the Group's business. In addition, the Group is dependent on the services (including maintenance and repairs), infrastructure and information provided by, and its relationship with, RZD, an entity controlled by the state. Although the Group has enjoyed a good relationship with RZD, there is no assurance it will always continue to do so in the future or that RZD will not increase its charges for such service provision and infrastructure use.	The management of the Group constantly monitors any changes to the regulatory regime of the railway transportation market in the countries where it operates. The Group has a diversified portfolio of service providers (e.g. rolling stock repair services), which allows it to use private repair depots (including two in-house repair facilities) to ensure less dependence on RZD-owned depots providing railcar repair services, higher quality and to minimise costs. RZD continues to be the only provider of infrastructure and locomotive traction services, although the Group does operate its own locomotives in the form of block trains (cargo or client specific Group-operated block trains all bound for the same direction) on some stable routes. The Group also continues to monitor market liberalisation reforms, to ensure that it will be able to take advantage of any opportunities when they arise. The Group seeks to minimise its exposure to adverse changes in RZD's regulated tariffs for usage of infrastructure and locomotive traction by providing that these changes are adequately passed through to the Group's customers where possible.
Growth strategies	Business growth can be constrained by a limited supply of long-term funding and/or increase in the cost of borrowing as well as adverse market conditions. Moreover, the Group takes a conservative approach to investments and any deterioration in market environment may negatively impact the profitability and payback period of investments into rolling stock, thus limiting the Group's ability to expand its business. In addition to pursuing organic growth strategies, the Group has recently expanded its operations through acquisitions, and may pursue more in the future. The pursuit of an acquisition strategy entails certain risks, including problems with integrating and managing such new acquisitions. The expiration of long-term service contracts with its key customers may also limit Group's growth opportunities.	Any valuation of an acquisition target is subject to review by external advisers and fairness opinions are normally provided by recognised investment banks to the Board of Directors of the Group when a transaction is considered. Any acquisition of rolling stock is matched against the demand for railway transportations and economically viable payback period for such investments. The Group continues acquisition of rolling stock and it deals with a number of rolling stock producers in Russia and Ukraine without placing too much reliance on any particular supplier.
Competition and customer concentration	The Russian rail transportation market is becoming increasingly competitive as a result of further deregulation, privatisation and railcar oversupply, while demand has been stagnating. The majority of the commercial fleet in Russia is no longer subject to tariff regulation, which leads to greater price competition for the Group. The risk of irrational supply of railcars on the market by the railcar producers and/or irrational behaviour of Group's competitors may put additional pressure on the profitability of railway transportations and thus negatively impact the Group. The Group's customer base is characterised by significant concentration and is heavily dependent on a few large industrial groups and their suppliers, with its top ten customers and their suppliers accounting for approximately 83% of the Group's Net Revenue from Operation of Rolling Stock in 2014. While the Group has long-term contracts with several key customers, failure to extend and/or maintain the current service contracts may have a negative impact on the Group's performance and results of operations.	Globaltrans has significant competitive advantages that have enabled the Group to secure strong market positions and expand its market share. These advantages include its: (i) strong reputation for high-quality service and reliability; (ii) independent status; (iii) long-term partnership with customers; (iv) sophisticated operating capabilities; and (v) modern fleet. The Group has long-term, established relationships with its key customers and their affiliates and suppliers. In most cases, Globaltrans has become an integrated part of their operations. More than 60% of the Group's Net Revenue from Operation of Rolling Stock in 2014 is covered by long-term service contracts with several large clients. Such service contracts provide additional stability and greater certainty as to transport volumes for the Group. In addition, the Group's marketing function regularly monitors competitors' strategies, their use of technology, their price strategies and industry trends.

Locomotive traction	The Group is dependent upon RZD to issue permits for it to operate locomotives and to approve its use of locomotives for particular routes. If those routes are not in demand by the Group's clients there is a risk they will have lower utilisation. Furthermore, there is uncertainty as to the prospects for, and the timing of, further deregulation of locomotive traction.	The Group has a competitive advantage in providing freight rail transportation services to some of its clients because it operates its own locomotives for the traction of block trains dedicated to particular routes. By assembling full trains composed only of its own railcars, the Group increases the speed and decreases the cost of transportation for its clients. The Group has established controls to obtain the timely renewal of locomotive operation licenses and respective permits from RZD. The Group regularly monitors the progress of the reform relating to continuing deregulation in locomotive traction. In addition, the Group's management actively participates in the development of required regulation through various dedicated industrial organisations and partnerships.

OPERATIONAL: The risks that influence the Group's operational efficiency

Risk	Risk Description	Controls and Mitigating Factors
Infrastructure	The physical infrastructure owned and operated by RZD, particularly its rail network, as well as the railway network and other physical infrastructure in Kazakhstan and Ukraine, largely dates back to Soviet times. In some cases it has not been adequately maintained, which could negatively affect the condition of the Group's rolling stock, performance and business. RZD loaded tariffs for the use of the railway network and for the provision of locomotive services are regulated by the Federal Tariff Service and are in principal "pass through" for the Group and other private freight rail operators. Meanwhile, RZD tariffs for traction of empty railcars are in most cases a direct costs of the Group and other private freight rail operators. Significant upward changes in the regulated tariffs, whether as a result of annual indexation or changes in tariff setting methodology, could have an adverse effect on the Group's business.	Practically all the Group's rolling stock is insured for damage to the rolling stock. Moreover, RZD, as a freight carrier on the railway network, bears full responsibility for third-party losses caused by accidents on the network. The Group monitors its rolling stock through its dispatch centre on a 24/7 basis and plans its routes accordingly to minimise the risks of disruption. The Group monitors the Federal Tariff Service initiatives with the aim of detecting possible changes in tariff setting methodology and tries to reflect respective changes in the Group's contracts with its customers.
Operational performance	Increase of inflation in Russia may increase Group's costs, at the same time the Group may have limited possibility to inflate its tariffs to its customers.	One of the Group's key objectives is to increase the efficiency of its operations and to focus on control and reduction of costs. The Group permanently monitors its costs in order to maintain its efficiency.
Employees	The Group's future success will depend, in part, on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular experienced management personnel. Competition in Russia for such personnel with relevant expertise is intense due to the small number of qualified individuals with suitable practical experience in the rail industry.	Adequate remuneration packages, which are in line with or in excess of market levels, are offered to all our employees and Key Management and remuneration is linked to the financial results of the Group. The Group's HR function regularly monitors salary levels and other benefits offered by our competitors to ensure that remuneration packages in the Group are adequate.
Customer satisfaction	The Group's customers rely on the Group for the provision of high-quality freight rail transportation and other related services and expect the Group to be commercially responsive to their needs. These include timely pick-up and delivery of cargo and availability of rolling stock. The ability to meet customer expectations is often outside the direct control of the Group. Since the Group relies on RZD for locomotive traction and infrastructure usage, timely delivery of cargo is highly dependent on a third party whose own incentives may result in its performing in a manner that would be unsatisfactory to the Group's customers.	The Group has a strong reputation for delivering good quality, reliable and flexible freight rail transportation services to its customers. Customer satisfaction is one of the key metrics that the Group's management monitors. Each customer is assigned an account manager responsible for the day-to-day relationship with that customer. Customer feedback is analysed and appropriate follow-up actions are taken. The Group has a track record of high customer retention with majority of the Group's key customers are being serviced by the Group for many years. In addition, the Group services several its key clients on the basis on long-term contracts and has recently extended some of these contracts.

IT availability/ continuity	The Group uses specialised rail transport and logistics software in order to ensure the efficiency and effectiveness of the Group's logistics, dispatching and rolling stock tracking services. These systems are either licensed to the Group and then customised to the Group's needs or delivered to the Group and maintained for its needs by third parties under service agreements. The Group may potentially meet risks related to access privileges, audit trails, authentication, authorisation, backup procedures, business continuation, change management (software and hardware), data integrity, disaster recovery, infrastructure, information security and security of data.	Local IT specialists introduced certain IT solutions to maintain IT services availability and insure their recovery in case of disruption. IT function and Internal Audit function monitor all IT-related activities performance for compliance with IT policies and procedures.

COMPLIANCE: The risks that influence the Group's adherence to relevant laws and regulations

Risk	Risk Description	Controls and Mitigating Factors
Pending and potential legal actions	The Group is being involved in material legal actions from time to time. Some of them may have adverse effect on the Group. Ambiguity of Russian and the CIS countries law creates regulatory uncertainty and potentially can result in claims from different government authorities.	The Group runs its operations in compliance with tax, currency, labour, customs and other applicable legislation and constantly monitors changes in regulatory environment. The Group monitors its compliance with the terms of its agreements. Standard forms of agreements are used for transportation services, and various controls are in place to ensure that the terms of agreements are adhered to. All contracts are subject to a rigorous review by all the Group functions concerned and a formal approval process prior to execution.
Fiscal risk	Local tax, currency and customs legislation, especially in Russia, other emerging markets and Cyprus, may be subject to varying interpretations, inconsistencies between federal laws, regional and local laws, rules and regulations, frequent changes and a lack of judicial and administrative guidance on interpreting legislation.	The Group has controls in place, including highly-qualified and experienced personnel to monitor changes in legislation and determine the appropriate treatment in order to minimise the risk of a challenge to such treatments by the authorities. For complex matters, the Group retains external consultants.

FINANCIAL: The risks that influence the Group's financial performance

Risk	Risk Description	Controls and Mitigating Factors
Currency risks	Currently, the Group has a small share of borrowings and lease liabilities denominated in US Dollars. The Group does not have formal arrangements for hedging this foreign exchange risk. The Group is therefore exposed to some extent to the effects of currency fluctuations between the US Dollar and the Russian Rouble, which could have an effect on the Group's results of operations and its financial position. The Group is also exposed to the effects of currency fluctuations between the Russian Rouble (the presentational currency of the Group) and the Euro (the Functional Currency of the Group's Estonian subsidiaries), and between the Russian Rouble and the Ukrainian Hryvnia (the Functional Currency of the Group's Ukrainian subsidiary).	A large proportion of the Group's revenues and expenses are denominated and settled in Russian Roubles. Risks related to liabilities denominated in foreign currency are partly compensated for by assets and income denominated in foreign currency. The Group has refinanced some of its US Dollar-denominated liabilities with long-term debt denominated in Russian Roubles and intends to continue to do so. Since 2008, the Group has taken action to mitigate currency risks and adjust the profile of borrowings in the Group's credit portfolio. As of 31 December 2014, the Group had about 98% of its total debt denominated in Russian Roubles.
Interest rate risks	The Group's income and operating cash flows are exposed to changes in market interest rates. These arise mainly from floating rate lease liabilities and borrowings. The increase in market interest rates in Russia may negatively influence the Group's profits.	The Group concludes long-term borrowing and finance lease contracts to finance the purchase of rolling stock and acquisition of subsidiaries. The Group borrows at current market interest rates and does not use any hedging instruments to manage interest rate risk. Management monitors changes in interest rates and takes steps to mitigate these risks as far as is practicable by ensuring that the Group has financial liabilities with both floating and fixed interest rates. As of 31 December 2014, the portion of total debt with a fixed interest rate amounted to 90%*. Management also considers alternative means of financing.
Credit risks	Financial assets that potentially subject the Group to credit risk consist principally of trade receivables, cash and cash equivalents. Furthermore, the Group's business is substantially dependent on a few large key customers, including its affiliates and suppliers. Top ten clients accounted for 70%* of the Group's trade and other receivables on 31 December 2014.	The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. The majority of bank balances are held with independently rated banks with a minimum rating of "B".
Liquidity risk	The business of the Group is capital intensive. The political turmoil experienced within Ukraine and sanctions imposed by the United States and the European Union on Russia have had a negative impact on the Russian financial markets and limited the Group's access to international sources of funding. The lack of available funding from international and Russian sources and increases in market interest rates could have a negative impact on the Group's ability to obtain financing for the settlement of its liabilities or cash to meet its financial obligations.	The Group has budgeting policy in place, which allows the Group's management to control current liquidity based on expected cash flows which include, among others, operating cash flows, capital expenditure needs, funds borrowed from financial institutions and funds raised from listed debt instruments.

FULLY COMMITTED TO PROTECTING OUR EMPLOYEES AND THE ENVIRONMENT

The Group's corporate social responsibility ("CSR") principles are embodied not only in the successful implementation of its internal corporate programmes, but also in its close involvement with the community. The Group divides its CSR work into four priority areas: employees; health and safety; the environment; and charity work.

Employees

Our employees are our most valuable asset and a principal factor in the Group's success. Globaltrans strives hard to create the best working environment for its employees, providing them with additional education and regular advanced training opportunities. The Group successfully pursues a personnel policy that involves an efficient system of recruitment and training, creating the optimal conditions for the professional and personal development of its employees and fostering a positive corporate culture. Employees are provided with social guarantees, benefits and compensation through an established system of financial and non-financial incentives.

Health and safety

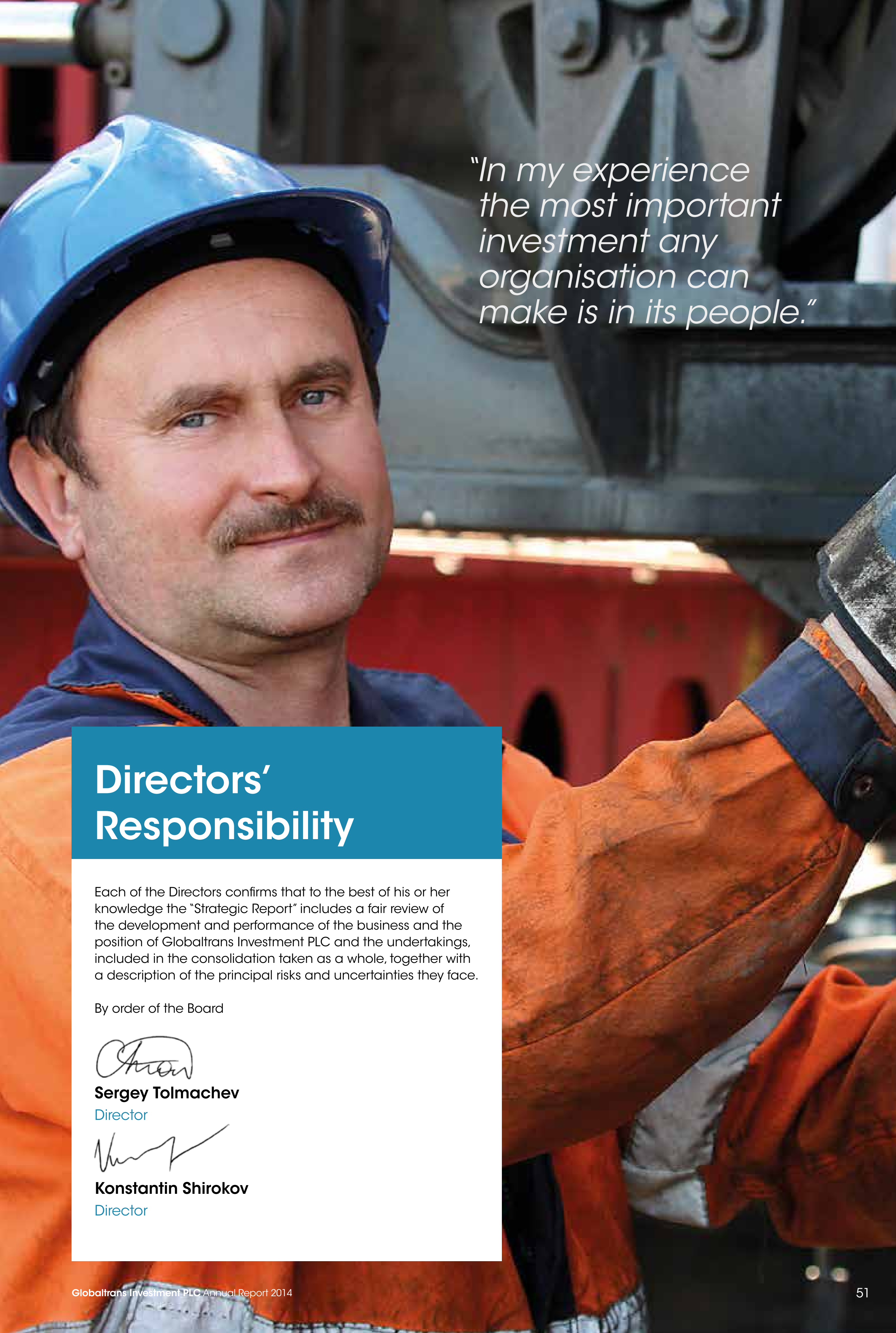
Employee health and safety is of paramount importance to Globaltrans. Since its formation, the Group has been continually improving its safety measures and policies to ensure a safe working environment for its employees. The Group companies regularly conduct training sessions designed to raise employee awareness of occupational safety matters. Such preventative measures prioritise the health and safety of Globaltrans employees.

Environment

Globaltrans takes environmental compliance extremely seriously. The Group's environmental policy includes the planning and coordination of regular environmental efforts, regular checks on environmental compliance and steps to prevent environmental damage. By utilising advanced technologies in the operation and maintenance of rolling stock and by monitoring the working age and reliability of its railcars and locomotives, Globaltrans ensures that its operations are environmentally safe.

Charity work

Since its inception, Globaltrans has actively participated in charity efforts, including providing aid packages for disabled children and orphans. Over the last five years, Globaltrans has participated in the Charity Instead of Souvenirs programme through contributions to the Life Line Fund, that supports seriously ill children.



"In my experience the most important investment any organisation can make is in its people."

Directors' Responsibility

Each of the Directors confirms that to the best of his or her knowledge the "Strategic Report" includes a fair review of the development and performance of the business and the position of Globaltrans Investment PLC and the undertakings, included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Sergey Tolmachev
Director

Konstantin Shirokov
Director

PROVIDING LEADERSHIP AND STRATEGY

Michael Zampelas
Independent Non-Executive Director, Chairman of the Board

Michael Zampelas was appointed to the Board in the role of Senior Independent Non-Executive Director in March 2008. Since 2013 Mr Zampelas has been the Chairman of the Board of Globaltrans and a member of both Remuneration and Nomination Committees. Mr Zampelas has more than 30 years of management experience, including as founding member, Chairman and Managing Partner of accountancy firm Coopers & Lybrand in Cyprus (which later became PricewaterhouseCoopers). Since March 2008 he has been on the Board of Eurobank Cyprus Limited and is now a member of its Audit Committee. He is a chartered accountant and a Fellow of the Institute of Chartered Accountants in England and Wales. From 2002 until 2006, Mr Zampelas was the elected mayor of Nicosia and he is currently the Honorary Consul General of Estonia in Cyprus, a role he has held since 1997.

Sergey Maltsev
Chief Executive Officer, Executive Director

Sergey Maltsev has served as CEO and Executive Member of the Board of Globaltrans since 2008. Mr Maltsev co-founded Globaltrans and has been instrumental in the development of the private freight rail market in Russia. Mr Maltsev is a third-generation railwayman and has spent more than 25 years working in the industry. He has been recognised for his contribution to the development of the rail industry by being named an "Honoured Railwayman of Russia". Mr Maltsev has served as the Chairman of the presidium of the nonprofit partnership "Council of Railway Operators' Market" and currently serves as a Chairman of the "RZD Consumers Council" under the Ministry of Transport of the Russian Federation. He graduated from the Leningrad Frunze Higher School of Railway Forces and Military Communications where he obtained a degree as a railway operations engineer.

John Carroll Colley
Independent Non-Executive Director, Chairman of the Audit Committee

John Carroll Colley was appointed to the Board as an Independent Non-Executive Director in April 2013. Mr Colley is Chairman of the Audit Committee and has extensive experience in international trade and risk management within both the public and private sector. He is currently the Principal of Highgate Consulting LLC, a global advisory consulting company. From 2007 to 2010 Mr Colley, who is fluent in Russian, was the country manager for Russia at Noble Resources SA. Prior to that, he held a variety of positions in the public sector, including at the Office of the US Trade Representative and the US Department of Commerce in Washington, DC. Mr Colley also worked for Linkful Ltd and Noble Resources SA in Moscow from 1992 to 1999. He holds an MA in History and a BA in International Affairs and Russian Studies from the University of Virginia.

Johann Franz Durrer
Senior Independent Non-Executive Director,
Chairman of the Remuneration and Nomination Committees

Dr Johann Franz Durrer was appointed to the Board as an Independent Non-Executive Director in March 2008. He is Chairman of the Remuneration and Nomination Committees. Dr Durrer started his career in 1957 with the Union Bank of Switzerland. In 1970, Dr Durrer founded Fidura Treuhand AG, which provides book-keeping, auditing and financial services.

He is a Board member of the transport company IMT-Dienst AG and is also an Executive Board member of several privately-held companies. He graduated from the University of Zurich with a doctorate in Economics and is a member of the Swiss Fiduciary Association.

Alexander Eliseev
Non-Executive Director

Alexander Eliseev joined the Board in March 2008 and serves as a Non-Executive Director. Mr Eliseev co-founded Globaltrans and has been actively involved in reforming the Russian rail market and introducing market-based principles into rail transportation. Mr Eliseev has spent more than 15 years working in senior management positions, mostly in the rail sector.

He is also the Chairman of the Boards of the New Forwarding Company, GTI Management, Steeltrans and BaltTransServis, which are subsidiaries of Globaltrans. He is a graduate of the Second Moscow Medical Institute, Russian State Medical University where he studied Biophysics.

Andrey Gomon
Non-Executive Director

Andrey Gomon was appointed to the Board as a Non-Executive Director in April 2013. He has over ten years of management experience in the railway industry. From 2006 to 2012 he was the CEO of Transoil, successfully managing the operations of one of the largest oil transportation companies in Russia. Prior to that, he was CFO of Transoil from 2003 to 2006. Mr Gomon graduated from St. Petersburg State University with a degree in Economics in 1999 and obtained an MBA from INSEAD in 2002. He is also a member of the Boards of the New Forwarding Company, GTI Management, Steeltrans and BaltTransServis, which are all subsidiaries of Globaltrans.

Elia Nicolaou
Non-Executive Director, Company Secretary, Secretary to the Board

Elia Nicolaou joined the Board in March 2008 and serves as Non-Executive Director. Ms Nicolaou is the Company Secretary and a member of the Audit Committee. Ms Nicolaou has extensive experience in commercial and corporate law. She is currently the Managing Director of Amicorp (Cyprus) Ltd. and was previously Head of the Corporate Legal Department at Polakis Sarris LLC and worked at C. Patsalides LLC. Ms Nicolaou sits on various Boards of the Cyprus Chamber of Commerce.

She gained an LLB in Law from the University of Nottingham before gaining an LLM in Commercial and Corporate Law from University College London. She also has an MBA from the Cyprus International Institute of Management.

George Papaioannou
Independent Non-Executive Director

George Papaioannou was appointed to the Board as an Independent Non-Executive Director in April 2013. He also serves as a member of the Audit Committee. Mr Papaioannou is a qualified Chartered Accountant and a fellow member of the Institute of Chartered Accountants in England and Wales. He has more than 17 years of experience in financial reporting, risk management, audit, financial performance analysis and taxation. In 2004 Mr Papaioannou founded G. Papaioannou Auditors Limited which provides accounting, audit, tax and consulting services. From 2002 to 2004 he worked at Grant Thornton based in Cyprus and prior to that, worked for PricewaterhouseCoopers. He holds a degree in Accounting and Financial Management from the University of Essex UK.

Melina Pyrgou
Non-Executive Director

Melina Pyrgou was appointed to the Board as a Non-Executive Director in April 2013. She is a barrister and one of the three Directors at Pyrgou Vakis Law Firm, a Cyprus-based corporate and commercial law practice servicing Cypriot and International clients. She has more than 22 years of experience in corporate law and litigation. In 2007 she joined PricewaterhouseCoopers in Nicosia Cyprus as Director of Legal Services. Prior to that she was a Partner at Kinanis – Pyrgou and Co. From 1991 to 1994 Ms Pyrgou was an Associate at G. Colokassides and Co. and Lellos Demetriades and Co, with her main focus on litigation. Ms Pyrgou won a scholarship from the University of Geneva, Switzerland, where she received a Diploma in Environmental Law. She holds a degree of Bachelor of Social Sciences in Law and Sociology from the University of Keele UK. In 1992 she was called to the Bar in Cyprus and in 1995 to the Bar in London. Ms Pyrgou is a member of Gray's Inn.

Konstantin Shirokov
Executive Director

Konstantin Shirokov was appointed to the Board as an Executive Director in March 2008. He is the Head of the Internal Audit function of the Group. Mr Shirokov has more than ten years of management experience in a number of major companies. Prior to joining Globaltrans, Mr Shirokov worked in senior finance roles at Mechel and as an economist at Glencore International. He is also a non-executive member of the Board of Directors of Global Ports Investments PLC and a member of its Audit and Risk Committee. Mr Shirokov graduated from the Finance Academy under the Government of the Russian Federation. He also studied Business Management at Oxford Brookes University Business School in the UK.

Alexander Storozhev
Chief Procurement Officer, Executive Director

Alexander Storozhev joined the Board as an Executive Director in April 2013. He has worked in senior management positions of the railway sector for over 20 years and joined the Group in 2003. His main responsibility is the procurement of new rolling stock for the Group. He is the driving force behind the successful implementation of the Group's capital investment programs. In 2008 he was appointed to the Boards of the New Forwarding Company and Sevtekhnotrans and currently he is also a member of the Boards of GTI Management (created through the merger of Sevtekhnotrans and Ferrotrans), Steeltrans and BaltTransServis, all of which are subsidiaries of Globaltrans.

Alexander Tarasov
Executive Director

Alexander Tarasov joined the Board as an Executive Director in April 2013. He served as a deputy Director General in Sevtekhnotrans (a Globaltrans subsidiary) until January 2014 and has a vast experience in financial management and analysis across a number of sectors having held a number of management positions in established Russian companies. Mr Tarasov graduated from the Bauman Moscow State Technical University with a degree in Engineering. He also has a degree in Economics from the Moscow State University of Commerce.

Michael Thomaides
Non-Executive Director

Michael Thomaides was appointed to the Board as a Non-Executive Director in April 2014. Mr Thomaides previously served as a Director at Globaltrans Investment PLC from 2004 until 2008 and as a member of the Board of Directors of Global Ports Investments PLC, Russia's leading container port operator. He has also been a Director at Leverret Holding Ltd (Cyprus) since 2007. Mr Thomaides graduated from the London Southbank University and has a BSc in consumer product management. He is a member of the Cyprus Chamber of Commerce.

Marios Tofaros
Non-Executive Director

Marios Tofaros was appointed to the Board as a Non-Executive Director in April 2013. Mr Tofaros is also a director of the client accounting department at Amicorp (Cyprus) Ltd. He held the position of financial accountant at Depfa Investment Bank Ltd from 2004 until 2008. Prior to that, he worked as a financial officer at Louis Catering Ltd from 2003 to 2004 and at KPMG Cyprus, where he held various positions in the Audit Department. He graduated from the University of Kent at Canterbury with a BA in Accounting, Finance & Economics. He also holds a Master's degree in Business Studies from the University of Kent at Canterbury and a Chartered Certified Accountant (FCCA) diploma. Mr Tofaros is a member of the Institute of Certified Public Accountants of Cyprus.

Sergey Tolmachev
Executive Director

Sergey Tolmachev was appointed to the Board as an Executive Director in April 2013 and since October 2013 has been acting as Managing Director of the Group. He has extensive experience in corporate finance and treasury as well as financial analysis and modelling. He joined N-Trans Group in 2001 and since then has held a number of management positions focused on finance and treasury. He graduated from the Lomonosov Moscow State University with a degree in Mechanics and Applied Mathematics.

ROBUST GOVERNANCE

"We believe that robust governance is the key to maintaining the trust our shareholders and customers have placed in the Group."

MICHAEL ZAMPELAS
Chairman, Independent Non-Executive Director

Dear Shareholder,

As Chairman of the Board, I am committed to ensuring that Globaltrans subscribes to the highest standards of corporate governance. Good governance has been a central feature of the Group since it became the first Russia-focused freight rail group to go public on an international exchange, the London Stock Exchange, in 2008.

We believe that robust governance is the key to maintaining the trust our shareholders and customers have placed in the Group. Our governance structure underpins our ability to manage the business effectively, particularly in tough economic periods, and to carry out the Group's strategy and ensure it is well placed for growth when economic conditions improve.

As our free-float currently exceeds 50%, we conduct a comprehensive investor relations programme for our public shareholders and are also committed to having a transparent relationship with the markets in general through our standard of corporate reporting.

We are focused on building an effective and complementary Board, whose capability is appropriate for the scale, complexity and strategic positioning of our business. This entails having the right combination of experienced directors who understand our industry and have expertise in our key segments – gondola and rail tank cars:

- CEO Mr Maltsev has been a leading figure in the Russian rail industry for over 20 years;
- Non-Executive Director Mr Eliseev has played a formative role in the development of Russia's rail and transport infrastructure for over 15 years;
- Non-Executive Director Mr Gomon has expertise in the rail tank car business and over a decade of management experience in the railway industry; and
- Chief Procurement Officer Mr Storozhev is instrumental in all our railcar purchases and dealings with railcar manufacturers and repairs on the operating side.

In addition, this requires strong Non-Executive Directors to provide an independent viewpoint:
> Audit Committee Chair Mr Colley has in-depth experience of international trade and risk management; and
> Remuneration Committee Chair Dr Durrer has long-standing experience in financial management and financial services.

I would add to this, my own experience, based on 30 years of management in a leading international accountancy practice. I view my role as Chairman as being to lead the business of the Board and to provide direction and focus, while ensuring that there is a clear structure for the effective operation of the Board and its Committees. I endeavour to promote effective and constructive debate and to support a sound decision-making process at our Board meetings.

We continually look to improve our governance standards and this year, in addition to unifying the Boards of some of the Group subsidiaries, so as to improve information flow and manageability, we also fine-tuned our remuneration policies to ensure they were aligned and had appropriate incentives in place to motivate our executives. I am confident that we have the right arrangements in place to help weather the current difficult times. We will continue to work on improving our governance structure and risk management systems to support the long-term future of the Group.

The following pages outline our approach to governance and how it supports our business objectives.

Michael Zampelas
Chairman, Independent Non-Executive Director

Globaltrans' Board of Directors believes that effective corporate governance is essential to the long-term success of the Group. It is therefore committed to maintaining high standards of governance throughout the Group and to ensuring that the interests of all shareholders are given due consideration.

Corporate Governance Policies

Globaltrans' Board has a balanced composition of Executive and Non-Executive Directors as well as Independent Directors. Consequently, the Group believes it offers an open, responsive working environment, which is critical to delivering a strong performance.

In 2008 when the Group floated and new public investors joined the shareholder base, Globaltrans adopted governance principles based on the UK Code of Corporate Governance, requiring that the interests of all shareholders be given due consideration. Globaltrans' corporate governance policies and practices are designed to ensure that the Group upholds its responsibilities to shareholders. All employees are required to comply with the guidelines contained in these policies and procedures and the management team has responsibility for ensuring that all departments adhere to them. These key principles are promoted and applied across all levels of the Group in order to establish effective and transparent corporate governance.

Globaltrans' corporate policies include, inter alia:

- Appointment Policy for the Board of Directors and Committees;
- Business Continuity Policy;
- Code of Ethics and Conduct;
- Code of Practice on Dealings in Securities;
- Disclosure Policy;
- Dividend Policy;
- External Auditor Independence Policy;
- Minority shareholders Policy;
- Terms of Reference of the Audit Committee;
- Terms of Reference of the Board of Directors;
- Terms of Reference of the Nomination Committee; and
- Terms of Reference of the Remuneration Committee.

Full details of the Group's policies can be found on the corporate website at:
http://www.globaltrans.com/about-us/corporate-governance/governance-policies/

Annual General Meeting of shareholders ("AGM")

We work to engage effectively with shareholders through our regular communications, the AGM and other investor relations activities. We announce our financial results on a semi-annual basis. The annual results are included in our Annual Report, which the Board is committed to making fair, balanced and comprehensive.

During the year, Executive management gave presentations to institutional investors and analysts, via webcasts and teleconferences. Our annual and interim results are available on our corporate website at: www.globaltrans.com.

Our Investor Relations department acts as the focal point for communications with investors. Our Chief Executive Officer and Executive management team maintain a continuous dialogue with institutional shareholders on performance, plans and objectives through a programme of regular meetings. During the year they held more than 400 individual meetings with investors.

Board of Directors

Globaltrans is controlled through its Board of Directors (the "Board"). The Board is responsible for the overall conduct of the Group's business. The Group's Directors are expected to act in a manner that promotes the long-term success of the Group for the benefit of shareholders.

The Board's role is to:

> Provide leadership, set the overall strategy and ensure that the necessary components are in place for the Group to meet its objectives;
> Establish a framework of prudent and effective controls that enables risk to be assessed and managed;
> Monitor and review management performance;
> Set Group values and standards, and ensure that obligations to shareholders and other stakeholders are understood and met; and
> Maintain a sound system of internal control and risk management in order to safeguard shareholders' investments and Group's assets.

The Board regularly considers strategic matters, budgets, key projects and major investments and monitors performance against delivery of agreed key targets. The Board also reviews the Group's principal risks and assesses the adequacy of internal controls. In addition, the Board takes overall responsibility for ensuring that an effective governance framework is in place, including processes for financial reporting and compliance with relevant regulations.

The Board recognises the need for an appropriate balance between Executive and Non-Executive Directors, together with the presence of Independent Directors, in order to represent the interests of all shareholders and to govern the Group in the most effective and efficient way. The Non-Executive Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business management and strategic planning. Board members' biographies are presented in brief on pages 52-55.

The Board of Directors' report is presented in full in the Financial Statements section of this Annual Report.

Composition of the Board

We seek to build an effective and complementary Board, whose capability is appropriate for the scale, complexity and strategic positioning of our business. The process for Board appointments is led by the Nominations Committee. Non-Executive Directors are drawn from a wide range of industries and backgrounds, including infrastructure, transport and financial services, and have appropriate experience of complex organisations with global reach. Some have considerable experience of the freight rail industry whilst also bringing a fresh perspective to the Group, and to Board discussions.

The Group endeavours to ensure that the interests of minority shareholders are fairly represented through the involvement of Independent Directors. The Chairman is a Non-Executive Director and was independent upon appointment, and the overall number of Independent Directors, including the Chairman, is four. In addition, all Board committees are headed by Independent Directors.

Board members actively participate in the development of strategic objectives and monitor the performance of executive management in achieving these objectives. The involvement of the Independent Directors is particularly important in ensuring that proposals submitted by management are reviewed properly and challenged constructively, and that they take account of the long-term interests, not just of shareholders, but also of employees, customers, suppliers and the communities in which Globaltrans conducts its business.

Consistent with the requirements of the UK Corporate Governance Code, Globaltrans separates the positions of Chairman and Chief Executive Officer ("CEO") to ensure an appropriate segregation of roles and a clear division of responsibilities.

Mr Michael Zampelas, the Chairman and Independent Non-Executive Director is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. One of his main goals in 2014 was to keep all Board members fully engaged and ensure the consistent, efficient performance of the Board. As Chairman, he is also responsible for keeping the Board properly informed and consulted on all decisions reserved to it.

The CEO, Mr Sergey Maltsev, is responsible for the day-to-day management of the Group and for implementing the strategy laid down by the Board.

The Board's performance in 2014

The Board meets at least four times a year. Fixed meetings are scheduled at the end of each year, while ad-hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. The Articles of Association of the Group allow Directors to participate in a Board meeting by telephone conference or via video conference, whereby all persons participating in the meeting are able to communicate as a group, without requiring the Directors' physical presence at the meeting.

Board and Board Committee meetings in 2014 and Directors' attendance

	Board of Directors		Nomination Committee		Remuneration Committee		Audit Committee	
	E	A	E	A	E	A	E	A
Carroll Colley	10	10	–	–	–	–	8	8
Johann Franz Durrer	10	9	2	2	3	3	–	–
Alexander Eliseev	10	10	–	–	–	–	–	–
Andrey Gomon	10	10	–	–	–	–	–	–
Mikhail Loganov[22]	1	1	–	–	–	–	–	–
Sergey Maltsev	10	9	–	–	–	–	–	–
Elia Nicolaou	10	9	–	–	–	–	8	8
George Papaioannou	10	10	–	–	–	–	8	8
Melina Pyrgou	10	10	–	–	–	–	–	–
Konstantin Shirokov	10	9	–	–	–	–	–	–
Alexander Storozhev	10	9	–	–	–	–	–	–
Alexander Tarasov	10	8	–	–	–	–	–	–
Michael Thomaides	9	7	–	–	–	–	–	–
Marios Tofaros	10	10	–	–	–	–	–	–
Sergey Tolmachev	10	9	–	–	–	–	–	–
Michael Zampelas	10	10	2	2	3	3	–	–

E = Number of meetings eligible to attend during the year.
A = Number of meetings attended.

22 Mikhail Loganov resigned on 28 April 2014.

In 2014, the Board met formally ten times to review current performance and to discuss and approve important business decisions. A large proportion of these Board meetings were also attended by members of the Executive management, who provided the Board with information about the Group's performance against the business plan and budget, and updates on market conditions.

Matters considered by the Board during the year included:

Regular meetings

> Review of the operating and financial performance of the Group;
> Approval of the annual budget;
> Review of the Group's performance against the approved annual budget;
> Approval of the annual and semi-annual financial statements and the respective regulatory announcements;
> Review of the results of risk assessments;
> Approval of the AGM agenda, including dividend proposals and Board reappointments; and
> Approval of appointments to the Board of Directors of subsidiaries.

Ad-hoc meetings

> Approval of merger of Ferrotrans and Sevtekhnotrans (both 100% subsidiaries of the Group) into the newly established 100% subsidiary of the Group – GTI Management;
> Appointment of the CEO and the Board of Directors of GTI Management;
> Approval of material borrowings and pledges by subsidiaries as well as the dividend distribution by the subsidiaries;
> Review and consideration of potential acquisitions and other business development opportunities;
> Review and approval of amendments to the corporate structure of the Group aimed at transparency and streamlining of ownership of certain Russian subsidiaries;
> Review and approval of Key Management remuneration plan;
> Approval of particular share transactions by shareholders of the Group (the Group has adopted a code of practice on dealings in securities, which among other things prescribes the members of the Board and Executive management to request consent of the Board for any transfer of the Group's shares);
> Review and approval of terms and conditions of the Group's CEO employment contract; and
> Changes in responsibilities of members of the Board and other matters.

Board evaluation

The performance of the Board is subject to annual assessment. The evaluation process is conducted through a mixture of self-assessment and annual appraisals. The Non-Executive Directors are responsible for the performance evaluation of the Chairman. No significant issues were identified and the Board concluded that it was working effectively.

Board and management remuneration

Directors serve on the Board under letters of appointment. These specify the terms of appointment and the remuneration of Directors. Appointments are effective until the next Annual General Meeting of shareholders of the Group. Levels of remuneration for Non-Executive Directors reflect the time commitment, the responsibilities of the role and membership of the respective Committees of the Board. Directors are also reimbursed for expenses associated with the discharge of their duties. Non-Executive Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Group. The shareholders of the Group approved the remuneration of the members of the Board at the Annual General Meeting of shareholders held on 28 April 2014. Please refer to Note 30d of the consolidated financial statements (Financial Statements section of this Annual Report) for details of remuneration paid to the Board and key members of management.

Board Committees

The Board has delegated specific responsibilities to three Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Information on each of the three Committees is set out below. The Board accepts that, while these Committees have the authority to examine particular issues and report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the entire Board.

BOARD OF DIRECTORS

Audit Committee	Nomination Committee	Remuneration Committee
> **Chairman:** Mr John Carroll Colley, Independent Non-Executive Director	> **Chairman:** Johann Franz Durrer, Senior Independent Non-Executive Director	> **Chairman:** Johann Franz Durrer, Senior Independent Non-Executive Director
> Mr George Papaioannou, Independent Non-Executive Director	> Mr Michael Zampelas, Independent Non-Executive Director, Chairman of the Board	> Mr Michael Zampelas, Independent Non-Executive Director, Chairman of the Board
> Ms Elia Nicolaou, Non-Executive Director		

Audit Committee

Composition: The Audit Committee comprises three Directors, two of whom are independent, and meets at least four times each year. The Audit Committee is chaired by Mr John Carroll Colley and its other members are Ms Elia Nicolaou and Mr George Papaioannou.

Responsibilities: The Audit Committee is responsible for considering, among other matters, the integrity of the Group's financial, statements, including its annual and interim accounts and the effectiveness of the Group's internal controls and risk management systems. It also oversees the relationship with the Group's external auditors, including the audit process and reports, and the terms of appointment and remuneration of the auditor. The Committee supervises, monitors and advises the Board on risk management and control systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the submission by the Group of financial information and a number of other audit-related issues. The Audit Committee is also responsible for assessing the efficiency of the performance of the Chairman of the Board.

Performance: The Audit Committee met eight times and the principal issues that were considered included:

> Review of the external auditor's report to the Audit Committee following its full-year audit for 2013;

> Review of the parent financial statements of the Group and consolidated financial statements of the Group for 2013 and interim financial results for the six months ended 30 June 2014, including significant financial reporting judgements made by management. The Committee recommended approval of the same to the Board;

> Consideration of independence of external auditors of the Group;

> Review of the terms of appointment of the Group's external auditor for the year 2014. The Committee recommended reappointment of the external auditors to the Board which, in turn, proposed their reappointment at the Annual General Meeting of shareholders of the Group;

- Review of the report of external auditors on the audit strategy for the year 2014;
- Review of regulatory announcements of the Group of a financial nature;
- Review of internal controls and risk management processes;
- Approval of non-audit services to be provided to the Group by the external auditor; and
- Review of the internal audit function, internal audit model and plan and reports on activities of the internal audit function.

External auditor

The Audit Committee manages the relationship with the external auditor on behalf of the Board. It considers the reappointment of the external auditor each year, as well as remuneration and other terms of engagement, and makes a recommendation to the Board. Shareholders are asked to approve the appointment of the auditor each year at the Annual General Meeting.

The Company has a formal policy on the assessment of the independence and objectivity of the external auditor. This policy regulates the terms of appointment of the external auditor and the nature of audit and permitted non-audit services provided to the Group. External auditors provide written confirmation to the Committee on a periodic basis (at least annually) that, in their professional judgement, they are independent of the Group. The Committee is satisfied that the independence and objectivity of the external auditors is not impaired, and that the external audit process remains effective.

Nomination Committee

Composition: The Nomination Committee comprises two Directors and meets at least once a year. The Nomination Committee is chaired by Dr Johann Franz Durrer, Senior Independent Non-Executive Director, and the other member is Mr Michael Zampelas.

Responsibilities: The Committee's remit is to prepare selection criteria and appointment procedures for members of the Board and to review, on a regular basis, the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board, given the Group's stage of development, and makes recommendations to the Board as to any changes. The Committee also considers future appointments in respect of the Board's composition and makes recommendations regarding the membership of the Audit and Remuneration Committees.

Performance: The Nomination Committee held two meetings in 2014. The principal issues considered during the meetings held in March and December, were the current composition of the Board and advice on the appointment of the members of the Board to the Annual General Meeting of the Group.

Remuneration Committee

Composition: The Remuneration Committee comprises two Directors and meets at least once a year. The Committee is chaired by Dr Johann Franz Durrer, Senior Independent Non-Executive Director, and the other member is Mr Michael Zampelas.

Responsibilities: The Remuneration Committee is responsible for, among other matters, determining the remuneration of Executive Directors and the reviewing the Group's remuneration policies. The remuneration of Independent Directors is a matter for the Chairman and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

Performance: The Remuneration Committee met three times in 2014 to discuss and consider the Board's remuneration levels, Key Management remuneration plan and employment agreement with the CEO of the Group.

Risk Management

The Board believes that the identification and management of risk is central to achieving the corporate objective of delivering long-term value to shareholders. The Group has established a risk register which the Board reviews and considers on an annual basis. Risks are defined as the possibility that an action or inaction would adversely affect the achievement of corporate goals.

The Board has delegated the oversight of risk management to the Audit Committee. In addition, it has delegated to the CEO the responsibility for the effective and efficient implementation and maintenance of the risk management system. The Directors, through the Audit Committee, review the systems that have been established for this purpose and regularly review their effectiveness.

The Board has adopted a Risk Management Policy that provides a consistent framework for the identification, assessment and management of risks. Globaltrans bases its risk management activity on a series of well-defined risk management principles, derived from experience, best practice and in accordance with corporate governance principles. The Group's risk management principles consist of nine interdependent components:

Enterprise-wide: Risks that the Group faces should be managed on an enterprise-wide basis as a continuous and developing process that runs throughout the Group's strategy and the implementation of that strategy;

Systematic and structured: Risk management should involve recognised processes and activities in a systematic, methodical way that ensures the results of risk management activities are reliable, robust and comparable;

Based on top-down and bottom-up approach: Risk management should evaluate the potential upside and downside of all risks that could affect the Group. It should increase the probability of success and reduce both the probability of failure and the uncertainty of achieving the Group's overall objectives. Risk management activity should include the development and implementation of risk response actions to remove or mitigate all risks the Group faces, transfer them to a third party or accept them;

Forward-thinking approach: Risk management should be forward thinking. It should involve identifying and preparing for what might happen rather than always managing retrospectively. Risk management should encourage the Group to manage proactively rather than reactively;

Aligned with the Group's objectives: Risk management should be aligned with the Group's objectives and provide reasonable assurance regarding the achievement of those objectives;

Integrated into the Group's business: Risk management should be embedded in all the Group's practices and business processes so that it is relevant, effective, efficient and sustained. In particular, risk management should be embedded in key business processes, including business and strategic planning, budgeting and decision-making. All Group staff should be responsible and accountable for managing the risks in their activities;

Integrated into corporate culture: Risk management should be a part of the Group's corporate culture. All employees should be aware of the relevance of risk to the achievement of their objectives;

Clear and understandable: Risk management principles, methods and tools should be clear and easily understood for the Group's employees; and

Evolving: The Group's risk management system should be continually evolving. The management of risk is an ongoing process and it is recognised that the level and extent of the risk management system will evolve as the Group evolves.

Globaltrans uses a portfolio approach to the management of its risks, in a holistic, enterprise-wide manner. This approach analyses and aggregates risks by type and tries to achieve an overall balance of risk and return. Globaltrans defines four types of risks: strategic, operational, compliance and financial.

Internal Control

The Board has a primary responsibility for establishing a framework of prudent and effective controls that enables risks to be assessed and managed. The Audit Committee assists the Board in discharging this responsibility by reviewing and assessing the Group's internal controls and risk management process. The system of controls is designed to manage rather than eliminate the risks relevant to the Group's operations and, therefore, can only provide reasonable, and not absolute, assurance against material errors, losses, fraud or breaches of laws and regulations.

Internal Audit

The Internal Audit function is carried out internally by the Group's Internal Audit Service ("IAS"). IAS is responsible for testing the systems of risk management, internal control and corporate governance of the Group with a view to obtaining a reasonable assurance that:

- The risk management system functions efficiently;
- Material financial, management and operating information is accurate, reliable and up-to-date;
- The actions of employees and management bodies are in compliance with the Group's policies, standards and procedures and the applicable laws;
- Resources are procured reasonably, used efficiently and their safekeeping is fully guaranteed; and
- Group companies conduct their business in compliance with applicable laws.

The internal audit plan is approved annually by the Audit Committee and is developed by identifying the audit universe, performing a risk analysis and obtaining input from management relative to risks, controls and governance processes. The internal auditor regularly reports to the Audit Committee on the progress of the planned audits. If any material internal control deficiencies are identified, these are communicated to the Audit Committee, and consequently to the Board, at once. For the main risks facing the Group, please refer to the "Risk Management" section of this Annual Report and Note 3, "Financial risk management" of the "Directors' Report and Consolidated Financial Statements", included in the Financial Statements section of this Annual Report.

Directors' Report and Consolidated Financial Statements
For the Year Ended 31 December 2014

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Board of Directors and Other Officers

Board of Directors

Mr Michael Zampelas
Chairman of the Board of Directors
Independent Non-Executive Director
Member of Remuneration and Nomination Committees

Mr Sergey Maltsev
Executive Director, Chief Executive Officer
Alternate Director: Mr Artemis M. Thomaides

Mr Konstantin Shirokov
Executive Director

Ms Elia Nicolaou
Non-Executive Director
Member of the Audit Committee
Company Secretary
Secretary of the Board
Alternate Director: Mr Marios Tofaros

Mr Alexander Eliseev
Non-Executive Director
Alternate Director:
Ms Ekaterina Golubeva (resigned on 10 October 2014)
Mr Marios Tofaros (appointed on 10 October 2014)

Dr Johann Franz Durrer
Senior Independent Non-Executive Director
Chairman of the Remuneration and Nomination Committees

Mr Alexander Storozhev
Executive Director
Alternate Director: Ms Elia Nicolaou

Mr Alexander Tarasov
Executive Director
Alternate Director:
Mr Mikhail Loganov (resigned on 29 April 2014)
Mr Maxim Rubin (appointed on 29 April 2014)

Mr John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee

Mr George Papaioannou
Independent Non-Executive Director
Member of the Audit Committee

Mr Michael Thomaides
Non-Executive Director
Appointed on 28 April 2014

Mr Andrey Gomon
Non-Executive Director
Alternate Director: Ms Melina Pyrgou

Ms Melina Pyrgou
Non-Executive Director

Mr Marios Tofaros
Non-Executive Director

Mr Sergey Tolmachev
Executive Director

Mr Mikhail Loganov
Non-Executive Director
Resigned on 28 April 2014

Board support

The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures. Also a procedure is in place to enable Directors, if they so wish, to seek independent professional advice at the Company's expense.

Company Secretary

Ms Elia Nicolaou
Dimitriou Karatasou, 15
Anastasio Building, 6th floor, Office 601
Strovolos, 2024, Nicosia,
Cyprus
Assistant Secretary: Mr Marios Tofaros

Registered office

20 Omirou Street
Agios Nicolaos
CY-3095 Limassol,
Cyprus

Report of the Board of Directors

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2014. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

The principal activity of the Group, which is unchanged from last year, is the provision of railway transportation services using own and leased rolling stock, as well as fleet engaged from third-party rail operators, operating lease of rolling stock and freight forwarding (agency) services.

Review of developments, position and performance of the Group's business

The net profit of the Group for the year ended 31 December 2014 was RUB 571,253 thousand (2013: RUB 8,068,086 thousand). On 31 December 2014 the total assets of the Group were RUB 89,118,734 thousand (2013: RUB 93,415,813 thousand) and net assets were RUB 50,136,380 thousand (2013: RUB 51,707,598 thousand).

Globaltrans produced a solid overall financial performance in 2014. Nonetheless, the Group's financial results were affected by the deteriorating economic conditions, as well as the continued weak pricing environment.

The Group was able to mitigate the worst effects of the weak market, assisted by its long-term contracts and well-balanced fleet. Moreover, management continued to make disciplined decisions on capital allocation whilst actively pursuing cost improvement and productivity measures.

Taking into consideration the current weak market environment, management has assessed the recoverable amount of goodwill, which is allocated to Russian open wagon/operator's services group of CGUs as described in Note 13. As a result, the goodwill was fully impaired as at 31 December 2014.

The financial position, development and performance of the Group as presented in the financial statements is considered satisfactory.

Principal risks and uncertainties

The Group's financial risk management and critical accounting estimates and judgements are disclosed in Notes 3 and 4 to the consolidated financial statements.

The Group's contingencies are disclosed in Note 28 to the consolidated financial statements.

The Board has adopted a formal process to identify, evaluate and manage principal risks and uncertainties faced by the Group.

Future developments

Subject to the ongoing uncertainty of the Russian economy, the Board of Directors does not expect any significant changes in the activities of the Group for the foreseeable future.

The Group's strategic objective is to strengthen its position as a leading private freight rail group in Russia. The Group intends to continue its return-oriented expansion pursuing the strategy of opportunistic growth. The Group will also continue its focus on effective fleet management.

Results

The Group's results for the year are set out on pages 74 and 75. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Dividends

Pursuant to its Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts ("GDRs") on the relevant record date will be entitled to receive dividends payable in respect of ordinary shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US Dollars. If dividends are not paid in US Dollars, except as otherwise described under "Terms and Conditions of the Global Depositary Receipts – Conversion of Foreign Currency", they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries is restricted to the total accumulated retained earnings of the relevant subsidiary, determined according to the law.

No interim dividends were declared by the Board of Directors during the year ended 31 December 2014.

In April 2014, the shareholders of the Company approved the payment of the final dividend in respect of the financial year ended 31 December 2013 in the amount of 22.28 RUB (US$0.62) per ordinary share, amounting to a total dividend of RUB 3,981,618 thousand.

The Board of Directors of the Company does not recommend the payment of dividends in relation to the financial year ended 31 December 2014.

Share capital

As at 31 December 2014 the issued share capital of the Company comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

The role of the Board of Directors

The Group is managed by the Board of Directors which is collectively responsible to the shareholders for the success of the Group.

The Board sets the strategic objectives and ensures that the necessary resources are in place to enable these objectives to be met. The Board is fully involved in decision making in the most important areas of business and conducts regular reviews of the Group's operational and financial performance. One of the Board's key responsibilities is to ensure that there is in place a system of prudent and effective risk controls that enable risks to be identified, assessed and managed appropriately.

Members of the Board of Directors

The Board comprises 15 members, ten of whom are Non-Executive Directors (including the Chairman). Four of the Non-Executive Directors are independent, they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Group, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2014 and at the date of this report are shown on page 65. There were no significant changes in the assignment of responsibilities of the Board of Directors.

There is no provision in the Company's Articles of Association for retirement of Directors by rotation; however, in accordance with the terms of reference of the Board of Directors, all Board members are required to submit for re-election at least once every three years. Should a Non-Executive Director serve any term beyond six years, his/her re-election would be subject to particularly rigorous review. In practice, all current appointments are for one year and all Directors will stand for re-election at the forthcoming Annual General Meeting of shareholders of the Company.

The total remuneration of the members of the Board of Directors paid by the Group in 2014 amounted to RUB 116,172 thousand (2013: RUB 115,743 thousand).

Directors' interests

The interests in the share capital of Globaltrans Investment PLC and its Group companies, both direct and indirect, of those who were Directors as at 31 December 2014 and 31 December 2013 are shown below:

Name	Type of holding	2014	2013
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	**11,318,909**	11,318,909
Sergey Maltsev	Indirect holding of ordinary shares and GDRs	**8,021,339**	8,021,339
Johann Franz Durrer	Holding of GDRs	**160,606**	160,606

Total number of issued shares of the Company as at 31 December 2014 was 178,740,916 (31 December 2013: 178,740,916).

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 31 to the consolidated financial statements.

Board performance

The Board held ten meetings in 2014. The Directors' attendance is presented in the table below:

	Eligible	Attended
Michael Zampelas	10	10
Johann Franz Durrer	10	9
Carroll Colley	10	10
George Papaioannou	10	10
Alexander Eliseev	10	10
Sergey Maltsev	10	9
Andrey Gomon	10	10
Melina Pyrgou	10	10
Konstantin Shirokov	10	9
Alexander Storozhev	10	9
Marios Tofaros	10	10
Elia Nicolaou	10	9
Sergey Tolmachev	10	9
Alexander Tarasov	10	8
Michael Thomaides	9	7
Mikhail Loganov*	1	1

*Mikhail Loganov resigned on 28 April 2014.

The Board Committees

The Board has established three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. A brief description of the terms of reference of the committees is set out below:

Audit Committee

The Audit Committee comprises three Directors, two of whom are independent, and meets at least four times each year. The Audit Committee is chaired by Mr J. Carroll Colley and is also attended by Mr Papaioannou and Ms Nicolaou. The Audit Committee is responsible for considering, among other matters: the integrity of the Company's financial statements, including its annual and interim accounts, and the effectiveness of the Company's internal controls and risk management systems; auditors' reports; and the terms of appointment and remuneration of the auditor.

The Committee supervises, monitors and advises the Board on risk management and control systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the submission by the Company of financial information and a number of other audit-related issues. The Audit Committee is also responsible for assessing the efficiency of the performance of the Chairman of the Board.

The Audit Committee manages the relationship with the external auditor on behalf of the Board. It considers the reappointment of the external auditor each year, as well as remuneration and other terms of engagement, and makes a recommendation to the Board. Shareholders are asked to approve the reappointment of the auditor each year at the Annual General Meeting.

The Internal Audit function is carried out internally by the Group's Internal Audit Service ("IAS"). IAS is responsible for testing the systems of risk management, internal control and corporate governance of the Group.

Nomination Committee
The Nomination Committee comprises two Independent Directors and meets at least once a year. The Nomination Committee is chaired by Dr Durrer and Mr Zampelas is the other member. The Committee's remit is to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board, given the Company's stage of development, and makes recommendations to the Board as to any changes. The Committee also considers future appointments in respect of the Board's composition and makes recommendations regarding the membership of the Audit and Remuneration Committees.

Remuneration Committee
The Remuneration Committee comprises two Independent Directors and meets at least once a year. The Remuneration Committee is chaired by Dr Durrer and Mr Zampelas is the other member. The Committee's responsibility is the determination and review of, among other matters, the remuneration of Executive Directors, and the review of the Company's remuneration policies. The remuneration of Independent Directors is a matter for the Chairman of the Board and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

Corporate governance
Globaltrans' Board of Directors adopted the Company's Code of Corporate Governance (the "Code"), guaranteeing that the interests of all shareholders are given due consideration. Although the Code is based on principles recommended by the UK Corporate Governance Code (formerly the "Combined Code"), this does not constitute voluntary compliance with such governance code.

Globaltrans' corporate governance policies and practices are designed to ensure that the Group upholds its responsibilities to shareholders. As such, all employees are required to comply with these guidelines and the Group's management team takes responsibility for ensuring that all departments adhere to these standards. These key principles are promoted and applied across all levels of the Group in order to establish effective and transparent corporate governance. In January 2010, the Board supplemented its Code of Corporate Governance with a corporate policy on the treatment of the rights of its non-controlling shareholders; this aims to ensure fair treatment of the rights of non-controlling shareholders of the Company.

Full details of our governance policies can be found at:
http://www.globaltrans.com/about-us/corporate-governance/governance-policies/

Board and management remuneration
Non-Executive Directors serve on the Board pursuant to the letters of appointment which are subject to approval by the shareholders at the Annual General Meeting. Such letters of appointment specify the terms of appointment and the remuneration of Non-Executive Directors. Appointments are for one year.

Levels of remuneration for Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties.

The shareholders of the Company approved the remuneration of the members of the Board of Directors at the Annual General Meeting of shareholders held on 28 April 2014.

Refer to Note 30 of the consolidated financial statements for details of remuneration of Directors and other Key Management personnel.

Branches
The Group operates through branches and representative offices, maintaining 11 branches and 11 representative offices during 2014 (11 branches and nine representative offices during 2013).

Treasury shares
In 2014 the Company did not own or acquire either directly or through a person in his own name, but on Company's behalf any of its own shares.

Going concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2015, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Sergey Tolmachev
Director
Limassol, 27 March 2015

Directors' Responsibilities

The Company's Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of Directors determines it necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Each of the Directors confirms to the best of his or her knowledge that the consolidated financial statements (presented on pages 74 to 131) give a true and fair view of the financial position of Globaltrans Investment PLC (the "Company") and its subsidiaries (together with the Company, the "Group") as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

Further, each of the Directors confirms to the best of his or her knowledge that:
(i) proper books of account have been kept by the Company;
(ii) the Company's consolidated financial statements are in agreement with the books of account;
(iii) the consolidated financial statements give the information required by the Cyprus Companies Law, Cap.113 in the manner so required; and
(iv) the information given in the Report of the Board of Directors is consistent with the consolidated financial statements.

By order of the Board

Sergey Tolmachev
Director

STRATEGIC REPORT
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ADDITIONAL INFORMATION

Independent Auditor's Report

To the Members of Globaltrans Investment PLC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Globaltrans Investment PLC (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements
Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

> We have obtained all the information and explanations we considered necessary for the purposes of our audit.

> In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.

> The consolidated financial statements are in agreement with the books of account.

> In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.

> In our opinion, the information given in the Report of the Board of Directors is consistent with the consolidated financial statements.

Other matter
This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

A Loizou

Anna Loizou
Certified Public Accountant and Registered Auditor
for and on behalf of:

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 27 March 2015

Consolidated Income Statement
For the Year Ended 31 December 2014

	Note	2014 RUB'000	2013 RUB'000
Revenue	5	**68,700,394**	74,289,393
Cost of sales	6	**(52,789,268)**	(55,151,675)
Gross profit		**15,911,126**	19,137,718
Selling and marketing costs	6	**(334,218)**	(536,056)
Administrative expenses	6	**(4,202,172)**	(4,215,319)
Impairment of goodwill	13	**(5,828,085)**	–
Other gains – net	7	**30,596**	37,180
Operating profit		**5,577,247**	14,423,523
Finance income	9	**735,744**	320,433
Finance costs	9	**(3,523,555)**	(3,833,032)
Finance costs – net	9	**(2,787,811)**	(3,512,599)
Share of (loss)/profit of associates	14	**(12,164)**	6,804
Profit before income tax		**2,777,272**	10,917,728
Income tax expense	10	**(2,206,019)**	(2,849,642)
Profit for the year		**571,253**	8,068,086
Profit/(loss) attributable to:			
Owners of the Company		**(1,415,739)**	5,825,602
Non-controlling interest		**1,986,992**	2,242,484
		571,253	8,068,086
Basic and diluted (losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in RUB per share)	27	**(7.92)**	32.59

The notes on pages 80 to 131 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2014

	2014 RUB'000	2013 RUB'000
Profit for the year	**571,253**	8,068,086
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**4,148,291**	765,472
Other comprehensive income for the year, net of tax	**4,148,291**	765,472
Total comprehensive income for the year	**4,719,544**	8,833,558
Total comprehensive income attributable to:		
– owners of the Company	**1,230,660**	6,280,033
– non-controlling interest	**3,488,884**	2,553,525
	4,719,544	8,833,558

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of other comprehensive income above.

The notes on pages 80 to 131 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 December 2014

	Note	31 December 2014 RUB'000	31 December 2013 RUB'000	1 January 2013 RUB'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	**71,380,758**	71,294,019	69,306,493
Intangible assets	13	**4,442,396**	11,349,076	5,984,756
Income tax assets		**57,892**	78,773	54,671
Trade and other receivables	19	**32,233**	160,247	–
Investment in associate	14	**110,182**	83,228	67,731
Total non-current assets		**76,023,461**	82,965,343	75,413,651
Current assets				
Inventories	20	**735,694**	588,522	415,347
Current income tax assets		**1,010,322**	156,201	52,089
Trade and other receivables	19	**6,701,470**	6,299,444	7,996,980
Restricted cash		**-**	–	303,727
Cash and cash equivalents	21	**4,647,787**	3,406,303	5,412,111
Total current assets		**13,095,273**	10,450,470	14,180,254
Total assets		**89,118,734**	93,415,813	89,593,905
EQUITY AND LIABILITIES				
Equity attributable to the owners of the Company				
Share capital	22	**516,957**	516,957	516,957
Share premium	22	**27,929,478**	27,929,478	27,929,478
Common control transaction reserve		**(10,429,876)**	(10,429,876)	(10,429,876)
Translation reserve		**3,397,222**	750,823	296,392
Capital contribution		**2,694,851**	2,694,851	2,694,851
Retained earnings		**19,100,433**	24,517,956	22,959,475
Total equity attributable to the owners of the Company		**43,209,065**	45,980,189	43,967,277
Non-controlling interest		**6,927,315**	5,727,409	4,807,026
Total equity		**50,136,380**	51,707,598	48,774,303
Non-current liabilities				
Borrowings	24	**10,049,915**	24,117,625	25,427,265
Trade and other payables	26	**13,278**	–	–
Deferred tax liabilities	25	**5,207,410**	4,710,052	3,798,835
Total non-current liabilities		**15,270,603**	28,827,677	29,226,100
Current liabilities				
Borrowings	24	**18,256,223**	9,061,736	7,226,668
Trade and other payables	26	**5,245,646**	3,804,253	4,117,565
Current tax liabilities		**209,882**	14,549	249,269
Total current liabilities		**23,711,751**	12,880,538	11,593,502
Total liabilities		**38,982,354**	41,708,215	40,819,602
Total equity and liabilities		**89,118,734**	93,415,813	89,593,905

On 27 March 2015, the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

By order of the Board

Sergey Tolmachev
Director

Konstantin Shirokov
Director

The notes on pages 80 to 131 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2014

		Attributable to the owners of the Company								
	Note	Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interest RUB'000	Total RUB'000
Balance at 1 January 2013		**516,957**	**27,929,478**	**(10,429,876)**	**296,392**	**2,694,851**	**22,959,475**	**43,967,277**	**4,807,026**	**48,774,303**
Comprehensive income										
Profit for the year		–	–	–	–	–	5,825,602	5,825,602	2,242,484	8,068,086
Other comprehensive income								–		–
Currency translation differences		–	–	–	454,431	–	–	454,431	311,041	765,472
Total comprehensive income for 2013		–	–	–	454,431	–	5,825,602	6,280,033	2,553,525	8,833,558
Transactions with owners of the Company										
Dividends to owners of the Company	23	–	–	–	–	–	(3,968,150)	(3,968,150)	–	(3,968,150)
Dividends to non-controlling interest	23	–	–	–	–	–	–	–	(1,715,413)	(1,715,413)
Total contributions by and distributions to owners of the Company		–	–	–	–	–	(3,968,150)	(3,968,150)	(1,715,413)	(5,683,563)
Non-controlling interest arising on business combination	15	–	–	–	–	–	–	–	(216,700)	(216,700)
Acquisition of non-controlling interest	16	–	–	–	–	–	(298,971)	(298,971)	298,971	–
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**-**	**(4,267,121)**	**(4,267,121)**	**(1,633,142)**	**(5,900,263)**
Balance at 31 December 2013		**516,957**	**27,929,478**	**(10,429,876)**	**750,823**	**2,694,851**	**24,517,956**	**45,980,189**	**5,727,409**	**51,707,598**

Consolidated Statement of Changes in Equity continued
For the Year Ended 31 December 2014

		Attributable to the owners of the Company								
	Note	Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interest RUB'000	Total RUB'000
Balance at 1 January 2014		**516,957**	**27,929,478**	**(10,429,876)**	**750,823**	**2,694,851**	**24,517,956**	**45,980,189**	**5,727,409**	**51,707,598**
Comprehensive income										
(Loss)/profit for the year		–	–	–	–	–	(1,415,739)	(1,415,739)	1,986,992	571,253
Other comprehensive loss										
Currency translation differences		–	–	–	2,646,399	–	–	2,646,399	1,501,892	4,148,291
Total comprehensive income for 2014		–	–	–	2,646,399	–	(1,415,739)	1,230,660	3,488,884	4,719,544
Transactions with owners of the Company										
Dividends to owners of the Company	23	–	–	–	–	–	(3,981,615)	(3,981,615)	–	(3,981,615)
Dividends to non-controlling interest	23	–	–	–	–	–	–	–	(2,306,714)	(2,306,714)
Total contributions by and distributions to owners of the Company		–	–	–			(3,981,615)	(3,981,615)	(2,306,714)	(6,288,329)
Acquisition of non-controlling interest	16	–	–	–	–	–	(20,169)	(20,169)	17,736	(2,433)
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**-**	**(4,001,784)**	**(4,001,784)**	**(2,288,978)**	**(6,290,762)**
Balance at 31 December 2014		**516,957**	**27,929,478**	**(10,429,876)**	**3,397,222**	**2,694,851**	**19,100,433**	**43,209,065**	**6,927,315**	**50,136,380**

The notes on pages 80 to 131 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
For the Year Ended 31 December 2014

	Note	2014 RUB'000	2013 RUB'000
Cash flows from operating activities			
Profit before tax		**2,777,272**	10,917,728
Adjustments for:			
Depreciation of property, plant and equipment	12	**5,084,746**	5,245,570
Amortisation of intangible assets	13	**1,078,644**	1,021,262
Loss on sale of property, plant and equipment	12	**21,839**	186,689
Impairment of property, plant and equipment	12	**223**	–
Interest income	9	**(184,956)**	(113,601)
Interest expense	9	**3,092,683**	3,902,788
Other finance income	9	**(11,337)**	–
Share of loss/(profit) of associates	14	**12,164**	(6,804)
Foreign exchange (gains)/losses on finance income/costs	11	**(108,579)**	(276,588)
Impairment of goodwill	13	**5,828,085**	–
		17,590,784	20,877,044
Changes in working capital			
Inventories		**(90,651)**	(58,344)
Trade and other receivables		**(246,148)**	2,323,186
Trade and other payables		**1,599,638**	(2,016,841)
Cash generated from operations		**18,853,623**	21,125,045
Tax paid		**(2,285,626)**	(2,664,726)
Net cash from operating activities		**16,567,997**	18,460,319
Cash flows from investing activities			
Acquisition of subsidiaries – net of cash acquired	15	**-**	(6,120,090)
Indemnification received	28	**78,400**	–
Loans repayments received from third parties		**1,332**	2,603
Purchases of property, plant and equipment		**(1,532,167)**	(1,275,200)
Purchases of intangible assets	13	**(49)**	–
Proceeds from disposal of property, plant and equipment	12	**220,724**	172,401
Interest received		**189,913**	112,660
Net cash used in investing activities		**(1,041,847)**	(7,107,626)
Cash flows from financing activities			
Proceeds from borrowings		**6,688,521**	20,210,826
Repayments of borrowings		**(10,494,675)**	(23,244,309)
Acquisition of non-controlling interest	16	**(2,433)**	–
Finance lease principal payments		**(1,586,842)**	(1,276,720)
Interest paid		**(3,128,620)**	(3,552,997)
Dividends paid to Company's shareholders	23	**(3,983,892)**	(3,906,954)
Dividends paid to non-controlling interests	23	**(2,306,714)**	(1,715,413)
Net cash used in financing activities		**(14,814,655)**	(13,485,567)
Net increase/(decrease) in cash and cash equivalents		**711,495**	(2,132,874)
Exchange gains on cash and cash equivalents		**529,989**	127,066
Cash and cash equivalents at beginning of year	21	**3,406,303**	5,412,111
Cash and cash equivalents at end of year	21	**4,647,787**	3,406,303

Principal non-cash investing and financing transactions
The principal non-cash investing and financing transactions consist of finance leases as a lessee (Note 24).

The notes on pages 80 to 131 are an integral part of these consolidated financial statements.

1. General information

Country of incorporation

The Company is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Companies Law, Cap. 113 and converted into a public company on 15 April 2008. The address of its registered office is: 20 Omirou Street, Limassol, Cyprus. The Group's principal place of business is at 16/15 Spartakovskaya Sqr., Moscow, Russia.

Approval of the consolidated financial statements

These Group consolidated financial statements were authorised for issue by the Board of Directors on 27 March 2015.

Global Depositary Receipts

Global Depositary Receipts, each representing one ordinary share of the Company, are listed on the London Stock Exchange International Main Market.

Principal activities

The principal activity of the Group, which is unchanged from last year, is the provision of railway transportation services using own and leased rolling stock as well as the fleet engaged from other operators and operating lease of rolling stock and freight forwarding (agency) services.

2. Basis of preparation and summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Globaltrans Investment PLC have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and the Cyprus Companies Law Cap. 113.

All International Financial Reporting Standards issued by International Accounting Standards Board ("IASB") and effective as at 1 January 2014 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

New standards, interpretations and amendments to published standards

(a) The Group had early adopted the following new standards, amendments and interpretations as of 1 January 2013 that have an impact on the Group:

> **Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).** The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group has opted to adopt this amendment early and as a result it does not disclose the recoverable amount of CGU containing goodwill when there is no impairment.

(b) The Group has adopted the following new standards, amendments and interpretations as of 1 January 2014 that have an impact on the Group:

> **IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013: EU 1 January 2014)** replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Standard did not have any material impact on the Group's consolidated financial statements.

> **IFRS 12 "Disclosure of Interests in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013; EU 1 January 2014)** applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in Group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Standard has resulted in improved disclosures in relation to the consolidated entities of the Group, details of which are disclosed in Note 14.

> **"Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12" (issued in June 2012 and effective for annual periods beginning 1 January 2013; EU 1 January 2014)**. The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended standards did not have any material impact on the Group's consolidated financial statements other than application of the relief from disclosure of certain comparative information in the notes to the financial statements.

The following new International Financial Reporting Standards ("IFRS") and IFRIC Interpretations have been issued but are not yet effective or if effective, they have not yet been endorsed by the EU (Items marked with * have not been endorsed by the EU; the Company will only be able to apply new IFRS and IFRICs when endorsed by the EU:

(c) Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, that are expected to have an impact on the Group's consolidated financial statements and which the Group has not early adopted:

> **IFRS 9 "Financial Instruments: Classification and Measurement" * (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:**

> > Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income ("FVOCI") and those to be measured subsequently at fair value through profit or loss ("FVPL"). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

> Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
> Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
> IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model. There is a "three stage" approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
> Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its financial statements.

> **IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 17 June 2014)**. The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the impact of the amendments on its financial statements.
> **Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 February 2015)**. The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a "vesting condition" and to define separately "performance condition" and "service condition"; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that: (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32; and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require: (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics; and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides Key Management personnel services to the reporting entity or to the parent of the reporting entity ("the management entity"), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of the amendments on its financial statements.
> **Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 January 2015)**. The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Group does not expect the amendments to have any impact on its financial statements.

- **Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38* (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).** In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendments on its financial statements.
- **IFRS 15, Revenue from Contracts with Customers* (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017)**. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.
- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28* (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016*)**. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its financial statements.
- **Annual Improvements to IFRSs 2014* (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016)**. The amendments impact four standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

  The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross-reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its financial statements.

- **Disclosure Initiative Amendments to IAS 1* (issued in December 2014 and effective for annual periods on or after 1 January 2016)**. The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals: (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the amendments on its financial statements.

* Denotes new standards and interpretations which have not yet been endorsed by the European Union.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations involving entities under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted using the predecessor basis of accounting. Under this method, the financial statements of the acquiree are included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies, on the assumption that the Group was in existence for all periods presented. The excess of the cost of acquisition over the carrying amount of the Group's share of identifiable net assets is recorded in equity, as "common control transaction reserve".

The acquisition method of accounting is used for the acquisitions of subsidiaries that do not involve entities or businesses under common control by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, equity instruments issued by the Group and liabilities incurred to the former owners of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest or the non-controlling interest's proportionate share of the acquiree's identifiable net assets over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Indemnification assets recognised at the acquisition date continue to be measured on the same basis as the related indemnified item subject to collectability and contractual terms until they are collected, sold, cancelled or expire in the post-combination period. The entity measures the indemnification asset on the same basis as the related item, subject to any restrictions in the contractual terms such as a ceiling on the amount payable and any adjustment for the seller creditworthiness. Measurement on the same basis includes recognising any gains or losses appropriately.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at the fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into compliance with those used by the Group.

All inter-Company transactions, balances, income, expenses and unrealised gains and losses are eliminated on consolidation. Profits and losses from intra-Group transactions that are recognised in assets are also eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners in their capacity as equity owners of the Group. For purchases from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Group's investment in associates includes goodwill identified on acquisition. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues earned by the Group are recognised on the following bases:

(a) Revenue from railway transportation services
The Group operates the following services:

1. Revenues from railway transportation – using own, leased or engaged rolling stock
The Group organises transportation services for clients using its own, leased or engaged rolling stock.

There are three types of operator's services:
> The Group has a contractual relationship with the client and sets the terms of the transactions, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is borne by the Group. Total proceeds from clients are included in the Group's revenue.
> The Group has a contractual relationship with the client and sets the terms of the transaction excluding the OAO "Russian Railways" tariff such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is paid by the Group and recharged to the customer as a reimbursement. Under these arrangements the Group recognises turnover net of OAO "Russian Railways" tariff.
> The Group has a contractual relationship with the customer and sets the terms of the transaction excluding the OAO "Russian Railways" tariff such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The tariff is paid directly by the customer to OAO "Russian Railways". Under these arrangements the Group recognises revenue net of OAO "Russian railways" tariff.

Revenue is recognised in accordance with the stage of completion of the transaction, based on the actual trip days lapsed against the total estimated number of trip days for the entire trip.

2. Revenues from railway transportation – freight forwarding (agency fees)
The Group has a contractual relationship with the client to act as a legal intermediary for organising transportation services and pays transport fees on behalf of its clients. These fees, which are reimbursed by the Group's clients, are not included in revenues and cost of sales; they are recorded on the Group's transit accounts as reimbursements. In this service the transportation is provided with the use of OAO "Russian Railway" rolling stock and the client is doing business with the OAO "Russian Railways" as the principal carrier. Consequently, only the Group's fees for intermediary activities are recognised as revenue. Receivables and liabilities that arise in the course of these activities are recognised as accounts receivable and accounts payable. Revenue is recognised in accordance with the stage of completion of the transaction.

(b) Revenues from leasing
Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Assets leased out under operating leases are included in property, plant and equipment in the balance sheet based on the nature of the asset. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

(c) Revenues from sale of wagons and locomotives
The Group may acquire wagons and locomotives that are held for sale in the ordinary course of business.

Revenues are recognised when significant risks and rewards of ownership of the wagons and locomotives have been transferred to the customer, which is usually the date of delivery.

No revenue is recognised when wagons and locomotives are acquired and used in the supply of services and are subsequently disposed. Gains and losses on disposal are determined as explained in the accounting policy for property, plant and equipment and are recognised within operating profit.

(d) Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

(e) Dividend income
Dividend income is recognised when the right to receive payment is established.

Foreign currency translation
(a) Functional and presentation currency
Items included in the Group's financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and majority of the Group's subsidiaries is the Russian Rouble (RUB). The consolidated financial statements are presented in Russian Roubles (RUB) ("the presentation currency") because this is the currency better understood by the principal users of the financial statements.

Up to 2013, the Company's financial statements were presented in US Dollars. In 2014, management has decided to change the presentation currency to Russian Roubles. The Company believes that the presentation of financial results in Russian Roubles, which is the functional currency of the Company as well as its Cypriot and Russian subsidiaries, will provide greater transparency in the light of recent volatility of the RUB exchange rate and provide shareholders and other users of the financial statements with reliable and more relevant information, providing a more accurate reflection of the Group's underlying financial performance and financial position. The change has been applied retrospectively in line with IAS 8 "Accounting Policies, Changes in accounting Estimates and Errors" and as a result the comparative financial information for the year ended 31 December 2013 has been presented in Russian Roubles. Further, in accordance with IAS 1, a balance sheet as at 1 January 2013 was presented in these consolidated financial statements.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and dividends payable are presented in the income statement within "Finance costs". Foreign exchange gains and losses that relate to cash and cash equivalents and monetary assets relating to financing activities are presented in the income statement within "Finance income". All other foreign exchange gains and losses are presented in the income statement within "Other gains – net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

> Assets and liabilities are translated at the closing rate existing at the date of the balance sheet presented;
> Income and expense items at the average monthly rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
> Share capital, share premium and all other reserves are translated using the historic rate.

All exchange differences resulting from the above translation are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, including foreign exchange differences on long-term loans receivable designated as part of the net investment in foreign operations, are recognised in other comprehensive income. When a foreign operation is disposed of or sold and control or significant influence is lost, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income,

Property, plant and equipment

Property, plant and equipment are recorded at purchase or construction cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Land is not depreciated.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, less residual value, over their estimated useful lives, as follows:

	Number of years, range
Buildings	30
Rolling stock (except locomotives)	15–32
Locomotives	15–25
Mounted wheels	7
Motor vehicles and other property, plant and equipment	3–10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets under construction are not depreciated until they are completed and brought into use, at which time they are reclassified in the relevant class of property, plant and equipment and depreciated accordingly.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they are incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced cost is derecognised.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with carrying amount and these are included within operating profit as part of operating expenses.

Borrowing costs to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest or the non-controlling interest's proportionate share of the identifiable net assets of the acquiree, on an acquisition-by-acquisition basis.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the Russian open wagons/operator's services group of cash-generating units.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships relate to transportation services contract with Metalloinvest Group and MMK Group. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Customer relationships are being amortised using the straight-line method over an estimated useful life from five to seven years from the date of their acquisition.

(c) Computer software

The costs of acquiring computer software for internal use are capitalised as intangible assets where the software supports a significant business system and the expenditure leads to the creation of a durable asset. Computer software is capitalised at cost and amortised over three years, which reflects its estimated useful life, using straight-line method commencing when the asset is available for its intended use. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Impairment of non-financial assets

Assets that have indefinite useful life and goodwill are not subject to amortisation and are tested annually for impairment.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of impairment whenever there is an indication that an impairment recognised in prior periods may no longer exist or may have decreased.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time.

The Group is the lessee

(a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term, except for instances, where the lessee has the option to obtain ownership of the assets and it is reasonable certain that such ownership will be obtained, in which case the asset is depreciated over the useful economic life of the asset.

(b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(c) Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

When the overall economic effect of a sale and leaseback transaction cannot be understood without reference to the series of transactions as a whole (i.e. when the series of transactions are closely interrelated, negotiated as a single transaction, and take place concurrently or in a continuous sequence) the transaction is accounted for as one transaction, usually a collateralised borrowing.

If a sale and leaseback transaction results in an operating lease any profit or loss will be recognised immediately. If the sale price is below fair value any profit or loss will be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

The Group is the lessor

(a) Finance leases

Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. The income is recognised over the term of the lease using the net investment method (before income tax and other taxes) which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in the income statement.

(b) Operating leases

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Assets leased out under operating leases are included in property, plant and equipment in the balance sheet based on the nature of the asset. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

Financial assets
The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, loans to related and third parties, restricted cash and cash and cash equivalents in the balance sheet.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when the funds are advanced to the debtor/borrower.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor/borrower, probability that the debtor/borrower will enter bankruptcy or financial recognition, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within "selling and marketing costs". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "selling and marketing costs" in the income statement.

Extinguishment of the original financial liability
Substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the existing liability and the new liability is recognised in the income statement as part of finance costs.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less the cost of completion and applicable variable selling expenses.

Cash and cash equivalents
In the consolidated cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks less bank overdrafts if any. Cash and cash equivalents are carried at amortised cost using the effective interest method. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

Restricted cash
Restricted cash includes cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction. Cash paid into escrow accounts for the purpose of future business combination transactions is included within investing activities in the statement of cash flows.

Cash flow statement
Cash flow statement is prepared under indirect method. Purchases of property, plant and equipment are included within cash flows from investing activities and finance lease repayments are included within cash flows from financing activities and are shown net of VAT. Related input VAT is included in movement in changes of working capital, within trade and other receivables.

When the Group enters into a sale and lease back arrangements, the sale proceeds are included within cash flows from financing activities. Receipts from finance lease receivables are included within cash flows from investing activities.

Trade receivables
Trade receivables are amounts due from customers for services provided in the ordinary course of business. If collection is expected in one year or less (or in a normal operating cycle of the business, if longer than one year) they are classified as current assets, if not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Share capital, share premium and treasury shares
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders within a separate reserve "treasury shares" until the shares are cancelled or re-issued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders within retained earnings. The consideration initially paid for treasury shares which are subsequently re-issued is transferred from "treasury shares" to retained earnings.

Capital contribution
Capital contribution constitutes contributions made by the Company's shareholders other than for the issue of shares by the Company in their capacity as equity owners of the Company for which the Company has no contractual obligation to repay them. Such contributions are recognised directly in equity as they constitute transactions with equity owners in their capacity as equity owners of the Company.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are only used to cover those expenses which they had been set up for. Other possible or present obligations that arise from past events but it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligations; or the amount cannot be measured with sufficient reliability are disclosed in the notes to the financial statements as contingent liabilities.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

Financial guarantees
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee and amortisation income is recognised in the income statement within other gains. At the end of each reporting period, the guarantees are measured at the higher of; (i) the remaining unamortised balance of the amount at initial recognition; and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Current and deferred income tax
The tax expense for the period comprises of current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except where the Group can control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when the income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

Value Added Tax ("VAT")
Output value added tax related to sales is payable to tax authorities on the earlier of: (a) collection of receivables from customers; or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Employee benefits
Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses and other benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group. These are included in staff costs and the Group has no further obligations once the contributions have been paid.

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved and are no longer at the discretion of the Company. More specifically, interim dividends are recognised when approved by the Board of Directors whereas in case of final dividends, these are recognised at the time when they are approved by the Company's shareholders.

Distribution of dividends in favour of non-controlling interests in satisfaction of the minimum dividends distribution obligation is recognised in the income statement as part of finance costs, whereas any distribution in excess of such minimum distribution obligation are recognised as dividends to non-controlling interests in the statement of changes in equity.

Comparatives
Up to 2013, the Company's financial statements were presented in US Dollars. In 2014, management has decided to change the presentation currency to Russian Rouble. The Company believes that the presentation of financial results in Russian Roubles, which is the functional currency of the Company as well as its Cypriot and Russian subsidiaries, will provide greater transparency in the light of recent volatility of the RUB exchange rate and provide shareholders and other users of the financial statements with reliable and more relevant information, providing a more accurate reflection of the Group's underlying financial performance and financial position. The change has been applied retrospectively in line with IAS 8 "Accounting Policies, Changes in accounting Estimates and Errors" and as a result the comparative financial information for the year ended 31 December 2013 has been presented in Russian Roubles. Further, in accordance with IAS 1 "Presentation of Financial Statements", a balance sheet as at 1 January 2013 was presented in these consolidated financial statements.

3. Financial risk management

Financial risks factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results.

Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in the currency different from the functional currency of each of the entities of the Group.

Currently the Group attracts a small proportion of long-term borrowings and lease liabilities denominated in US Dollars, whereas a large proportion of the Group's expenses and revenues are denominated and settled in Russian Roubles. The Group does not have formal arrangements for hedging this foreign exchange risk. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency.

During 2013 the Russian Rouble has depreciated consistently against the US Dollar. From the beginning of 2014 there has been increased volatility in currency markets and the Russian Rouble has depreciated significantly against some major currencies, especially in the last quarter of 2014. As of end of December 2014 the Russian Rouble has depreciated against the US Dollar from 32.77 as of 31 December 2013 to 56.2584 Russian Roubles (72% devaluation).

The Group is exposed to the effects of currency fluctuations between: (i) the Russian Rouble and the US Dollars in relation to US Dollar-denominated balances held in the Company and the Cypriot and Russian subsidiaries of the Group; (ii) the Euro and the US Dollar for US Dollar-denominated balances held in the Estonian subsidiaries of the Group which have the Euro as their functional currency; and (iii) the Ukrainian Hryvnia and the US Dollar for the US Dollar-denominated balances held in the Ukrainian subsidiary.

The carrying amounts of monetary assets and liabilities and capital commitments denominated in US Dollars as at 31 December 2014 and 31 December 2013 are as follows:

	2014 RUB'000	2013 RUB'000
Assets	**1,658,965**	1,217,094
Liabilities	**760,331**	2,076,133

Had US Dollar exchange rate strengthened/weakened by 70% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2014, would have increased/decreased by RUB 403,931 thousand (2013: 15% change, effect RUB 185,999 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US Dollars for the Group entities with Russian Roubles being their functional currency. Profit was more sensitive to fluctuations of the exchange rate of Russian Rouble to US Dollar for the year ended 31 December 2014 compared to 2013 mainly due to the decrease of the proportion of US Dollar-denominated borrowings as at the end of 2014 (Note 24) combined with the increase of the proportion of US Dollar-denominated cash and cash equivalents as at the end of 2014.

Had Euro exchange rate strengthened/weakened by 15% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2014, would have increased/decreased by RUB 25,164 thousand (2013: 15% change, effect (RUB 162,049 thousand)). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US Dollars for the Estonian subsidiaries of the Group. Profit was less sensitive to fluctuations of the exchange rate of US Dollar to Euro for the year ended 31 December 2014 compared to 2013 mainly due to the decrease of the proportion of US Dollar-denominated borrowings as at the end of 2014 (Note 24).

Had US Dollar exchange rate strengthened/weakened by 70% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2014, would have decreased/increased by RUB 171,895 thousand (2013: 25% change, effect (RUB 289,785 thousand)). This is mainly due to foreign exchange gains and losses arising upon retranslation of borrowings denominated in US Dollars for the Ukrainian subsidiary of the Group. Profit was less sensitive to the fluctuations of the exchange rate of US Dollar to Ukrainian Hryvnia due to the intercompany loan between UNFC and the Company being recognised as part of net investment in the foreign operation.

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates arising mainly from floating rate lease liabilities and borrowings. In addition the Group is exposed to fair value interest rate risk through market value fluctuations of finance lease liabilities and bank deposits with fixed interest rates. However, any potential change in the market rates of interest will not have an impact on the carrying amount of the fixed rate financial instruments and hence on the Group's post tax profit or equity as these instruments are carried at amortised cost.

Lease and long-term borrowing contracts of the Group are concluded to finance the purchase of rolling stock. While analysing new investment projects and concluding credit facility agreements, loan agreements and lease contracts, various scenarios are developed taking into account terms of refinancing and alternative financing sources. Based on these scenarios the Group measures the impact of a definite change in interest rate on profit or loss and selects the financing model that allows maximising the estimated future profit.

Had Russian Rouble and US Dollar lease and credit interest rates shifted by 7% and 0.5% respectively (in the case of floating interest rates) and all other variables remained unchanged, the post-tax profit of the Group would have changed by RUB 393,438 thousand for the year ended 31 December 2014 (2013:1% change in Russian Rouble and US Dollar interest rates: RUB 62,259 thousand).

The Group obtains borrowings at current market interest rates and does not use any hedging instruments to manage interest rate risk. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable by ensuring the Group has financial liabilities with both floating and fixed interest rates.

(c) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade and other receivables and cash and cash equivalents.

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. The majority of bank balances are held with independently rated parties with a minimum rating of "B". These policies enable the Group to reduce its credit risk significantly.

However, the Group's business is heavily dependent on a few large key customers, with the top ten customers accounting for 69.58% of the Group's trade and other receivables (excluding VAT receivable and prepayments) as at 31 December 2014 (2013: 62.66%).

These figures include trade and other receivables arising from business with related parties which account for Nil as at 31 December 2014 (2013: Nil).

The table below summarises the analysis of accounts receivable under contractual terms of settlement at the balance sheet date for the year ended 31 December 2014 and 31 December 2013:

	Fully performing RUB'000	Past due RUB'000	Impaired RUB'000	Impairment provision RUB'000	Total RUB'000
As of 31 December 2014					
Trade receivables	1,873,701	853,612	315,345	(315,345)	**2,727,313**
Loans receivable	20,125	–	–	–	**20,125**
Other receivables	44,322	30,873	45,476	(45,476)	**75,195**
	1,938,148	884,485	360,821	(360,821)	**2,822,633**
As of 31 December 2013					
Trade receivables	1,647,554	863,502	376,126	(376,126)	**2,511,056**
Loans receivable	20,507	5,907	–	–	**26,414**
Other receivables	78,283	15,143	41,806	(41,806)	**93,426**
	1,746,344	884,552	417,932	(417,932)	**2,630,896**

Note: Other receivables exclude other taxes receivable as the analysis is provided for financial assets only.

Liquidity risk

The Group has an excess of current liabilities over current assets of RUB 10,616,478 thousand as at 31 December 2014 (2013: excess of current liabilities over current assets RUB 2,430,068 thousand), as a result of the maturity of non-convertible unsecured bonds of RUB 10 billion being in March 2015.

The Group repaid RUB 10,000,000 thousand of bonds in March 2015 and has secured new borrowing facilities in the amount of RUB 11,250,0000 since 31 December 2014 to date.

The Group has successful credit and refinancing history and maintains enough flexibility ensuring the ability to attract necessary funds through committed credit facilities. Due to availability of committed credit lines amounting to RUB 21,902,000 thousand as of 31 December 2014 (2013: RUB 6,294,000 thousand), together with long-term borrowings (Note 24) and the new loan facilities obtained in the first quarter of 2015 in the amount of RUB 11,250,000 thousand of which RUB 10,500,000 thousand were drawn down, the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long-term perspective the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures.

The table below summarises the analysis of financial liabilities of the Group by maturity as of 31 December 2014 and 31 December 2013. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 month RUB'000	Between 1 month and 3 months RUB'000	Between 3 and 6 months RUB'000	Less than 1 year RUB'000	Between 1 and 2 years RUB'000	Between 2 and 5 years RUB'000	Over 5 years RUB'000	Total RUB'000
31 December 2014								
Borrowings	546,582	12,416,224	2,475,888	4,498,915	8,154,470	3,577,527	–	**31,669,606**
Trade and other payables	700,796	41,062	5,544	35,071	15,681	–	–	**798,154**
	1,247,378	12,457,286	2,481,432	4,533,986	8,170,151	3,577,527	–	**32,467,760**
31 December 2013								
Borrowings	712,885	3,216,679	2,517,251	4,865,669	18,239,415	7,914,287	35,192	**37,501,378**
Trade and other payables	715,414	17,416	5,846	9,722	–	–	–	**748,398**
	1,428,299	3,234,095	2,523,097	4,875,391	18,239,415	7,914,287	35,192	**38,249,776**

Note: Statutory liabilities are excluded as the analysis is provided for financial liabilities only.

(d) Capital risk management

The Group's main objective when managing capital is to maintain the ability to continue as a going concern in order to ensure the required profitability of the Group, maintain optimum equity structure and reduce its cost of capital.

Defining capital, the Group uses the amount of net assets attributable to the Company's equity owners and the Group's borrowings.

The Group manages the capital based on borrowings to total capitalisation ratio. Borrowings include lease liabilities and loan liabilities. To maintain or change its equity structure, the Company may vary the amount of dividend paid, or sell assets in order to reduce debts.

Total capitalisation is calculated as the sum of the total Group borrowings and total equity attributable to the equity owners of the Company. The management does not currently have any specific target for the rate of borrowings to total capitalisation.

The rate of borrowings to total capitalisation as at 31 December 2014 and 31 December 2013 are as follows:

	2014 RUB'000	2013 RUB'000
Total borrowings	**28,306,138**	33,179,361
Total capitalisation	**71,515,203**	79,159,550
Total borrowings to total capitalisation ratio (percentage)	**39.58%**	41.91%

External requirements are imposed on the capital of the Company as defined by management in relation to long-term loans provided by financial institutions to the Company and certain subsidiaries of the Company. The Group analyses compliance with external requirements to the capital at each reporting date and when entering into new loan agreements and lease contracts. There were no instances of non-compliance with externally imposed capital requirements during 2014 and 2013. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

(e) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values of financial instruments have been determined by the Group, using available market information, where it exists, appropriate valuation methodologies and assistance of experts. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore do not always represent the fair values of financial instruments. The Group has used all available market information in estimating the fair value of financial instruments.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities; (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and (iii) level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The fair values in level 2 and level 3 of fair value hierarchy were estimated using discounted cash flows valuation techniques. The fair value of floating rate instruments denominated in currencies other than Russian Rouble that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. The fair value of non-convertible unsecured bonds is based on quoted market prices. Fair values of other liabilities were determined using valuation techniques.

As at 31 December 2013, the fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

As at 31 December 2014 the estimated fair value of fixed interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

In the absence of similar Russian Rouble-denominated instruments entered into by the Group close to the 31 December 2014, due to the adverse fluctuation of interest rates, the estimated fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted at an estimated rate of Mosprime plus a margin. Such rate was management's best estimate of the interest rate it would achieve had it entered into a similar instrument as at the year end.

The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The discount rates used ranged from 20.14% p.a. to 25.02% p.a. (2013: 7.8% p.a. to 10.3% p.a.) depending on the length and currency of the liability (Note 24).

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 28).

ii) Assessment of recoverability of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The entire balance of goodwill of the Group is allocated to Russian open wagons/operator's services group of cash-generating units, which is included in the open wagon/operator's services segment.

The recoverable amount of this group of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates (Note 13).

As a result of the impairment assessment, an impairment charge of RUB 5,828,085 thousand was recognised during the year ended 31 December 2014 (2013: no impairment) against the carrying amount of goodwill, following which, the entire amount of goodwill of the Group was impaired in full as of 31 December 2014.

If the terminal growth rate had been 0.25% lower than management's estimates at 31 December 2014, the recoverable amount would decrease by approximately RUB 546,000 thousand, resulting into additional impairment in the remaining assets of the Russian open wagons/operator's services group of cash-generating units in the corresponding amount.

If the discount rate had been 0.25% higher than management's estimates, the recoverable amount would decrease by approximately RUB 636,000 thousand, resulting into additional impairment in the remaining assets of the Russian open wagons/operator's services group of cash-generating units in the corresponding amount.

If the railway transportation growth rate had been 1% lower than management's estimate, the recoverable amount would decrease by approximately RUB 1,660,000 thousand resulting into additional impairment in the remaining assets of the Russian open wagons/operator's services group of cash-generating units in the corresponding amount.

iii) Assessment of impairment of customer relationships

The Group assesses at each balance sheet date whether there are indications for impairment for the customer relationships with Metalloinvest and MMK Groups, in accordance with the accounting policy for impairment of non-current assets (Note 2). As of 31 December 2014, the management considered the deterioration in the general market and industry conditions as indicators for impairment and performed impairment assessments in relation to the customer relationships with Metalloinvest and MMK Groups. The recoverable amounts were determined based on value-in-use calculations. These calculations require the use of estimates (Note 13).

The impairment testing for the customer relationship with Metalloinvest Group indicated significant headroom in the recoverable amount over the carrying amount of this customer relationship. Any reasonable possible change in the assumptions used in the value-in-use calculation for the recoverable amount for this customer relationship would not trigger any impairment loss. The impairment testing for the customer relationship with MMK Group did not give rise to any impairment. However, the recoverable amount is sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of this customer relationship.

If the discount rate had been 0.25% higher than management's estimate at 31 December 2014, the recoverable amount would decrease resulting into an impairment loss of RUB 110,100 thousand to be recognised on the contractual relationship with MMK Group.

If the railway transportation revenue growth rate had been 1% lower than management's estimate at 31 December 2014, the recoverable amount would decrease resulting into an impairment loss of RUB 112,000 thousand to be recognised on the contractual relationship with MMK Group.

iv) Useful lives of customer relationships

The estimation of the useful lives of customer relationships arising on business combinations and included within intangible assets is a matter of judgment based on expectations of the duration of the relationship with the customers. As of 31 December 2014, the Group carries customers relationships with Metalloinvest and MMK Groups with a carrying amount of RUB 910,060 thousand and RUB 3,532,020 thousand respectively.

The contract with MMK Group was concluded in February 2013 for five years expiring in February 2018, and the contract with Metalloinvest Group was concluded in May 2012 for three years expiring in May 2015. In assessing the useful life of these customer relationships on initial recognition, management took the view that the cooperation with Metalloinvest and MMK Groups would not terminate after the expiry of the underlying contracts as the relationships are based on market conditions and the rolling stock of the Group and its expertise best meet the transportation requirements of the customers. In view of these considerations, management estimated the useful economic lives of the customer relationships with Metalloinvest and MMK Group to be five and seven years respectively on the initial acquisition of these customer relationships.

During 2014 the terms of the contracts with MMK and Metalloinvest Groups were prolonged for a further one year and 1.5 years to February 2019 and December 2016 respectively. Management has reassessed the useful economic life of the customer relationships as of 31 December 2014 and has concluded that despite the prolongation of the contracts, the remaining useful economic lives of the customer relationships remain reasonable in view of the current volatile market conditions.

v) Assessment of impairment of rolling stock

The Group assesses at each balance sheet date whether there are indications for impairment for the property, plant and equipment, in accordance with the accounting policy for impairment of non-current assets (Note 2). As of 31 December 2014, the management considered the deterioration in the general market and industry conditions as indicators for impairment, and performed impairment assessments in relation to the property, plant and equipment. The recoverable amounts of property plant equipment, comprising of platforms, hoppers, diesel locomotives and tank cars were determined based on a market value approach as well as value-in-use calculations, on a case-by-case basis. As a result of the above testing, there was no impairment. These calculations require the use of estimates.

(b) Critical judgements in applying in Group's accounting policies

i) Revenue recognition

Operator's services are rendered using own or leased rolling stock. The Group's customers do not interact with OAO Russian Railways. A full service is charged by the Group to its customers and the OAO Russian Railways tariff is borne by the Group. There are certain characteristics indicating that the Group is acting as an agent, particularly the fact that OAO Russian Railways tariffs are available to the public, therefore are known to the customer, and the risk of delivery is borne by OAO Russian Railways. However, the Group bears the credit risk and controls the flow of receipts and payments. The services are rendered with the use of own or leased rolling stock and the Group bears the OAO Russian Railways tariff to bring the rolling stock back or to the next destination. The Group is independent in its pricing policy and considers its potential loss for empty run tariff. Management believes that the Group acts as a principal in these arrangements and the Group accounts receipts from customers as sales revenue and the OAO Russian Railways tariff is included in cost of sales. Had OAO Russian Railways tariff directly attributable to such services been excluded from revenues and cost of sales both would have decreased by RUB 23,250,748 thousand for the year ended 31 December 2014 (RUB 24,391,147 thousand for the year ended 31 December 2013).

The above include contracts with several customers where under the legal form of these contracts the Group acts as an agent in respect of Russian Railway tariff and services provided by other transportation organisations and recharges such costs to its customers. Management believes that, despite the legal form of the contracts, the substance of the relationship with the customers is such that the Group acts as a principal, because the Group's customers do not interact with Russian Railways nor with the operators supplying the engaged fleet, but have a contractual relationship with the Group. The Group has discretion in selecting suppliers and decides on type of rolling stock to be used in transportation (owned or engaged), the Group bears the credit and price risk and controls the flow of receipts and payments. The Group accounts for full amounts of receipts from customers as revenue and the Russian Railways tariff and the services provided by other operators are included in cost of sales.

The Group has contracts with several customers where under the legal form of these contracts the Group acts as an agent in respect of services provided by other transportation organisations and recharges such costs to its customers. Management believes that despite the legal form of the contracts the substance of the relationship with the customers is such that the Group acts as a principal, because the Group's customers do not interact with operators supplying the engaged fleet but have a contractual relationship with the Group as the Group has discretion in selecting suppliers and decides on type of rolling stock to be used in transportation (owned or engaged), bears the credit and price risk and controls the flow of receipts and payments. The Group accounts for full amounts of receipts from customers as revenue and the services provided by other operators are included in the cost of sales. Had the services provided by other transportation organisations directly attributable to such contracts been excluded from revenues and cost of sales, both would have decreased by RUB 3,117,203 thousand for the year ended 31 December 2014 (RUB 1,365,513 thousand for the year ended 31 December 2013).

ii) Intention for the distribution of dividends by subsidiaries

Withholding tax at the rate of 5% is applied to the dividends distributed by the Russian subsidiaries of the Group to the Company. In case the dividends are distributed by the Estonian subsidiaries, the tax of 21% will be applied to such distributions. Recognition of the provisions for such taxes by the Group is based on the management's intention for future dividend distribution by each respective subsidiary. Deferred income tax liabilities of RUB 3,312,499 thousand (2013: RUB 2,053,397 thousand) have not been recognised for the withholding taxes that would be payable in case unremitted earnings of certain subsidiaries are distributed to the Company in the form of dividends as it is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled RUB 23,736,246 thousand as at 31 December 2014 (2013: RUB 16,185,408 thousand).

5. Segmental information

The chief operating decision-maker has been identified as the Board of Directors of the Group. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from two perspectives: by type of activity and by type of rolling stock used. From a type of activity perspective, management reviews revenues with no further analysis of the underlying cost components. From the type of rolling stock used perspective management assesses the performance of each type (open wagons, tank cars, locomotives, hopper wagons, platforms) at the level of adjusted revenue.

Adjusted revenue is the measure of profit looked at by the chief operating decision-maker and this includes the revenues derived from the relating type of rolling stock used, less infrastructure tariff paid for the loaded trips of relating rolling stock, less services provided by other transportation organisations. Further, the Board receives information in respect of relating depreciation and amortisation charges for rolling stock and customer relationships respectively. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

Segment assets consist of rolling stock, customer relationships and goodwill. Unallocated assets comprise all the assets of the Group except for rolling stock, customer relationship and goodwill, as included within segment assets.

Liabilities are not segmented since they are not reviewed from that perspective by the chief operating decision-maker.

Capital expenditure comprises additions of rolling stock to property, plant and equipment and additions to customer relationships and goodwill arising on business combinations.

The Group does not have transactions between different business segments.

	Open wagons RUB'000	Tank cars RUB'000	All other segments RUB'000	Total RUB'000
Year ended 31 December 2014				
Total Revenue – operator's services	33,391,260	30,604,015	1,097,878	65,093,153
Total Revenue – operating lease	95,919	2,752,666	410,751	3,259,336
Revenue (from external customers)	33,487,179	33,356,681	1,508,629	68,352,489
less Infrastructure and locomotive tariffs – loaded trips	(12,142,924)	(10,663,667)	(444,157)	(23,250,748)
less Services provided by other transportation organisations	(3,015,090)	(538,497)	(6,000)	(3,559,587)
Adjusted revenue for reportable segments	**18,329,165**	**22,154,517**	**1,058,472**	**41,542,154**
Depreciation and amortisation	(4,507,121)	(904,996)	(439,072)	(5,851,189)
Impairment of goodwill	(5,828,085)	–	–	(5,828,085)
Additions to non-current assets (included in reportable segment assets)	371,861	91,001	12,296	475,158
Reportable segment assets	50,278,599[1]	20,465,275	2,238,696	72,982,570

1 Includes RUB 4,442,080 thousand of intangible assets representing customer relationships.

	Open wagons RUB'000	Tank cars RUB'000	All other segments RUB'000	Total RUB'000
Year ended 31 December 2013				
Total Revenue – operator's services	36,356,329	32,535,478	1,215,268	70,107,075
Total Revenue – operating lease	132,980	3,023,836	628,181	3,784,997
Revenue (from external customers)	36,489,309	35,559,314	1,843,449	73,892,072
less Infrastructure and locomotive tariffs – loaded trips	(11,054,640)	(12,830,785)	(505,722)	(24,391,147)
less Services provided by other transportation organisations	(4,670,844)	(314,316)	(2,633)	(4,987,793)
Adjusted revenue for reportable segments	**20,763,825**	**22,414,213**	**1,335,094**	**44,513,132**
Depreciation and amortisation	(4,655,248)	(924,147)	(363,757)	(5,943,152)
Additions to non-current assets (included in reportable segment assets)	9,717,863[2]	826	1,419,605	11,138,294
Reportable segment assets	60,418,516[3]	17,131,324	2,407,937	79,957,777

2 Includes RUB 6,384,276 thousand of intangible assets representing goodwill and customer relationships.
3 Includes RUB 11,348,395 thousand of intangible assets representing goodwill and customer relationships.

A reconciliation of total adjusted revenue to total profit before income tax is provided as follows:

	2014 RUB'000	2013 RUB'000
Adjusted revenue for reportable segments	**41,542,154**	44,513,132
Other revenues	**347,905**	397,321
Total adjusted revenue	**41,890,059**	44,910,453
Cost of sales (excl. Infrastructure and locomotive tariffs – loaded trips, services provided by other transportation organisations, impairments, depreciation of property, plant and equipment and amortisation of intangible assets)	**(19,868,946)**	(19,562,206)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	**(4,305, 245)**	(4,326,412)
Depreciation and amortisation	**(6,163,390)**	(6,266,832)
Impairment of goodwill	**(5,828,085)**	–
Impairment charge for receivables	**(177,519)**	(368,660)
Impairment charge for property, plant and equipment	**(223)**	–
Other gains – net	**30,596**	37,180
Operating profit	**5,577,247**	14,423,523
Finance income	**735,744**	320,433
Finance costs	**(3,523,555)**	(3,833,032)
Share of (loss)/profit of associates	**(12,164)**	6,804
Profit before income tax	**2,777,272**	10,917,728

Segment assets and liabilities are reconciled to the Group assets and liabilities as follows:

	2014		2013	
	Assets RUB'000	Liabilities RUB'000	Assets RUB'000	Liabilities RUB'000
Segment assets/liabilities	**72,982,570**		79,957,777	
Unallocated:				
Deferred tax	**-**	**5,207,410**	–	4,710,052
Income tax assets/liabilities	**1,068,214**	**209,882**	234,974	14,549
Investment in associates	**110,182**	**-**	83,228	–
Inventories	**735,694**	**-**	588,522	–
Intangible assets	**316**	**-**	681	–
Current borrowings	**-**	**18,256,223**	–	9,061,736
Non-current borrowings	**-**	**10,049,915**	–	24,117,625
Property, plant and equipment	**2,840,268**	**-**	2,684,637	–
Receivables	**6,733,703**	**-**	6,459,691	–
Payables	**-**	**5,258,924**	–	3,804,253
Restricted cash	**-**	**-**	–	–
Cash and cash equivalents	**4,647,787**	**-**	3,406,303	–
Total	**89,118,734**	**38,982,354**	93,415,813	41,708,215

Geographic information

Revenues from external customers

	2014 RUB'000	2013 RUB'000
Revenue		
Russia	**66,640,666**	71,783,605
Estonia	**1,091,297**	1,514,823
Finland	**897,875**	886,785
Ukraine	**70,556**	104,180
	68,700,394	74,289,393

The revenue information above is based on the location where the sale has originated, i.e. on the location of the respective subsidiary of the Group.

In the periods set out below, certain customers, included within the revenue generated in Russia, accounted for greater than 10% of the Group's total revenues:

	2014		2013	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A – tank cars segment	**17,816,240**	**26**	19,917,971	27
Customer B – open wagons segment	**13,938,612**	**21**	11,432,153	15
Customer C – open wagons segment	**10,860,920**	**16**	11,759,309	16

Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

	2014 RUB'000	2013 RUB'000
Non-current assets		
Russia	**62,077,740**	72,719,932
Estonia	**12,754,548**	8,677,750
Ukraine	**1,186,884**	1,427,117
Cyprus	**1,827**	2,203
	76,020,999	82,827,002

Analysis of revenue by category:

	2014 RUB'000	2013 RUB'000
Railway transportation – operators services (tariff borne by the Group)	**44,996,497**	49,211,354
Railway transportation – operators services (tariff borne by the client)	**20,096,656**	20,895,721
Railway transportation – freight forwarding	**28,681**	61,536
Operating lease of rolling stock	**3,259,336**	3,784,997
Other	**319,224**	335,785
Total Revenue	**68,700,394**	74,289,393

Note: Revenue from railway transportation – operators services (tariff borne by the Group) includes infrastructure and locomotive tariffs for loaded trips for the year ended 31 December 2014 amounting to RUB 23,250,748 thousand (for the year ended 31 December 2013: RUB 24,391,147 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 3,559,587 thousand (2013: RUB 4,987,793 thousand).

6. Expenses by nature

	2014 RUB'000	2013 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs:		
Loaded trips	**23,250,748**	24,391,147
Empty run trips and other tariffs	**11,372,482**	10,828,527
Services provided by other transportation organisations	**3,559,587**	4,987,793
Operating lease rentals – rolling stock	**1,249,183**	1,280,156
Employee benefit expense	**879,538**	887,152
Repairs and maintenance	**3,800,368**	4,165,302
Depreciation of property, plant and equipment	**5,031,328**	5,189,438
Amortisation of intangible assets	**1,078,436**	1,021,091
Fuel and spare parts – locomotives	**1,402,774**	1,212,297
Engagement of locomotive crews	**467,994**	450,025
Loss on sale of property, plant and equipment	**21,017**	188,526
Impairment of property, plant and equipment	**223**	–
Other expenses	**675,590**	550,221
	52,789,268	55,151,675

	2014 RUB'000	2013 RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	**53,418**	56,132
Amortisation of intangible assets	**208**	171
Loss/(gain) on sale of property, plant and equipment	**822**	(1,837)
Employee benefit expense	**2,356,252**	2,179,926
Impairment charge of receivables	**177,519**	368,660
Operating lease rental – office	**249,189**	266,855
Auditors' remuneration	**60,835**	63,031
Legal, consulting and other professional fees	**101,565**	159,905
Advertising and promotion	**25,079**	26,138
Communication costs	**48,328**	51,775
Information services	**45,623**	63,930
Taxes (other than income tax and value added taxes)	**951,072**	1,063,992
Other expenses	**466,480**	452,697
	4,536,390	4,751,375

	2014 RUB'000	2013 RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 12)	**5,084,746**	5,245,570
Amortisation of intangible assets (Note 13)	**1,078,644**	1,021,262
Impairment of property, plant and equipment (Note 12)	**223**	–
Net loss on sale of property, plant and equipment (Note 12)	**21,839**	186,689
Employee benefit expense (Note 8)	**3,235,790**	3,067,078
Impairment charge for receivables (Note 19)	**177,519**	368,660
Operating lease rentals – rolling stock	**1,249,183**	1,280,156
Operating lease rentals – office	**249,189**	266,855
Repairs and maintenance	**3,800,368**	4,165,302
Fuel and spare parts – locomotives	**1,402,774**	1,212,297
Engagement of locomotive crews	**467,994**	450,025
Infrastructure and locomotive tariffs:		
Loaded trips	**23,250,748**	24,391,147
Empty run trips and other tariffs	**11,372,482**	10,828,527
Services provided by other transportation organisations	**3,559,587**	4,987,793
Auditors' remuneration	**60,835**	63,031
Legal, consulting and other professional fees	**101,565**	159,905
Advertising and promotion	**25,079**	26,138
Communication costs	**48,328**	51,775
Information services	**45,623**	63,930
Taxes (other than income tax and value added taxes)	**951,072**	1,063,992
Other expenses	**1,142,070**	1,002,918
Total cost of sales, selling and marketing costs and administrative expenses	**57,325,658**	59,903,050

Note: The auditors' remuneration stated above include fees of RUB 13,875 thousand (2013: RUB 15,417 thousand) for audit services charged by the Group's statutory audit firm. The rest of the auditor's remuneration relates to fees for audit services charged by the auditors of the subsidiaries of the Company.

Legal, consulting and other professional fees Include RUB 153 thousand for the year 2014 (2013: RUB 747 thousand) in fees paid to the Company's statutory auditor for non-audit services.

7. Other gains – net

	2014 RUB'000	2013 RUB'000
Other gains	**47,862**	75,119
Other losses	**(29,373)**	(39,707)
Net foreign exchange gains (Note 11)	**12,107**	1,768
Total other gains – net	**30,596**	37,180

8. Employee benefit expense

	2014 RUB'000	2013 RUB'000
Wages and salaries	**1,648,625**	1,589,195
Bonuses	**1,102,964**	1,034,171
Social insurance costs	**484,201**	443,712
Total employee benefit expense	**3,235,790**	3,067,078

9. Finance income and costs

	2014 RUB'000	2013 RUB'000
Interest expense:		
Borrowings from third parties	**(15,799)**	(70,109)
Bank borrowings	**(1,923,420)**	(2,422,880)
Non-convertible bond	**(1,099,531)**	(1,155,211)
Finance leases	**(34,493)**	(65,740)
Other finance costs	**(19,440)**	(188,848)
Total interest expense	**(3,092,683)**	(3,902,788)
Net foreign exchange transaction (losses)/gains on borrowings and other liabilities (Note 11)	**(430,872)**	69,756
Finance costs	**(3,523,555)**	(3,833,032)
Interest income:		
Loans receivables from third parties	**992**	1,014
Bank balances	**40,919**	29,520
Short-term bank deposits	**143,045**	83,067
Total interest income	**184,956**	113,601
Other finance income	**11,337**	–
Net foreign exchange transaction gains on cash and cash equivalents and other monetary assets (Note 11)	**539,451**	206,832
Finance income	**735,744**	320,433
Net finance costs	**(2,787,811)**	(3,512,599)

10. Income tax expense

	2014 RUB'000	2013 RUB'000
Current tax:		
Corporation tax	**1,272,768**	2,711,221
Withholding tax on dividends for which no deferred tax was recognised	**32,000**	120,000
Defence contribution	**-**	566
Total current tax	**1,304,768**	2,831,787
Deferred tax (Note 25):		
Origination and reversal of temporary differences	**904,378**	17,855
Impact of change in intention for distribution of profits by subsidiary	**(18,703)**	–
Impact of change in Ukrainian tax rate	**15,576**	–
Total deferred tax	**901,251**	17,855
Income tax expense	**2,206,019**	2,849,642

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2014 RUB'000	2013 RUB'000
Profit before tax	**2,777,272**	10,917,728
Tax calculated at domestic tax rates applicable to profits in the respective countries	**1,412,985**	2,054,780
Tax effects of:		
Expenses not deductible for tax purposes	**389,068**	137,859
Allowances and income not subject to tax	**(14,597)**	(50,707)
Tax effect of revaluation of deferred tax at current tax rates	**15,576**	3,661
Tax effect of tax losses for which no deferred tax asset was recognised/Tax effect of utilisation of previously unrecognised tax losses	**(84,058)**	112,966
Withholding tax on dividends for which no deferred tax was recognised	**32,000**	120,000
Derecognition of deferred tax asset previously recognised	**206,544**	58,358
Estonian income tax charge [4]	**-**	67,485
Dividend withholding tax provision (Note 25)	**267,204**	344,703
Impact of change in intention for distribution of profits by subsidiary on dividend withholding tax provision [5]	**(18,703)**	–
Other	**-**	542
Tax charge	**2,206,019**	2,849,642

4 Estonian tax law calls for profits to be taxed at the time of distribution and not during the year in which they are incurred.

5 During the year ended 31 December 2014, following the merger of Ferrotrans OOO and Sevtekhnotrans OOO into GTI Management OOO, management reassessed their intention for distribution of dividends for this newly-combined entity and concluded that it is no longer probable that dividend distributions in relation to prior period profits would be made out of this entity. Following this change in management's intention, deferred tax liability relating to withholding tax provision amounting to RUB 18,703 thousand was released to the income statement.

The weighted average effective tax rate for the year ended 31 December 2014 was 79.4% (2013: 26.1%). Excluding the impact of the impairment charge of goodwill which was an exceptional item with no tax implications for the Group, the weighted average effective tax rate for the year ended 31 December 2014 is 25.6%. The decrease in the effective tax rate (excluding the impact of the impairment charge on goodwill) is caused by the increased proportion of the Group's profits arising from the Estonian subsidiaries of the Group which are taxed at zero rate compared to the Russian subsidiaries which have an applicable tax rate of 20% on profits after tax.

The Company is subject to income tax on taxable profits at the rate 12.5%.

Up to 31 December 2008, under certain conditions interest may be subject to special contribution for defence at the rate of 10%. In such cases 50% of the same interest will be exempt from income tax, thus having an effective tax rate burden of approximately 15%. From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011; and to 30% as from 29 April 2014. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; and reduced to 17% as from 1 January 2013. In certain cases dividends received from 1 January 2013 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence. Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon, etc.) are exempt from Cyprus income tax.

For Russian subsidiaries, the annual profit is taxed at 20%. Withholding tax is applied to dividends distributed to the Company by its Russian subsidiaries at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected. Dividend withholding tax provision is recognised in the respective periods for the withholding taxes that would be payable by subsidiaries where there is an intention that earnings will be distributed to the Company in the form of dividends.

For subsidiaries in Estonia, the annual profit earned by enterprises is not taxed and thus no income tax or deferred tax asset/liabilities arise. Instead of taxing the net profit, the distribution of statutory retained earnings is subject to a dividend tax rate of 21% (until 31 December 2013: 21%) of net dividend paid. The tax rate will be reduced to 20% in 2015. Therefore, the applicable income tax rate for Estonian subsidiaries is 0% as the Group currently has no intention to distribute dividends from the Estonian subsidiaries. During the year, the Estonian subsidiary incurred a charge of RUB Nil thousand (2013: RUB 67,485) as a result of distribution of dividends.

For the subsidiary in Ukraine the annual profit was taxed at a tax rate 25% until 31 March 2011; decreased to 23% until 31 December 2011; and further decreased to 21% thereafter. As of 1 January 2013 the tax rate reduced to 19% and is reduced to 18% from 1 January 2014; and to 16% from January 2016.

The revision of tax code effective from 1 January 2015 had the following effects in the Ukrainian subsidiary of the Group: (i) Provisions for doubtful accounts receivable are no longer tax deductible; and (ii) amortisation of the financial assets and liabilities is not included in list of differences between tax and accounting profits. Management interpretation is that such amortisation will be fully deductible and no temporary difference arises for deferred tax calculation purposes. The Group has not recognised any tax in relation to other comprehensive income as all elements of other comprehensive income are not subject to tax.

11. Net foreign exchange gains

The exchange differences credited to the income statement are included as follows:

	2014 RUB'000	2013 RUB'000
Net finance costs (Note 9)	**108,579**	276,588
Other gains – net (Note 7)	**12,107**	1,768
	120,686	278,356

12. Property, plant and equipment

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2013					
Cost	82,676,494	79,759	122,949	202,769	83,081,971
Accumulated depreciation	(13,541,699)	(33,258)	(69,098)	(131,423)	(13,775,478)
Net book amount	69,134,795	46,501	53,851	71,346	69,306,493
Year ended 31 December 2013					
Opening net book amount	69,134,795	46,501	53,851	71,346	69,306,493
Additions	1,132,733	6,458	45,498	99,679	1,284,368
Acquired through business combinations (Note 15)	4,586,906	214,834	20,019	482,415	5,304,174
Disposals	(351,450)	–	(6,212)	(912)	(358,574)
Depreciation charge (Note 6)	(5,134,155)	(7,765)	(26,221)	(77,429)	(5,245,570)
Currency translation differences	997,183	1,138	605	4,202	1,003,128
Closing net book amount	70,366,012	261,166	87,540	579,301	71,294,019
At 31 December 2013					
Cost	88,206,436	303,499	168,402	770,667	89,449,004
Accumulated depreciation	(17,840,424)	(42,333)	(80,862)	(191,366)	(18,154,985)
Net book amount	**70,366,012**	**261,166**	**87,540**	**579,301**	**71,294,019**

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2014					
Cost	88,206,436	303,499	168,402	770,667	89,449,004
Accumulated depreciation	(17,840,424)	(42,333)	(80,862)	(191,366)	(18,154,985)
Net book amount	70,366,012	261,166	87,540	579,301	71,294,019
Year ended 31 December 2014					
Opening net book amount	70,366,012	261,166	87,540	579,301	71,294,019
Additions	1,354,399	–	40,088	55,903	1,450,390
Disposals	(243,257)	–	(7,188)	(19,143)	(269,588)
Depreciation charge (Note 6)	(4,972,677)	(7,766)	(28,613)	(75,690)	(5,084,746)
Impairment charge (Note 6)	(223)	–	–	–	(223)
Transfer to inventories	(126,523)	–	–	–	(126,523)
Currency translation differences	4,073,222	4,011	6,101	34,095	4,117,429
Closing net book amount	70,450,953	257,411	97,928	574,466	71,380,758
At 31 December 2014					
Cost	93,861,283	314,076	204,501	838,921	95,218,781
Accumulated depreciation	(23,410,330)	(56,665)	(106,573)	(264,455)	(23,838,023)
Net book amount	**70,450,953**	**257,411**	**97,928**	**574,466**	**71,380,758**

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2014 RUB'000	2013 RUB'000
Net book amount	**269,588**	358,574
Loss on sale of property, plant and equipment (Note 6)	**(21,839)**	(186,689)
Consideration from sale of property, plant and equipment	**247,749**	171,885

The consideration from sale of property, plant and equipment is further analysed as follows:

	2014 RUB'000	2013 RUB'000
Cash consideration received within year	**220,724**	172,401
Movement in advances received in accounts payable for sales of property, plant and equipment	**27,025**	(516)
	247,749	171,885

Property, plant and equipment includes the following amounts where the Group is the lessee under a finance lease:

	2014 RUB'000	2013 RUB'000
Cost – capitalised finance leases	**3,269,958**	4,039,988
Accumulated depreciation	**(522,215)**	(604,818)
	2,747,743	3,435,170

The net carrying amount of property, plant and equipment that are leased under finance leases, including sale and leaseback transactions, are analysed as follows:

	2014 RUB'000	2013 RUB'000
Rolling stock	**2,747,743**	3,432,902
Motor vehicles	**-**	2,268
	2,747,743	3,435,170

The Group is identified as a lessee under a finance lease in the following cases:
(a) The lease transfers ownership of property, plant and equipment to the Group at the end of the lease term; and
(b) The Group has the option to purchase the property, plant and equipment at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

The total net book value of pledged property, plant and equipment (included above) which are held as collateral for the borrowings and loans (excluding finance lease liabilities) are as follows (Note 24):

	2014 RUB'000	2013 RUB'000
Rolling stock	**26,140,205**	26,029,144

Depreciation expense of RUB 5,031,328 thousand in 2014 (2013: RUB 5,189,438 thousand) have been charged to "cost of sales" and RUB 53,418 thousand in 2014 (2013: RUB 56,132 thousand) have been charged to administrative expenses. Impairment charge of RUB 223 thousand in 2014 (2013: Nil) have been charged to cost of sales.

13. Intangible assets

	Goodwill RUB'000	Computer software RUB'000	Customer relationships RUB'000	Total RUB'000
At 1 January 2013				
Cost	4,307,575	16,189	1,917,034	6,240,798
Accumulated amortisation and impairment	–	(15,855)	(240,187)	(256,042)
Net book amount	4,307,575	334	1,676,847	5,984,756
Year ended 31 December 2013				
Opening net book amount	4,307,575	334	1,676,847	5,984,756
Acquired through business combinations (Note 15)	1,520,510	1,262	4,863,766	6,385,538
Amortisation charge (Note 6)	–	(928)	(1,020,334)	(1,021,262)
Currency translation differences	–	13	31	44
Closing net book amount	5,828,085	681	5,520,310	11,349,076
At 31 December 2013				
Cost	5,828,085	17,477	6,780,826	12,626,388
Accumulated amortisation and impairment	–	(16,796)	(1,260,516)	(1,277,312)
Net book amount	5,828,085	681	5,520,310	11,349,076
Year ended 31 December 2014				
Opening net book amount	5,828,085	681	5,520,310	11,349,076
Amortisation charge (Note 6)	–	(414)	(1,078,230)	(1,078,644)
Currency translation differences	–	–	–	–
Additions	–	49	–	49
Impairment charge	(5,828,085)	–	–	(5,828,085)
Closing net book amount	–	316	4,442,080	4,442,396
At 31 December 2014				
Cost	5,828,085	1,749	6,780,785	12,610,619
Accumulated amortisation and impairment	(5,828,085)	(1,433)	(2,338,705)	(8,168,223)
Net book amount	**-**	**316**	**4,442,080**	**4,442,396**

The carrying amount of the Russian open wagons/operator's services group of cash-generating units within the open wagon/operator's services segment has been reduced to its recoverable amount through recognition of an impairment loss against goodwill amounting to RUB 5,828,085 thousand. This loss has been reported on the face of the profit or loss within operating profit.

Amortisation of RUB 1,078,436 thousand (2013: RUB 1,021,091 thousand) is included in "cost of sales" in the income statement; RUB 208 thousand (2013: RUB 171 thousand) in "administrative expenses".

Customer relationships

As of 31 December 2014, the Group carries customers relationships with Metalloinvest and MMK Groups with a carrying amount of RUB 910,060 thousand (2013: RUB 1,293,467 thousand) and RUB 3,532,020 thousand (2013: RUB 4,226,843 thousand) respectively.

The contract with MMK Group was concluded in February 2013 for five years expiring in February 2018, and the contract with Metalloinvest Group was concluded in May 2012 for three years expiring in May 2015. In assessing the useful life of these customer relationships on initial recognition, management took the view that the cooperation with Metalloinvest and MMK Groups would not terminate after the expiry of the underlying contracts as the relationships are based on market conditions and the rolling stock of the Group and its expertise best meet the transportation requirements of the customers. In view of these considerations, management estimated the useful economic lives of the customer relationships with Metalloinvest and MMK Groups to be five and seven years respectively on initial acquisition of these customer relationships.

During 2014 the terms of the contracts with MMK and Metalloinvest Groups were prolonged for a further one year and 1.5 years to February 2019 and December 2016 respectively. Management has reassessed the useful economic life of the customer relationships as of 31 December 2014 and has concluded that despite of the prolongation of the contracts, the remaining useful economic lives of the customer relationships remain reasonable in view of the current volatile market conditions.

Contractual relationship arising on business combination in 2013
In February 2013 the Group completed the acquisition of 100% of the share capital of OOO Steeltrans (formerly MMK-Trans), the captive freight rail operator of MMK Group, one of the largest single-site steelmakers in Russia. At the time of the acquisition of OOO Steeltrans, the Group also entered into an option that was currently exercisable to obtain control of Amalfico Holdings Limited, a holding company owning 97% of the share capital of ZAO Ural Wagonrepair Company ("UWC"), a company offering railcar repair services and as a result obtained control over UWC. The goodwill of RUB 1,335,355 thousand which arose from the acquisition of Steeltrans results from a number of factors such as the ability of extracting operational efficiencies due to extensive expertise of the management of the Group in the operation of railcars as well as access to MMK cargo base, enabling the Group to develop more efficient gondola car logistics configurations with low empty runs. The goodwill of RUB 185,155 thousand from the acquisition of UWC arises due to the ability of extracting potential cost savings on repair and maintenance services. Total goodwill arising from the acquisition of OOO Steeltrans and UWC amounting to RUB 1,520,510 thousand is allocated to Russian open wagons/operator's services group of cash-generating units.

As part of the acquisition of OOO Steeltrans, the Group entered into a five-year contract guaranteed by MMK Group to supply it with rail transportation services for at least 70% of MMK's rail cargo flows. The Group has recognised an intangible asset "customer relationships" relating to this arrangement in the amount of RUB 4,863,766 thousand, which is amortised over seven years from the date of acquisition. Amortisation period is based on the assumption that after the expiry of the original contract the cooperation between the Group and MMK Group will not terminate since the relationship is based on market conditions and the rolling stock of the Group and its expertise best meet the transportation requirements of the client. As at 31 December 2014 the remaining useful live of the customer relationship with MMK Group was estimated at five years (2013: six years).

Impairment assessment of customer relationships as of 31 December 2014
The Group assesses at each balance sheet date whether there are indications for impairment for the customer relationships with Metalloinvest and MMK Groups, in accordance with the accounting policy for impairment of non-current assets (Note 2).

As of 31 December 2014, the management considered the deterioration in the general market and industry conditions as indicators for impairment, and performed impairment assessments in relation to the customer relationships with Metalloinvest and MMK Groups. The recoverable amounts were determined based on value-in-use calculations. These calculations require the use of estimates.

The impairment testing for the customer relationship with Metalloinvest Group indicated significant headroom in the recoverable amount over the carrying amount of this customer relationship. Any reasonable possible change in the assumptions used in the value-in-use calculation for the recoverable amount for this customer relationship would not trigger any impairment loss.

The impairment testing for the customer relationship with MMK Group did not give rise to any impairment. However the recoverable amount is sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of this customer relationship.

The projections prepared for customer relationship with MMK Group are based on five-year post-tax cash flow projections. A discount rate of 17% has been applied for years 2015 and 2016 and 15.75% for years 2017 to 2019.

Two of the main assumptions are transportation volumes and prices per trip which are the main components of revenue as well as cost drivers which are projected on 2014 actual results. These projected volumes reflect past experience and management's estimates. The transportation prices are estimated in accordance with the past performance of the Group and management's expectations of market development. The key assumptions thereon, are the estimated growth in revenue during the years 2016 and 2017 as well as the discount rate.

Impairment assessment of customer relationships as of 31 December 2013
The Group assesses at each balance sheet date whether there are indications for impairment for the customer relationships with Metalloinvest and MMK Groups. As of 31 December 2013, the Group assessed that despite general deterioration in general industry market conditions, there were no impairment indicators in place for the customer relationship with MMK Group with a carrying amount of RUB 4,226,843, therefore no impairment testing was performed in relation to this customer relationship.

However, impairment indicators were noted in relation to the customer relationship with Metalloinvest Group and, as a result, the Group performed an impairment assessment in relation to this customer relationship. The recoverable amount was determined based on value-in-use calculations. These calculations required the use of estimates. The impairment testing indicated significant excess of the recoverable amount over the carrying amount of the customer relationship so that any reasonable possible change in the assumptions used would not trigger any impairment loss.

For projections prepared for customer relationship with Metalloinvest Group are based on five-year post-tax cash flow projections and the discount rate of 15.06% have been applied for years 2014-2016 and 17.06% for years 2017-2018. The key assumptions are transportation volumes and prices per trip. The projected volumes reflect past experience and management's estimates. The transportation prices are estimated in accordance with the past performance of the Group and management's expectations of market developments.

Impairment test for goodwill as of 31 December 2014
Management reviews the business performance based on type of rail cars and types of business. It has identified open wagons and rail tanks as the main types of rail cars and operator's services and operating lease as the main business activities of the Group. The entire balance of goodwill of the Group is allocated to Russian open wagons/operator's services group of cash-generating units ("CGUs"), which is included in the open wagon/operator's services segment.

As a result of the impairment assessment a full impairment of the goodwill of RUB 5,828,085 thousand was recognised (2013: no impairment). The impairment arose as a result of the general deterioration of the general industry market conditions, which resulted into a significant decrease in the revenue from the Russian open wagons/operator's services group of cash-generating units ("CGUs") and a reduction in the margins achieved.

The recoverable amount of this group of CGUs is determined based on value-in-use calculations (2013: value-in-use) and has been estimated at RUB 50,851,000 thousand.

These calculations are based on seven-year post-tax cash flow projections (2013: seven–year post-tax cash flow projections) and all the assumptions in relation to growth rates are determined by reference to management's past experience and industry forecasts. Cash flows beyond the seven-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the operator's business in which the group of CGUs operates.

For projections prepared for Russian open wagon/operator's services group of CGUs, terminal growth rate of 4.1% (2013: 3%) and the discount rate of 17% for years 2015 and 2016 and 15.75% thereafter (2013: consistent 14%) have been applied.

The key assumptions are transportation volumes and prices per trip. The projected volumes reflect past experience and management's estimates. The transportation prices are estimated in accordance with the past performance of the Group and management's expectations of market developments.

The terminal growth rate used is consistent with the forecasts included in industry reports. The discount rate used is post-tax and reflect specific risks relating to the relevant group of CGUs.

14. Investments

14.1 Investment in associate

Set out below are the associates of the Group as at 31 December 2014, which, in the opinion of the Directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

	2014 RUB'000	2013 RUB'000
At beginning of year	**83,228**	67,731
Share of (loss)/profit after tax	**(12,164)**	6,804
Currency translation difference	**39,118**	8,693
At end of year	**110,182**	83,228

Nature of investment in associates 2014 and 2013:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
2014				
Daugavpils Lokomotivju Remonta Rupnica ("DLRR")	Latvia	25.27	Associate	Equity

The fair value of the investment in associate based on the closing price quoted on Riga Stock Exchange as at 31 December 2014 is RUB 43,259 thousand active (31 December 2013: RUB 46,845 thousand). However, the market for these shares is not considered as active.

14.2 Principal subsidiaries

The Group had the following subsidiaries at 31 December 2014:

Name	Country of incorporation	Principal activities	Proportion of ordinary shares held by the parent (%)		Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by non-controlling interest (%)	
			2014	2013	2014	2013	2014	2013
Sevtekhnotrans, OOO [6]	Russia	Railway transportation	**-**	100	**-**	100	**-**	–
New Forwarding Company, OAO	Russia	Railway transportation	**100**	100	**100**	100	**-**	–
Ferrotrans, OOO (formerly Metalloinvesttrans, OOO) [6]	Russia	Railway transportation	**-**	100	**-**	100	**-**	–
GTI Management, OOO [6]	Russia	Railway transportation	**100**	–	**100**	–	**-**	–
Steeltrans, OOO (formerly MMK-Trans, OOO) [7]	Russia	Railway transportation	**100**	100	**100**	100	**-**	–
Amalfico Holdings Limited [8]	Cyprus	Intermediary holding company	**100**	100	**100**	100	**-**	–
Ural Wagonrepair Company, ZAO [9]	Russia	Repair and maintenance of rolling stock	**3**	–	**100**	97	**-**	3
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	**100**	100	**100**	100	**-**	–
BaltTransServis, OOO [10]	Russia	Railway transportation	**60**	–	**60**	60	**40**	40
RemTransServis, OOO	Russia	Repair and maintenance of rolling stock	**-**	–	**59.4**	59.4	**40.6**	40.6
Ingulana Holdings Limited [10]	Cyprus	Intermediary holding company	**-**	60	**-**	60	**-**	–
Ultracare Holdings Limited [10]	Cyprus	Intermediary holding company	**-**	–	**-**	60	**-**	–
SyntezRail LLC [12]	Russia	Railway transportation	**-**	–	**100**	–	**-**	–
SyntezRail Ltd [12]	Cyprus	Intermediary holding company	**100**	–	**100**	–	**-**	–
Spacecom AS	Estonia	Operating lease of rolling stock and provision of forwarding services	**65.25**	65.25	**65.25**	65.25	**34.75**	34.75
Ekolinja Oy [11]	Finland	Operating sub-lease of rolling stock	**-**	–	**65.25**	65.25	**34.75**	34.75
Spacecom Trans AS	Estonia	Operating lease of rolling stock	**65**	65	**65**	65	**35**	35

6 GTI Management, OOO was formed as a result of a merger of Sevtekhnotrans, OOO and Ferrotrans, OOO. No gains or losses were recognised with regards to this transaction.
7 Steeltrans was acquired on 12 February 2013 (Note 15).
8 Amalfico Holding Limited was liquidated in January 2015. Amalfico Holdings Limited was acquired on 12 February 2013 (Notes 15 and 16).
9 During 2014, the Group acquired the remaining 3% interest of Ural Wagonrepair Company ZAO. This subsidiary was acquired on 12 February 2013 (Notes 15 and 16).
10 BaltTransservis OOO was held through intermediate holding entities, Ingulana Holdings Limited and Ultracare Holdings Limited. A restructuring took place in 2014 following which BaltTransservis, OOO is held directly by the Company. The two intermediate holding entities were disposed in December 2014.
11 Ekolinja Oy is a 100% subsidiary of Spacecom AS.
12 SyntezRail LLC and SyntezRail Ltd have been incorporated in 2014 and started activity in December 2014.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held.

The accumulated non-controlling interest as of 31 December 2014 and 31 December 2013 comprised the following:

	2014 RUB'000	2013 RUB'000
BaltTransServis, OOO (including RemTransServis, OOO) (2013: including RemTransServis, OOO Ingulana Holdings Limited, Ultracare Holdings Limited)	**2,488,800**	3,015,843
Spacecom AS (including Ekolinja Oy)	**3,466,270**	2,120,568
Spacecom Trans AS	**972,245**	608,165
Ural Wagonrepair Company, ZAO	**-**	(17,167)
Total	**6,927,315**	5,727,409

Significant restrictions

There are no significant restrictions, statutory, contractual, regulatory, or arising from protective rights of non-controlling interests, on the ability of the Group to access or use the assets and settle the liabilities of the Group.

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. See Note 16 for transactions with non-controlling interests. The financial information of Spacecom AS (including Ekolinja Oy) and Spacecom Trans AS have been aggregated since both entities operate in the Estonian tank cars segment, have significant transactions between them, and management reviews their performance as a single organisation. The financial information of BaltTransServis, OOO includes RemTransServis, OOO, Ingulana Holdings Limited and Ultracare Holdings Limited.

No summarised financial information is presented for Ural Wagonrepair Company, ZAO as its operations and financial position are not material to the Group.

Summarised balance sheet

	BaltTransServis OOO		Spacecom AS – Spacecom Trans AS	
	2014 RUB'000	2013 RUB'000	2014 RUB'000	2013 RUB'000
Current				
Assets	**5,229,373**	4,191,136	**793,142**	981,680
Liabilities	**2,349,694**	1,084,486	**546,069**	1,050,754
Total current net assets/(net liabilities)	**2,879,679**	3,106,650	**247,073**	(69,074)
Non-current				
Assets	**6,403,146**	5,714,984	**12,672,534**	8,591,472
Liabilities	**3,060,824**	1,282,027	**248,901**	768,709
Total non-current net assets	**3,342,322**	4,432,957	**12,423,633**	7,822,763
Net assets	**6,222,001**	7,539,607	**12,670,706**	7,753,689

Summarised income statement

	BaltTransservis OOO 2014 RUB'000	BaltTransservis OOO 2013 RUB'000	Spacecom AS – Spacecom Trans AS 2014 RUB'000	Spacecom AS – Spacecom Trans AS 2013 RUB'000
Revenue	**28,718,637**	30,972,681	**2,750,692**	3,411,669
Profit before income tax	**5,514,998**	6,428,096	**662,690**	1,164,909
Income tax expense	**(1,118,942)**	(1,301,035)	**-**	(67,485)
Post-tax profit from continuing operations	**4,396,056**	5,127,061	**662,690**	1,097,424
Post-tax profit from discontinued operations	**-**	–	**-**	–
Other comprehensive income	**-**	–	**4,291,120**	888,689
Total comprehensive income	**4,396,056**	5,127,061	**4,953,810**	1,986,113
Total comprehensive income allocated to non-controlling interests	**1,758,422**	2,050,824	**1,733,834**	695,139
Dividends paid to non-controlling interest	**(2,306,714)**	(1,627,012)	**-**	(88,401)

Summarised cash flow statements

	BaltTransservis OOO 2014 RUB'000	BaltTransservis OOO 2013 RUB'000	Spacecom AS – Spacecom Trans AS 2014 RUB'000	Spacecom AS – Spacecom Trans AS 2013 RUB'000
Cash flows from operating activities				
Cash generated from operations	**5,993,996**	6,301,017	**1,312,729**	1,499,188
Income tax paid	**(1,070,331)**	(1,238,480)	**(20,290)**	(50,565)
Net cash generated from operating activities	**4,923,665**	5,062,537	**1,292,439**	1,448,623
Net cash (used in)/generated from investing activities	**(896,004)**	(188,415)	**1,464**	(162,898)
Net cash generated from/(used in) financing activities	**(3,263,296)**	(4,076,656)	**(1,455,899)**	(1,470,931)
Net increase/(decrease) in cash and cash equivalents	**764,365**	797,466	**(161,996)**	(185,206)
Cash and cash equivalents at beginning of year	**1,484,611**	678,571	**177,402**	340,848
Exchange differences on cash and cash equivalents	**164,645**	8,574	**26,367**	813
Cash and cash equivalents at end of year	**2,413,621**	1,484,611	**41,773**	156,455

15. Business combination

(a) Acquisition of OOO Steeltrans

On 12 February 2013 the Group completed the acquisition of 100% of the share capital of OOO Steeltrans (formerly MMK-Trans), the captive freight rail operator of MMK Group, one of the largest single-site steelmakers in Russia. The total consideration was RUB 7,579,458 thousand. Steeltrans principally handles cargos of the MMK Group, primarily metallurgical cargos and coal. As part of the transaction, Globaltrans entered into a five-year contract guaranteed by MMK Group to supply it with rail transportation services for at least 70% of MMK's rail cargo flows. As a result of the acquisition Globaltrans expects to further enhance its position as a leading independent private freight rail group in Russia.

At the time of the acquisition of OOO Steeltrans, the Group has entered into the call option agreement for the acquisition of 52.5% of the share capital of Amalfico Holdings Limited, a holding company owning 97% of the share capital of ZAO Ural Wagonrepair Company ("UWC"), a company offering railcar repair services. Effective interest of 46.1% of UWC was controlled by OOO Steeltrans and formed part of the acquisition. The option was exercisable after the completion of the acquisition of OOO Steeltrans and was expiring on 12 February 2014. Considering the potential voting rights, the currently exercisable call option provided the Group with control in accordance with IFRS 10 "Consolidated financial statements" at the time that the Group entered into this call option, in February 2013 and, as a consequence, UWC was determined to be a subsidiary of the Company as from February 2013.

The goodwill of RUB 1,335,355 thousand which arises from the acquisition of Steeltrans results from a number of factors such as the ability of extracting operational efficiencies due to extensive expertise of the management of the Group in the operation of railcars, as well as access to MMK cargo base enabling the Group to develop a more efficient gondola car logistics configurations with low empty runs. The goodwill of RUB 185,155 thousand from the acquisition of UWC arises due to the ability of extracting potential cost savings on repair and maintenance services or railcars.

The following table summarises the consideration paid for OOO Steeltrans and the amounts of the assets acquired and liabilities assumed (including the assets and liabilities of UWC) recognised at the acquisition date.

	12 February 2013 RUB'000
Cash consideration	7,579,458
Total consideration	**7,579,458**
Fair value of recognised amounts of identifiable assets and liabilities assumed	
Cash and cash equivalents	1,155,641
Property, plant and equipment (Note 12)	5,304,174
Intangible assets (Note 13)	4,865,028
Inventories	81,274
Trade and other receivables	1,445,149
Deferred tax assets	28,525
Borrowings	(4,374,551)
Trade and other payables	(1,226,237)
Deferred tax liabilities	(1,436,755)
Total identifiable net assets	**5,842,248**
Non-controlling interest	**216,700**
Goodwill	**1,520,510**
	7,579,458

Purchase consideration in cash:

	12 February 2013 RUB'000
Cash consideration	7,579,458
Release of restricted cash paid in 2012 and held on the escrow account	(303,727)
Cash and cash equivalents acquired	(1,155,641)
Net cash outflow from business combination	**6,120,090**

OOO Steeltrans and UWC are parties to a loan agreement. The fair value of the amount outstanding in accordance with such agreement from UWC to Steeltrans as of the acquisition date is RUB 574,902 thousand. Such amount is not included in the table above as it constitutes a pre-existing relationship is effectively settled at the time of acquisition.

Acquisition-related costs of RUB 34,592 thousand have been charged to administrative expenses in the consolidated income statement for the year.

The fair value of trade and other receivables is RUB 1,445,149 thousand and includes trade receivables with a fair value of RUB 588,952 thousand, other receivables with a fair value of RUB 575,203 thousand, prepayments for the transportation services with a fair value of RUB 238,990 thousand, loans receivables with the fair value of RUB 27,482 thousand and VAT recoverable with a fair value of RUB 14,522 thousand.

The gross contractual amounts for trade receivables and other receivables due is RUB 1,164,155 thousand of which RUB 1,206 thousand is expected to be uncollectible.

The Group has also recognised deferred tax provision on unremitted earnings of OOO Steeltrans as at the date of acquisition of RUB 40,594 thousand.

The non-controlling interest has been recognised as a proportion of net assets acquired.

The revenue included in the consolidated income statement from 12 February 2013 to 31 December 2013 contributed by OOO Steeltrans and UWC was RUB 7,951,820 thousand. OOO Steeltrans and UWC also contributed profit of RUB 517,045 thousand respectively over the same period.

Had OOO Steeltrans and UWC been consolidated from 1 January 2013, the consolidated income statement for the year ended 31 December 2013 would show pro-forma revenue of RUB 74,914,944 thousand and pro-forma profit of RUB 8,191,050 thousand. Estimates of the contribution of revenue and profit to the Group are based on unaudited information.

This information is not necessarily indicative of the results of the combined Group that would have occurred had the acquisition actually been made at the beginning of the period presented, or indicative of the future results of the combined Group.

16. Transactions with non-controlling interests

(a) Acquisition of non-controlling interests in subsidiaries

On 30 November 2013, the Group entered into a share purchase agreement to acquire 52.5% economic interest in Amalfico Holdings Limited which in turn held 97% of ZAO Ural Wagon-Repair Company ("UWC"). The agreement was conditional on the Group obtaining approval of the transaction from the Federal Antimonopoly Service of the Russian Federation and Anti-Monopoly Committee of Ukraine which were obtained by 24 January 2014. The Group considered the conditions specified in the agreement as non-substantive and merely procedural in view of the size of Ural Wagon-Repair Company and the fact that the Group was not engaged in any wagon repair activities prior to this acquisition. Therefore, the transaction was accounted for on the date of the share purchase agreement and was therefore reflected in these consolidated financial statements. The Group was already consolidating Amalfico Holding Limited and ZAO Ural Wagon-Repair Company pursuant to a currently exercisable option which had been in place since the acquisition of OOO MMK-Trans, therefore, the acquisition of the 52.5% stake in Amalfico Holdings Limited was accounted for as an acquisition of non-controlling interest taking place on 30 November 2013.

The acquisition of non-controlling interest in UWC was made for US$1. The difference between the consideration and the carrying amount of non-controlling interest in UWC amounting to (RUB 298,971 thousand) was transferred to retained earnings. The above transaction provided the Group with 97% interest in UWC.

On 27 February 2014 the Group acquired the remaining 3% in UWC for a total consideration of RUB 2,433 thousand. The difference between the consideration paid and the carrying amount of the non-controlling interest, amounting to (RUB 20,169) was recognised as a charge in retained earnings.

17. Financial instruments by category

	2014		2013	
	Loans and receivables RUB'000	Total RUB'000	Loans and receivables RUB'000	Total RUB'000
Financial assets as per balance sheet				
Trade and other receivables	**2,822,633**	**2,822,633**	2,630,896	2,630,896
Cash and cash equivalents	**4,647,787**	**4,647,787**	3,406,303	3,406,303
Total	**7,470,420**	**7,470,420**	6,037,199	6,037,199

Note: Trade and other receivables do not include prepayments and taxes.

	2014		2013	
	Financial liabilities measured at amortised cost RUB'000	Total RUB'000	Financial liabilities measured at amortised cost RUB'000	Total RUB'000
Financial liabilities as per balance sheet				
Borrowings	**28,306,138**	**28,306,138**	33,179,361	33,179,361
Trade and other payables	**798,154**	**798,154**	748,398	748,398
Total	**29,104,292**	**29,104,292**	33,927,759	33,927,759

Note: Trade and other payables do not include advances, statutory liabilities and provisions for employees' benefits.

18. Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit rating, if available. For accounts receivable with no external credit rating available management assesses credit quality by reference to the prior history of working with customers. Customers with longer history of working with the Group are regarded by management as having lower risk of default.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rating if available or to the working history of the counterparty with the Group:

	2014 RUB'000	2013 RUB'000
Trade and other receivables		
Counterparties with external credit rating:		
Standard & Poor's [13] (BB+, BBB-)	**-**	1,718
Moody's [14] (Ba2 – Ba3)	**567,672**	748,411
Fitch [15] (Ba1)	**5,248**	–
Fitch [15] (B3 – BBB)	**4,390**	13,503
	577,310	763,632

13 International rating agency Standard & Poor's.
14 International rating agency Moody's Investors Service.
15 International rating agency Fitch Rating.

	2014 RUB'000	2013 RUB'000
Counterparties without external credit rating:		
Group 1	**1,308,169**	933,024
Group 2	**52,669**	49,688
	1,360,838	982,712
Total trade and other receivables	**1,938,148**	1,746,344

Group 1 – Receivables from counterparties with more than one year of working history with the Group.
Group 2 – Receivables from counterparties with less than one year of working history with the Group.

Cash at bank and short-term bank deposits

	Rating	2014 RUB'000	2013 RUB'000
Moody's [17]	Aaa – A1	**65,083**	171,090
Moody's [17]	Baa1 – B3	**4,377,087**	2,313,136
Moody's [17]	Caa3	**1,621**	38,714
Standard & Poor's [18]	BBB+ – BBB-	**194,998**	404,724
Fitch [19]	BBB- BBB+	**5,876**	473,727
Other non-rated banks – satisfactory credit quality		**1,915**	4,100
Total cash at bank and bank deposits [16, 17]		**4,646,580**	3,405,491

16 The rest of the balance sheet item Cash and cash equivalents is cash on hand.
17 International rating agency Moody's Investors Service.
18 International rating agency Standard & Poor's.
19 International rating agency Fitch Rating.

19. Trade and other receivables

	2014 RUB'000	2013 RUB'000
Trade receivables – third parties	**3,033,978**	2,881,945
Trade receivables – related parties (Note 30)	**8,680**	5,237
Less: Provision for impairment of trade receivables	**(315,345)**	(376,126)
Trade receivables – net	**2,727,313**	2,511,056
Other receivables	**119,114**	135,224
Other receivables – related parties (Note 30)	**1,557**	8
Less: Provision for impairment of other receivables	**(45,476)**	(41,806)
Other receivables – net	**75,195**	93,426
Loans receivables – third parties	**20,125**	26,414
Prepayments – related parties (Note 30)	**50,054**	39,774
Prepayments – third parties	**3,066,889**	2,863,465
VAT recoverable	**794,127**	925,556
	6,733,703	6,459,691

	2014 RUB'000	2013 RUB'000
Less non-current portion:		
Trade receivables – third parties	**-**	122,195
Less: Provision for impairment of trade receivables	**-**	(344)
Trade receivables – net	**-**	121,851
Loans receivables – third parties	**2,462**	16,490
Prepayments for property, plant and equipment	**29,771**	21,906
Total non-current portion	**32,233**	160,247
Current portion	**6,701,470**	6,299,444

According to the management's estimates, fair values of trade and other receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

Receivables amounting to RUB 1,938,148 thousand as of 31 December 2014 were fully performing (2013: RUB 1,746,344 thousand).

Receivables of RUB 884,485 thousand as of 31 December 2014 were past due but not impaired (2013: RUB 884,552 thousand). These relate to a number of independent customers for whom there is no history of either non-repayment in the past or renegotiation of the repayment terms due to inability of the customer to repay the balance. Trade receivables are impaired only when there is an indication that the customer is unable to repay the balance.

The ageing analysis of past due trade receivables is as follows:

	2014 RUB'000	2013 RUB'000
Less than 1 month	**362,682**	432,210
From 1 to 3 months	**271,689**	248,757
From 3 to 6 month	**129,031**	99,592
From 6 months to 1 year	**70,413**	81,343
Over 1 year	**50,670**	22,650
	884,485	884,552

Trade receivables amounting to RUB 315,345 thousand as of 31 December 2014, were impaired and provided for in full (2013: RUB 376,126 thousand). The individually impaired receivables mainly relate to customers for railway services, which are in unexpectedly difficult economic situation. It was assessed that no portion of these receivables is expected to be recovered.

Other receivables amounting to RUB 45,476 thousand as of 31 December 2014, were impaired and provided for in full (2013: RUB 41,806 thousand). It was assessed that no portion of these receivables is expected to be recovered.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014 RUB'000	2013 RUB'000
Currency:		
US Dollar	**538,690**	469,572
Russian Rouble	**6,130,743**	5,934,631
Ukrainian Hryvnia	**46,959**	51,310
Euro	**17,311**	4,178
	6,733,703	6,459,691

Movements on the Group's provision for impairment of trade and other receivables are as follows:

	2014			2013		
	Trade receivables RUB'000	Other receivables RUB'000	Total RUB'000	Trade receivables RUB'000	Other receivables RUB'000	Total RUB'000
At 1 January	**376,126**	**41,806**	**417,932**	19,894	29,804	49,698
Provision for receivables impairment (Note 6)	**137,197**	**54,574**	**191,771**	351,047	29,739	380,786
Bad debt written off	**(179,647)**	**(53,841)**	**(233,488)**	(1,765)	(6,988)	(8,753)
Unused amounts reversed (Note 6)	**(2,741)**	**(11,511)**	**(14,252)**	(1,377)	(10,749)	(12,126)
Unwind of discount	**(12,505)**	**-**	**(12,505)**	–	–	–
Currency translation differences	**11,363**	**-**	**11,363**	8,327	–	8,327
Other	**(14,448)**	**14,448**	**-**	–	–	–
At 31 December	**315,345**	**45,476**	**360,821**	376,126	41,806	417,932

The creation and release of provision for impaired receivables have been included in "selling and marketing costs" in the income statement (Note 6). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security for any receivables.

20. Inventories

	2014 RUB'000	2013 RUB'000
Raw materials, spare parts and consumables	**735,694**	588,522
	735,694	588,522

All inventories are stated at cost.

21. Cash and cash equivalents

	2014 RUB'000	2013 RUB'000
Cash at bank and in hand	**2,858,277**	1,594,823
Short-term bank deposits	**1,789,510**	1,811,480
Total cash and cash equivalents	**4,647,787**	3,406,303

The effective interest rate on short-term deposits was 11.69% in 2014 (2013: 3.86%) and these deposits have a maturity of one to 12 days (2013: 3 to 18 days).

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2014 RUB'000	2013 RUB'000
Cash and cash equivalents	**4,647,787**	3,406,303
Total cash and cash equivalents	**4,647,787**	3,406,303

Cash and cash equivalents are denominated in the following currencies:

	2014 RUB'000	2013 RUB'000
Russian Rouble	**3,818,189**	2,829,509
US Dollar	**810,402**	562,490
Euro	**16,859**	4,516
Ukrainian Hryvnia	**2,337**	7,293
Swiss Franc	**-**	2,495
Total cash and cash equivalents	**4,647,787**	3,406,303

The carrying value of cash and cash equivalents approximates their fair value.

22. Share capital, share premium and treasury shares

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2013/31 December 2013/ 1 January 2014/31 December 2014	178,740,916	17,875	949,471	967,346

	Number of shares	Share capital RUB'000	Share premium RUB'000	Total RUB'000
At 1 January 2013/31 December 2013/ 1 January 2014/31 December 2014	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2014 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2013: 233,918,128 shares with a par value of US$0.10 per share).

23. Dividends

The Board of Directors of the Company does not recommend the payment of final dividends in relation to the financial year ended 31 December 2014.

In April 2014, the shareholders of the Company approved the payment of the final dividend in respect of the financial year ended 31 December 2013 in the amount of 22.28 RUB (US$0.62) per ordinary share, for the total dividend declared and paid refer to the table below.

During the years ended 31 December 2014 and 2013, the Group declared and paid dividends in favour of non-controlling interests as detailed in the table below.

	2014 RUB'000	2013 RUB'000
Dividends declared to equity holders of the Company	**3,981,615**	3,968,150
Dividends paid to equity holders of the Company	**3,983,892**	3,906,954
Dividends declared to non-controlling interest	**2,306,714**	1,715,413
Dividends paid to non-controlling interest	**2,306,714**	1,715,413

24. Borrowings

	2014 RUB'000	2013 RUB'000
Current		
Bank borrowings	**7,296,288**	6,799,562
Non-convertible unsecured bonds	**10,772,293**	947,666
Loans from third parties	**-**	681,517
Finance lease liabilities	**187,642**	632,991
Total current borrowings	**18,256,223**	9,061,736
Non-current		
Bank borrowings	**10,031,715**	12,700,603
Non-convertible unsecured bonds	**-**	10,576,062
Loans from third parties	**18,104**	–
Finance lease liabilities	**96**	840,960
Total non-current borrowings	**10,049,915**	24,117,625
Total borrowings	**28,306,138**	33,179,361
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 1 and 2 years	**6,722,324**	16,377,362
Between 2 and 5 years	**3,327,495**	6,865,576
Over 5 years	**-**	33,727
	10,049,819	23,276,665

Finance lease liabilities

Finance lease liabilities are effectively secured as the rights to the leased asset reverts to the lessor in the event of default.

	2014 RUB'000	2013 RUB'000
Finance lease liabilities – minimum lease payments		
Not later than 1 year	**188,720**	659,332
Later than 1 year and not later than 5 years	**96**	867,601
Future finance charges of finance leases	**(1,078)**	(52,982)
Present value of finance lease liabilities	**187,738**	1,473,951
The present value of finance lease liabilities is as follows:		
Not later than 1 year	**187,642**	632,991
Later than 1 year and not later than 5 years	**96**	840,960
	187,738	1,473,951

Bank borrowings

Bank borrowings mature by 2019 and bear average interest of 10.59% per annum (2013: 9.04% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2014 and 31 December 2013.

The current and non-current bank borrowings amounting to RUB 7,296,288 thousand and RUB 10,031,715 thousand respectively (2013: RUB 6,799,562 thousand and RUB 12,700,603 thousand respectively) are secured by pledge of rolling stock with a carrying net book value of RUB 26,140,205 thousand (2013: RUB 26,029,144 thousand) (Note 12). There are no bank borrowings as of 31 December 2014 and 31 December 2013 which are unsecured.

Non-convertible bonds

Non-convertible Russian Rouble-denominated bonds issued by OJSC New Forwarding Company ("NFC") in 2010 for a total amount of RUB 3 billion carry a coupon rate of 9.25% and have an amortising structure with final maturity in 2015.

Additionally, in March 2012, NFC, a Russian subsidiary of the Company, has issued three-year Russian Rouble-denominated exchange-traded bonds for a total amount of RUB 10 billion at a coupon rate of 10.00% per annum. Bonds are traded on MICEX SE in Moscow.

The Company acts as the guarantor for both existing bond issues.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	2014 RUB'000	2013 RUB'000
6 months or less	**15,186,222**	8,940,812
6 to 12 months	**3,884,093**	2,780,150
1 to 5 years	**9,235,823**	21,424,673
Over 5 years	**-**	33,726
	28,306,138	33,179,361

The carrying amount and fair value of current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	2014 RUB'000	2013 RUB'000	2014 RUB'000	2013 RUB'000
Bank borrowings	**17,328,003**	19,500,165	**14,910,427**	19,481,744
Loans from third parties	**18,104**	681,517	**14,727**	681,517
Non-convertible unsecured bonds	**10,772,293**	11,523,728	**10,434,340**	11,720,514
Finance lease liabilities	**187,738**	1,473,951	**187,738**	1,473,951
	28,306,138	33,179,361	**25,547,232**	33,357,726

The fair value of non-convertible unsecured bonds is based on quoted market prices. Fair values of other liabilities were determined using valuation techniques.

As at 31 December 2013, the fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

As at 31 December 2014 the estimated fair value of fixed interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

In the absence of similar Russian Rouble-denominated instruments entered into by the Group close to the year end, due to the adverse fluctuation of interest rates, the estimated fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted at an estimated rate of Mosprime[20] plus a margin. Such rate was management's best estimate of the interest rate it would achieve had it entered into a similar instrument as at the year end. The discount rates used ranged from 20.14% p.a. to 25.02% p.a. (2013: 7.8% p.a. to 10.3 % p.a.) depending on the length and currency of the liability. The fair value measurement of the bank borrowings, loans from third parties and lease liabilities are within level 3 of the fair value hierarchy.

The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The fair value of non-convertible bonds, which are listed on MICEX[21], is based on the latest quoted price for such bonds which is within level 1 of the fair value hierarchy.

20 MosPrime (Moscow Prime Offered Rate) is the National Foreign Exchange Association fixing of reference rate based on the offered rates of Russian Rouble deposits.
21 Moscow Interbank Currency Exchange.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2014 RUB'000	2013 RUB'000
US Dollar	**592,156**	1,940,752
Russian Rouble	**27,713,982**	31,237,630
Euro	**-**	979
	28,306,138	33,179,361

The Group has the following undrawn borrowing facilities:

	2014 RUB'000	2013 RUB'000
Floating rate		
Expiring within 1 year	**650,000**	150,000
Fixed rate:		
Expiring within 1 year	**650,000**	694,000
Expiring beyond 1 year	**20,602,000**	5,450,000
	21,902,000	6,294,000

The weighted average effective interest rates at the balance sheet were as follows:

	2014 %	2013 %
Bank borrowings	**10.6**	9.0
Non-convertible unsecured bonds	**10.0**	9.9
Loans from third parties	**-**	17.0[22]
Finance lease liabilities	**2.3**	2.9

22 Loans from third parties were obtained by UWC prior to its acquisition by the Group, bear the nominal interest of RUB 11.25% and were repaid by end of March 2014.

25. Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and fiscal authority. The offset amounts are as follows:

	2014 RUB'000	2013 RUB'000
Deferred tax liabilities – net:		
– Deferred tax liability to be recovered after more than 12 months	**5,306,502**	4,847,211
– Deferred tax liability to be recovered within 12 months	**(99,092)**	(137,159)
Deferred tax liabilities	**5,207,410**	4,710,052

The gross movement on the deferred income tax account is as follows:

	2014 RUB'000	2013 RUB'000
Beginning of year	**4,710,052**	3,798,835
Income statement charge (Note 10)	**901,251**	17,855
Acquisition of subsidiaries (Note 15)	**-**	1,408,230
Withholding tax on actual dividend distribution	**(407,500)**	(515,000)
Currency translation differences	**3,607**	132
End of year	**5,207,410**	4,710,052

The movement on the deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Property, plant and equipment RUB'000	Withholding tax provision RUB'000	Intangible assets RUB'000	Total RUB'000
At 1 January 2013	2,844,251	762,051	335,436	3,941,738
Charged/(credited) to:				
Income statement (Note 10)	(73,143)	344,703	(144,428)	127,132
Acquisition of subsidiaries (Note 15)	494,037	40,594	972,985	1,507,616
Withholding tax on actual dividend distribution	–	(515,000)	–	(515,000)
Currency translation differences	899	–	–	899
At 31 December 2013/1 January 2014	3,266,044	632,348	1,163,993	5,062,385
Charged/(credited) to:				
Income statement (Note 10)	814,950	248,501	(275,528)	787,923
Withholding tax on actual dividend distribution	–	(407,500)	–	(407,500)
Currency translation differences	(2,165)	–	–	(2,165)
At 31 December 2014	**4,078,829**	**473,349**	**888,465**	**5,440,643**

Deferred tax assets	Lease liability RUB'000	Trade and other payables RUB'000	Borrowings RUB'000	Other assets/ liabilities RUB'000	Total RUB'000
At 1 January 2013	(9,871)	(52,484)	–	(80,548)	(142,903)
Charged/(credited) to:					
Income statement (Note 10)	(58,540)	(41,180)	35,638	(45,195)	(109,277)
Acquisition of subsidiaries (Note 15)	(19,714)	(8,971)	(64,689)	(6,012)	(99,386)
Currency translation differences	–	–	–	(767)	(767)
At 31 December 2013/1 January 2014	(88,125)	(102,635)	(29,051)	(132,522)	(352,333)
Charged/(credited) to:					
Income statement (Note 10)	41,483	20,743	29,051	22,051	113,328
Currency translation differences	–	–	–	5,772	5,772
At 31 December 2014	**(46,642)**	**(81,892)**	**-**	**(104,699)**	**(233,233)**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred income tax liabilities of RUB 3,312,499 thousand (2013: RUB 2,053,397 thousand) have not been recognised for the withholding taxes that would be payable on the unremitted earnings of certain subsidiaries. It is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled RUB 23,736,246 thousand as at 31 December 2014 (2013: RUB 16,185,440 thousand).

26. Trade and other payables

	2014 RUB'000	2013 RUB'000
Current		
Trade payables to third parties	**704,703**	700,669
Trade payables to related parties (Note 30)	**10,796**	10,534
Other payables to third parties	**904,142**	965,774
Accrued expenses	**303,741**	290,811
Advances from customers for transportation services	**3,317,004**	1,836,220
Advances from related parties for sale of wagons (Note 30)	**5,260**	245
	5,245,646	3,804,253

	2014 RUB'000	2013 RUB'000
Non-current		
Other payables to third parties	**13,278**	–
	13,278	–

Note: Advances from customers and related parties consist of prepayments received in accordance with contracts on transportation services.

The fair value of trade and other payables approximates their carrying amount at the balance sheet date.

27. Earnings per share

Basic and diluted

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
(Loss)/Profit attributable to equity holders of the Company (RUB thousand)	**(1,415,739)**	5,825,602
Weighted average number of ordinary shares in issue (thousand)	**178,741**	178,741
Basic and diluted (losses)/earnings per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	**(7.92)**	32.59

28. Contingencies

Operating environment

The Group and its subsidiaries operate in the Russian Federation, Estonia and Ukraine.

Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result, during 2014:

> The CBRF exchange rate fluctuated between RUB 32.7292 and RUB 56.2584 per USD; between RUB 44.9699 and RUB 68.3427 per Euro; between RUB 3.9720 and RUB 3.5564 per Ukrainian Hryvnia;
> The CBRF key refinancing interest rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 12.0% p.a. to 17.0% p.a. on 16 December 2014;
> The RTS stock exchange index ranged between 1,445 and 791;
> Access to international financial markets to raise funding was limited for certain entities; and
> Capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

> The CBRF exchange rate fluctuated between RUB 56.2584 per USD and RUB 69.6640 per USD;
> Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. In February 2015 Moody's Investors Service downgraded Russia's rating to Ba1 from Baa3. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
> The RTS stock exchange index ranged between 791 and 862;
> Bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates; and
> The CBRF key refinancing interest rate decreased from 17.0% p.a. to 14% p.a.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Tax contingencies

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development ("OECD"). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management believes that its pricing policy used in 2013 and 2014 and preceding years is arm's length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. In 2014, the Controlled Foreign Company ("CFC") legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income will be subject to a 20% tax rate. As a result, management reassessed the Group's tax positions and recognised deferred taxes for temporary differences that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation will apply to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Estonia

Estonia represents a well-developed market economy with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine

Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The National Bank of Ukraine ("NBU"), among other measures, imposed certain restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

The recent political situation has been volatile, with changes in the Ukrainian Parliament and the Presidency. In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation.

The political and economic situation has deteriorated particularly in Eastern Ukraine with increasing levels of armed conflict and military activity, particularly in the Donetsk and Lugansk regions. The Group has no business in Crimea/Donetsk/Lugansk regions.

As at 26 March 2015, the official NBU exchange rate of Hryvnia against US Dollar was UAH 23.50 per USD 1, compared to 15.77 per USD 1 as at 31 December 2014. In 2014, real GDP fell by 6.8% compared to 2013. Industrial production in 2014 increased by 6% compared to 2013.

The final resolution of the political and economic crisis in Ukraine and the final effects are difficult to predict but it may have further severe effects on the Ukrainian economy and the Group's business.

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including claims for early repayment. The Group is in compliance with covenants as of 31 December 2014 and 31 December 2013 (Note 24).

Indemnification received in relation to financial guarantee

During the year 2014 the Group received an indemnification of RUB 78,400 thousand in relation to a financial guarantee contract entered into by Steeltrans OOO, a subsidiary of the Group, before its acquisition by the Group in 2013. Steeltrans OOO was a guarantor in two lease agreements entered into by a third party who defaulted on its payments. The default of the lessee in the arrangement and the requirement for the Group to compensate the lessor formed a breach of the warranties entered into in the share purchase agreement for Steeltrans OOO. As a result the Group was compensated by the amount of RUB 78,400 thousand from the previous shareholder of Steeltrans OOO. The guarantee was settled in full as of 31 December 2014 and no loss arose for the Group.

Insurance policies
The Group holds insurance policies in relation to all vehicles (rolling stock and motor vehicles) and in respect of public third-party liability. The Group does not have full insurance for business interruption or third-party liability in respect of environmental damage.

Environmental matters
The enforcement of environmental regulation in the countries in which the Group operates is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Legal proceedings
During the year ended 31 December 2014, the Group was involved as a claimant and defendant in a number of court proceedings.

During the year ended 31 December 2014, the Company's subsidiaries were involved in a number of legal proceedings. In March 2013 the Federal Antimonopoly Service of the Russian Federation ("FAS Russia") initiated a legal proceeding suggesting a possible violation of the Federal Law "On protection of competition" by OJSC Russian Railways and several other railway-operator companies, including the Company's subsidiaries OAO New Forwarding Company and OOO Ferrotrans. The defendants were accused on establishment of cartel agreement and coordination of economic activity through the creation of a pool of the largest railway-operator companies operating in Kemerovo region. Several court hearings have been held in 2013 and 2014. In December 2013, FAS Russia claimed penalties from OAO New Forwarding Company and OOO Ferrotrans as administrative fines in the total amount of RUB 130,926 thousand. These administrative fines include an amount of RUB 57,892 thousand which has been charged to OOO Ferrotrans for which the Group is indemnified from Metalloinvest Group.

Management believes that the Group has not executed any actions resulting in violation of antimonopoly legislation. As at 31 December 2013 and 2014, the Group has made a provision of RUB 5,482 thousand against the potential fines stipulated by the Russian Legislation should the offence be proved in court.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 31 December 2014 and 2013 which could have a material effect on the results of operations or financial position of the Group and which have not been accrued or disclosed in these financial statements.

29. Commitments

(a) Capital commitments
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2014 RUB'000	2013 RUB'000
Property, plant and equipment	**2,103**	–

(b) Operating lease commitments – Group as lessee
The Group leases offices under non-cancellable operating lease agreements.

The Group also leases various types of rolling stock under cancellable and non-cancellable operating lease agreements. The lease expenditure charged to the income statement during the years is disclosed in Note 6.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 RUB'000	2013 RUB'000
Not later than 1 year	**628,870**	894,716
Later than 1 year not later than 5 years	**16,495**	134,861
	645,365	1,029,577

(c) Operating lease commitments – Group as lessor
The Group leases out rolling stock and locomotives under cancellable and non-cancellable operating lease agreements. The future aggregate minimum lease payments receivable under non-cancellable operating leases in which the Group is acting as the lessor are as follows:

	2014 RUB'000	2013 RUB'000
Not later than 1 year	**916,399**	1,295,585
Later than 1 year not later than 5 years	**-**	558,579
	916,399	1,854,164

Contingent-based rents recognised in the income statement were RUB Nil for the year ended 31 December 2014 (2013: RUB Nil).

30. Related party transactions

Marigold Investments, Onyx Investments and Maple Valley Investments, are Company's shareholders with a direct shareholding as at 31 December 2013 and as at 31 December 2014 of 11.5% each.

As at 31 December 2013, Envesta Investment Limited and in affiliates held 10.8% and in early 2014 it distributed its shares in the Company to Litten Investments Limited and Goldriver Resources Limited. Litten Investments Limited and Goldriver Resources Limited, both controlled by members of Key Management of the Group have a direct shareholding in the Company of 6.3% and 4.5% respectively, as at 31 December 2014.

54.5% of the shares represent the free market-float and are held by external investors through the Global Depositary Receipts. The remaining 0.2% of the shares of the Company are controlled by Directors and management of the Group.

Until March 2013, Transportation Investments Holding Limited ("TIHL") held 34.5% of the Company's shares which were then disposed to Marigold Investments, Onyx Investments and Maple Valley Investments.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	2014 RUB'000	2013 RUB'000
Sales of services:		
Associate	**-**	4,101
Other related parties:		
Entities under control of TIHL and its controlling shareholders	**-**	516,142
Entities under joint control by TIHL	**-**	2,608
Entities under significant influence of members of Key Management	**921**	380,988
	921	903,839

(b) Purchases of goods and services

	2014 RUB'000	2013 RUB'000
Purchases of services:		
Other related parties:		
Entities under control of TIHL	**-**	35,132
Entities under control by parties with significant influence over the Group	**-**	8,000
Entities under significant influence of members of Key Management	**241,909**	268,210
	241,909	311,342

(c) Additions and disposals of property, plant and equipment

	2014 RUB'000	2013 RUB'000
Additions		
Other related parties:		
Entities under control of TIHL	**-**	–
Entities under significant influence of TIHL	**-**	3,746
Entities under significant influence of members of Key Management	**7,751**	–
	7,751	3,746

	2014 RUB'000	2013 RUB'000
Profit on disposal of property, plant and equipment		
Other related parties:		
Entities under control of TIHL	**-**	1,735
Entities under significant influence of members of Key Management	**1,318**	9,409
	1,318	11,144

(d) Key Management compensation

	2014 RUB'000	2013 RUB'000
Key Management salaries and other short-term employee benefits	**669,363**	814,188
	669,363	814,188

Note: "Key Management salaries and other short-term employee benefits" include Directors' remuneration paid to the Directors of the Company both by the Company and by subsidiaries of the Group in respect of services provided to such subsidiaries amounting to RUB 116,172 thousand (2013: RUB 115,743 thousand).

(e) Year end balances arising from sales/purchases of goods/services

	2014 RUB'000	2013 RUB'000
Trade receivable from related parties (Note 19):		
Associate	**8,075**	5,121
Other related parties		
Entities under significant influence of members of Key Management	**605**	116
	8,680	5,237
Other receivables from related parties (Note 19):		
Other related parties		
Entities under significant influence of members of Key Management	**1,557**	8
	1,557	8
Prepayments to related parties (Note 19):		
Other related parties		
Entities under significant influence of members of Key Management	**50,054**	39,774
	50,054	39,774

	2014 RUB'000	2013 RUB'000
Trade payables to related parties (Note 26):		
Associate	**-**	164
Directors	**-**	1,964
Other related parties		
Entities under significant influence of members of Key Management	**10,796**	8,406
	10,796	10,534
Advances from related parties (Note 26):		
Other related parties		
Entities under significant influence of members of Key Management	**5,260**	245
	5,260	245

(f) Operating lease commitments – Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases with other related parties are as follows:

	2014 RUB'000	2013 RUB'000
Not later than 1 year	**74,008**	56,594
Later than 1 year and not later than 5 years	**16,496**	69,698
	90,504	126,292

Operating lease commitments with "other related parties" were to entities under significant influence of members of Key Management.

31. Events after the balance sheet date

The Group redeemed non-convertible unsecured bonds of RUB 10,000,000 thousand during March 2015.

During the first three months of 2015, the Group concluded long-term loan agreements with financial institutions for facilities of RUB 11, 250,000 thousand, of which RUB 10,500,000 thousand were drawn down to date.

There were no other material post balance sheet events which have a bearing in the understanding of these consolidated financial statements.

Independent Auditor's Report on pages 72 and 73.

Directors' Report and Parent Company Financial Statements
For the Year Ended 31 December 2014

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Board of Directors and Other Officers

Board of Directors

Mr Michael Zampelas
Chairman of the Board of Directors
Independent Non-Executive Director
Member of Remuneration and Nomination Committees

Mr Sergey Maltsev
Executive Director, Chief Executive Officer
Alternate Director: Mr Artemis M. Thomaides

Mr Konstantin Shirokov
Executive Director

Ms Elia Nicolaou
Non-Executive Director
Member of the Audit Committee
Company Secretary
Secretary of the Board
Alternate Director: Mr Marios Tofaros

Mr Alexander Eliseev
Non-Executive Director
Alternate Director:
Ms Ekaterina Golubeva (resigned on 10 October 2014)
Mr Marios Tofaros (appointed on 10 October 2014)

Dr Johann Franz Durrer
Senior Independent Non-Executive Director
Chairman of the Remuneration and Nomination Committees

Mr Alexander Storozhev
Executive Director
Alternate Director: Ms Elia Nicolaou

Mr Alexander Tarasov
Executive Director
Alternate Director:
Mr Mikhail Loganov (resigned on 29 April 2014)
Mr Maxim Rubin (appointed on 29 April 2014)

Mr John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee

Mr George Papaioannou
Independent Non-Executive Director
Member of the Audit Committee

Mr Michael Thomaides
Non-Executive Director
Appointed on 28 April 2014

Mr Andrey Gomon
Non-Executive Director
Alternate Director: Ms Melina Pyrgou

Ms Melina Pyrgou
Non-Executive Director

Mr Marios Tofaros
Non-Executive Director

Mr Sergey Tolmachev
Executive Director

Mr Mikhail Loganov
Non-Executive Director
Resigned on 28 April 2014

Board support

The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures. Also a procedure is in place to enable Directors, if they so wish, to seek independent professional advice at the Company's expense.

Company Secretary

Ms Elia Nicolaou
Dimitriou Karatasou, 15
Anastasio Building, 6th floor, Office 601
Strovolos, 2024, Nicosia,
Cyprus

Assistant Secretary: Mr Marios Tofaros

Registered office

20 Omirou Street
Agios Nicolaos,
CY-3095 Limassol,
Cyprus

The Board of Directors presents its report together with the audited Parent Company financial statements for the year ended 31 December 2014. The Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding of investments and provision of financing to other Group companies.

Review of developments, position and performance of the Company's business

The net profit of the Company for the year ended 31 December 2014 was RUB 4,079,667 thousand (2013: RUB 9,576,015 thousand). On 31 December 2014 the total assets of the Group were RUB 45,462,706 thousand (2013: RUB 46,458,022 thousand) and the net assets were RUB 42,002,052 thousand (2013: RUB 41,904,000 thousand).

Globaltrans produced a solid overall financial performance in 2014. Nonetheless, the financial results of the subsidiaries of the Company were affected by the deteriorating economic conditions, as well as the continued weak pricing environment.

The Company and its subsidiaries (together referred to as the "Group") were able to mitigate the worst effects of the weak market, assisted by its long-term contracts and well-balanced fleet. Moreover, management continued to make disciplined decisions on capital allocation whilst actively pursuing cost improvement and productivity measures.

Taking into consideration the current weak market environment in the Russian Federation and the ongoing economic uncertainties in Ukraine, management has assessed the recoverable amount of its investments in and loans to subsidiaries as described in Note 4. As a result of these impairment assessments, the investment in and the loans granted to the Ukrainian subsidiary of the Company were impaired in full, in the amount of RUB 48,479 thousand and 1,871,439 thousand respectively. No impairment arose in relation to the remaining subsidiaries of the Company.

The financial position, development and performance of the Company as presented in the financial statements is considered satisfactory.

Principal risks and uncertainties

The Company's financial risk management and critical accounting estimates and judgements are disclosed in Notes 3 and 4 to the financial statements.

The Company's contingencies are disclosed in Note 23 to the financial statements.

The Board has adopted a formal process to identify, evaluate and manage principal risks and uncertainties faced by the Company.

Future developments

Subject to the ongoing uncertainty of the Russian economy, the Board of Directors does not expect any significant changes in the activities of the Company for the foreseeable future.

The Company's strategic objective is to strengthen its position as a leading private freight rail group in Russia. The Company intends to continue its return-oriented expansion pursuing the strategy of opportunistic growth, the Company will also continue its focus on effective fleet management.

Results

The Company's results for the year are set out on pages 142 and 143. The Board of Directors does not recommend the payment of a dividend in relation to the year 2014 and the net profit for the year is retained.

Dividends
Pursuant to its Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts ("GDRs") on the relevant record date will be entitled to receive dividends payable in respect of ordinary shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US Dollars. If dividends are not paid in US Dollars, except as otherwise described under "Terms and Conditions of the Global Depositary Receipts – Conversion of Foreign Currency", they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries is restricted to the total accumulated retained earnings of the relevant subsidiary, determined according to the law.

During 2014 the Board of Directors has not declared any interim dividends in relation to 2014.

In April 2014, the shareholders of the Company approved the payment of the final dividend in respect of the financial year ended 31 December 2013 in the amount of 62 US cents per ordinary share, amounting to a total dividend of RUB 3,981,615 thousand (US Dollar equivalent of US$110,819 thousand).

The Board of Directors of the Company does not recommend the payment of dividends in relation to the financial year ended 31 December 2014.

Share capital
As at 31 December 2014 the issued share capital of the Company comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

The role of the Board of Directors
The Company is managed by the Board of Directors which is collectively responsible to the shareholders for the success of the Company.

The Board sets the strategic objectives and ensures that the necessary resources are in place to enable these objectives to be met. The Board is fully involved in decision making in the most important areas of business and conducts regular reviews of the Company's operational and financial performance. One of the Board's key responsibilities is to ensure that there is in place a system of prudent and effective risk controls that enable risks to be identified, assessed and managed appropriately.

Members of the Board of Directors
The Board comprises 15 members, ten of whom are Non-Executive Directors (including the Chairman). Four of the Non-Executive Directors are independent, they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company and Group, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2014 and at the date of this report are shown on page 133. There were no significant changes in the assignment of responsibilities of the Board of Directors.

There is no provision in the Company's Articles of Association for retirement of Directors by rotation; however, in accordance with the terms of reference of the Board of Directors all board members are required to submit for re-election at least once every three years. Should a Non-Executive Director serve any term beyond six years, his/her re-election would be subject to particularly rigorous review. In practice, all current appointments are for one year and all Directors will stand for re-election at the forthcoming Annual General Meeting of shareholders of the Company.

The total remuneration of the members of the Board of Directors paid by the Company in 2014 amounted to RUB 14,263 thousand (2013: RUB 14,668 thousand).

The interests in the share capital of Globaltrans Investment PLC and its Group companies, both direct and indirect, of those who were Directors as at 31 December 2014 and 31 December 2013 are shown below:

Name	Type of holding	2014	2013
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	**11,318,909**	11,318,909
Sergey Maltsev	Indirect holding of ordinary shares and GDRs	**8,021,339**	8,021,339
Johann Franz Durrer	Holding of GDRs	**160,606**	160,606

Total number of issued shares of the Company as at 31 December 2014 was 178,740,916 (31 December 2013: 178,740,916).

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 24 to the Parent Company financial statements.

Board performance

The Board held ten meetings in 2014. The Directors' attendance is presented in the table below.

	Eligible	Attended
Michael Zampelas	10	10
Johann Franz Durrer	10	9
Carroll Colley	10	10
George Papaioannou	10	10
Alexander Eliseev	10	10
Sergey Maltsev	10	9
Andrey Gomon	10	10
Melina Pyrgou	10	10
Konstantin Shirokov	10	9
Alexander Storozhev	10	9
Marios Tofaros	10	10
Elia Nicolaou	10	9
Sergey Tolmachev	10	9
Alexander Tarasov	10	8
Michael Thomaides	9	7
Mikhail Loganov	1	1

The Board Committees

The Board has established three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. A brief description of the terms of reference of the committees is set out below.

Audit Committee

The Audit Committee comprises three Directors, two of whom are independent, and meets at least four times each year. The Audit Committee is chaired by Mr J. Carroll Colley and is also attended by Mr George Papaioannou and Ms Elia Nicolaou. The Audit Committee is responsible for considering, among other matters: the integrity of the Company's financial statements, including its annual and interim accounts, and the effectiveness of the Company's internal controls and risk management systems; auditors' reports; and the terms of appointment and remuneration of the auditor.

The Committee supervises, monitors and advises the Board on risk management and control systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the submission by the Company of financial information and a number of other audit-related issues. The Audit Committee is also responsible for assessing the efficiency of the performance of the Chairman of the Board.

The Audit Committee manages the relationship with the external auditor on behalf of the Board. It considers the reappointment of the external auditor each year, as well as remuneration and other terms of engagement, and makes a recommendation to the Board. Shareholders are asked to approve the reappointment of the auditor each year at the Annual General Meeting.

The Internal Audit function is carried out internally by the Group's Internal Audit Service ("IAS"). IAS is responsible for testing the systems of risk management, internal control and corporate governance of the Company and the Group.

Nomination Committee

The Nomination Committee comprises two Independent Directors and meets at least once a year. The Nomination Committee is chaired by Dr Durrer and Mr Zampelas is the other member. The Committee's remit is to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board, given the Company's stage of development, and makes recommendations to the Board as to any changes. The Committee also considers future appointments in respect of the Board's composition and makes recommendations regarding the membership of the Audit and Remuneration Committees.

Remuneration Committee

The Remuneration Committee comprises two Independent Directors and meets at least once a year. The Remuneration Committee is chaired by Dr Durrer and Mr Zampelas is the other member. The Committee's responsibility is the determination and review of, among other matters, the remuneration of Executive Directors, and the review of the Company's remuneration policies. The remuneration of Independent Directors is a matter for the Chairman of the Board and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

Corporate governance

Globaltrans' Board of Directors adopted the Company's Code of Corporate Governance (the "Code"), guaranteeing that the interests of all shareholders are given due consideration. Although the Code is based on principles recommended by the UK Corporate Governance Code (formerly the "Combined Code"), this does not constitute voluntary compliance with such governance code.

Globaltrans' corporate governance policies and practices are designed to ensure that the Group upholds its responsibilities to shareholders. As such, all employees are required to comply with these guidelines and the Group's management team takes responsibility for ensuring that all departments adhere to these standards. These key principles are promoted and applied across all levels of the Group in order to establish effective and transparent corporate governance. In January 2010, the Board supplemented its Code of Corporate Governance with a corporate policy on the treatment of the rights of its non-controlling shareholders; this aims to ensure fair treatment of the rights of non-controlling shareholders of the Company.

Full details of our governance policies can be found at:
http://www.globaltrans.com/about-us/corporate-governance/governance-policies/

Board and management remuneration

Non-Executive Directors serve on the Board pursuant to the letters of appointment which are subject to approval by the shareholders at the Annual General Meeting. Such letters of appointment specify the terms of appointment and the remuneration of Non-Executive Directors. Appointments are for one year.

Levels of remuneration for Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties.

The shareholders of the Company approved the remuneration of the members of the Board of Directors at the Annual General Meeting of shareholders held on 28 April 2014.

Refer to Note 22 of the Parent Company financial statements for details of remuneration paid by the Company to the members of the Board and other members of Key Management personnel.

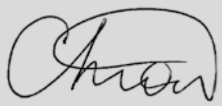
Branches
The Company did not operate through any branches during the year.

Treasury shares
In 2014 the Company did not own or acquire either directly or through a person in his own name, but on Company's behalf any of its own shares.

Going concern
Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the Parent Company financial statements based on the fact that, after making enquiries and following a review of the Company's budget for 2015, including cash flows arising from expected dividend distributions from subsidiaries and extension of borrowing facilities from subsidiaries, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future.

Auditors
The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board



Sergey Tolmachev
Director
Limassol, 27 March 2015

Directors' Responsibilities

The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of Directors determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Each of the Directors confirms to the best of his or her knowledge that the financial statements (presented on pages 142 to 178) give a true and fair view of the financial position of the Parent Company Globaltrans Investment PLC as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

Further, each of the Directors confirms to the best of his or her knowledge that:
(i) Proper books of account have been kept by the Company;
(ii) The Company's financial statements are in agreement with the books of account;
(iii) The financial statements give the information required by the Cyprus Companies Law, Cap.113 in the manner so required; and
(iv) The information given in the Report of the Board of Directors is consistent with the financial statements.

By order of the Board

Sergey Tolmachev
Director
27 March 2015

Independent Auditor's Report

To the Members of Globaltrans Investment PLC

Report on the financial statements

We have audited the accompanying financial statements of Parent Company Globaltrans Investment PLC (the "Company") which comprise the balance sheet as at 31 December 2013, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Parent Company Globaltrans Investment PLC as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

> We have obtained all the information and explanations we considered necessary for the purposes of our audit.
> In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
> The Company's financial statements are in agreement with the books of account.
> In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
> In our opinion, the information given in the Report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to. We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

A. Loizou

Anna Loizou
Certified Public Accountant and Registered Auditor
for and on behalf of:

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 27 March 2015

Income Statement
For the Year Ended 31 December 2014

	Note	2014 RUB'000	2013 RUB'000
Revenue	5	**6,313,132**	11,065,991
Selling and marketing costs		**(1,875,167)**	(181,478)
(including impairment charge for loans receivable from related parties)		***(1,871,439)***	*(177,152)*
Administrative expenses		**(113,073)**	(168,920)
Provision for impairment of investments	14	**(48,479)**	–
Other gains – net	6	**29,460**	26,942
Operating profit		**4,305,873**	10,742,535
Finance income	9	**823,774**	112,529
Finance costs	9	**(910,480)**	(858,483)
Finance costs – net	9	**(86,706)**	(745,954)
Profit before tax		**4,219,167**	9,996,581
Tax	10	**(139,500)**	(420,566)
Profit for the year		**4,079,667**	9,576,015

The notes on pages 147 to 178 are an integral part of these financial statements.

Statement of Comprehensive Income
For the Year Ended 31 December 2014

	2014 RUB'000	2013 RUB'000
Profit for the year	**4,079,667**	9,576,015
Other comprehensive income for the year, net of tax	**-**	–
Total comprehensive income for the year	**4,079,667**	9,576,015

The notes on pages 147 to 178 are an integral part of these financial statements.

Balance Sheet
At 31 December 2014

	Note	31 December 2014 RUB'000	31 December 2013 RUB'000	1 January 2013 RUB'000
Assets				
Non-current assets				
Investments in subsidiary undertakings	14	**45,240,297**	45,364,649	37,785,192
Property, plant and equipment	13	**1,818**	2,194	746
Loans and other receivables	17	**27,207**	888,838	1,219,494
Total non-current assets		**45,269,322**	46,255,681	39,005,432
Current assets				
Loans and other receivables	17	**8,602**	178,640	173,446
Income tax assets		**11,704**	7,737	855
Restricted cash		**-**	–	303,727
Cash and cash equivalents	18	**173,078**	15,964	2,778,278
Total current assets		**193,384**	202,341	3,256,306
Total assets		**45,462,706**	46,458,022	42,261,738
Equity and liabilities				
Capital and reserves				
Share capital	19	**516,957**	516,957	516,957
Share premium	19	**27,929,478**	27,929,478	27,929,478
Capital contribution		**2,694,851**	2,694,851	2,694,851
Retained earnings		**10,860,766**	10,762,714	5,154,849
Total equity		**42,002,052**	41,904,000	36,296,135
Non-current liabilities				
Borrowings	20	**3,364,076**	4,329,118	–
Total non-current liabilities		**3,364,076**	4,329,118	–
Current liabilities				
Borrowings	20	**70,943**	16,320	–
Payables and accrued expenses	21	**25,635**	208,584	5,965,603
Total current liabilities		**96,578**	224,904	5,965,603
Total liabilities		**3,460,654**	4,554,022	5,965,603
Total equity and liabilities		**45,462,706**	46,458,022	42,261,738

On 27 March 2015 the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

Sergey Tolmachev
Director

Konstantin Shirokov
Director

The notes on pages 147 to 178 are an integral part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2014

	Note	Share capital RUB'000	Share premium RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000
Balance at 1 January 2013		516,957	27,929,478	2,694,851	5,154,849	36,296,135
Comprehensive income						
Profit for the year		–	–	–	9,576,015	9,576,015
Total comprehensive income for 2013		–	–	–	9,576,015	9,576,015
Transactions with owners						
Dividend relating to 2012	12	–	–	–	(3,968,150)	(3,968,150)
Total contributions by and distributions to owners of the Company		–	–	–	(3,968,150)	(3,968,150)
Total transactions with owners		–	–	–	(3,968,150)	(3,968,150)
Balance at 31 December 2013/ 1 January 2014		516,957	27,929,478	2,694,851	10,762,714	41,904,000
Comprehensive income						
Profit for the year		–	–	–	4,079,667	4,079,667
Total comprehensive income for 2014		–	–	–	4,079,667	4,079,667
Transactions with owners						
Dividend relating to 2013	12	–	–	–	(3,981,615)	(3,981,615)
Total contributions by and distributions to owners of the Company		–	–	–	(3,981,615)	(3,981,615)
Total transactions with owners		–	–	–	(3,981,615)	(3,981,615)
Balance at 31 December 2014		**516,957**	**27,929,478**	**2,694,851**	**10,860,766**	**42,002,052**

The notes on pages 147 to 178 are an integral part of these financial statements.

Cash Flow Statement

For the Year Ended 31 December 2014

	Note	2014 RUB'000	2013 RUB'000
Cash flows from operating activities			
Profit before tax		**4,219,167**	9,996,581
Adjustments for:			
Depreciation of property, plant and equipment	13	**880**	498
(Gain)/loss on sale of property, plant and equipment	7	**(56)**	18
Interest income	9	**-**	(3,161)
Interest expense	9	**403,972**	954,852
Interest income on loans to related parties – non-cash		**(62,662)**	–
Gain on remeasurement of financial liability	9	**-**	(67,977)
Other finance costs on early repayment of bank borrowings	9	**-**	50,707
Gain on extinguishment of financial liabilities	9	**(47,099)**	–
Impairment loss of loans receivables	7	**1,871,439**	177,512
Impairment loss of investments	14	**48,479**	–
Foreign exchange losses on finance income/costs	11	**(270,167)**	(188,467)
Amortisation of financial guarantees	6	**(27,572)**	(27,572)
Operating cash flows before working capital changes		**6,136,381**	10,892,991
Changes in working capital:			
Other receivables		**(5,042)**	10,755
Payables and accrued expenses		**(3,377)**	(16,454)
Net cash generated from operations		**6,127,962**	10,887,292
Tax paid		**(143,467)**	(420,566)
Net cash generated from operating activities		**5,984,495**	10,466,726
Cash flows from investing activities			
Acquisition of subsidiaries	14	**(7,527)**	(13,221,806)
Indemnity received for financial guarantee	14	**78,400**	–
Purchases of property, plant and equipment		**(669)**	(2,005)
Proceeds from sale of property plant and equipment	13	**207**	400
Loans granted to related parties	22	**(28,050)**	(341,461)
Loan repayments received from related parties	22	**28,215**	456,550
Interest received on bank balances and bank deposits		**-**	3,161
Net cash from/(used in) investing activities		**70,576**	(13,105,161)
Cash flows from financing activities			
Proceeds from borrowings – related parties	22	**-**	4,364,684
Proceeds from borrowings – third parties		**-**	5,668,441
Repayment of borrowings – related parties	22	**(1,490,224)**	(18,224)
Interest paid – third parties		**-**	(274,506)
Interest paid – related parties		**(473,572)**	(324,671)
Repayment of borrowings – third parties		**-**	(5,775,707)
Dividends paid to Company's shareholders	12	**(3,983,892)**	(3,906,954)
Net cash used in financing activities		**(5,947,688)**	(266,937)
Net increase/(decrease) in cash and cash equivalents		**107,383**	(2,905,372)
Exchange gains on cash and cash equivalents		**48,521**	143,058
Cash and cash equivalents at beginning of year	18	**15,964**	2,778,278
Cash and cash equivalents at end of year	18	**171,868**	15,964

The notes on pages 147 to 178 are an integral part of these financial statements.

1. General information

Country of incorporation
The Company is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Companies Law, Cap. 113 and converted into a public company on 15 April 2008. The address of its registered office is: 20 Omirou Street, Limassol, Cyprus.

Approval of the financial statements
These financial statements were authorised for issue by the Board of Directors of the Company on 27 March 2015.

Global Depositary Receipts
Global Depositary Receipts each representing one ordinary share of the Company are listed on the London Stock Exchange International Main Market.

Principal activities
The principal activity of the Company, which is unchanged from last year, is the holding of investments and provision of financing to other Group companies.

Consolidated financial statements
The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113 for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from the Company's website at www.globaltrans.com.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation
The financial statements of Globaltrans Investment PLC have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

All International Financial Reporting Standards issued by International Accounting Standards Board ("IASB") and effective as at 1 January 2014 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The financial statements have been prepared under the historical cost convention.

The Company has prepared these separate financial statements for compliance with the requirements of the Cyprus Income Tax Law and disclosure rules as issued by the Financial Services Authority of United Kingdom.

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2014 in order to obtain a proper understanding of the financial position, the financial performance and cash flows of the Company and the Group.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

New Standards, Interpretations and amendments to published standards (not completed)

(a) The Company has adopted the following new standards, amendments and interpretations as of 1 January 2014 which are relevant to the Company:

> **IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013: EU 1 January 2014)** replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Standard did not have any material impact on the Company's separate financial statements.

> **IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013; EU 1 January 2014)** was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements". The amended standard did not have any material impact on the Company's separate financial statements.

"Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12" (issued in June 2012 and effective for annual periods beginning 1 January 2013; EU 1 January 2014). The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended standards did not have any material impact on the Company's financial statements.

> *Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning after 1 January 2014, that are expected to have an impact on the financial statements and which the Company has not early adopted.*

> **IFRS 9 "Financial Instruments: Classification and Measurement" * (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:**

> Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income ("FVOCI") and those to be measured subsequently at fair value through profit or loss ("FVPL").

> Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

> Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model. There is a "three stage" approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company is currently assessing the impact of the new standard on its separate financial statements.

- **IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 17 June 2014)**. The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Company is currently assessing the impact of the amendments on its separate financial statements.

- **Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 February 2015)**. The improvements consist of changes to seven standards of which only the following are considered to potentially have an impact in the separate financial statements. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 24 was amended to include, as a related party, an entity that provides Key Management personnel services to the reporting entity or to the parent of the reporting entity ("the management entity"), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Company is currently assessing the impact of the amendments on its financial statements.

- **Equity Method in Separate Financial Statements – Amendments to IAS 27* (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016)**. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Company is currently assessing the impact of the amendments on its separate financial statements.

- **Disclosure Initiative Amendments to IAS 1* (issued in December 2014 and effective for annual periods on or after 1 January 2016)**. The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals: (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Company is currently assessing the impact of the amendments on its financial statements.

* Denotes new standards and interpretations which have not yet been endorsed by the European Union.

Revenue recognition
Revenues earned by the Company are recognised on the following basis:

(a) Dividend income
Dividend is recognised when the right to receive payment is established.

(b) Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a loan and receivable is impaired the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Foreign currency translation
(a) Functional and presentation currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is the Russian Rouble. The financial statements are also presented in Russian Roubles ("the presentation currency") because this is the currency better understood by the principal users of the financial statements.

Up to 2013, the Company's financial statements were presented in US Dollars. In 2014, management has decided to change the presentation currency to Russian Rouble. The Company believes that the presentation of financial results in Russian Roubles, which is the functional currency of the Company as well as its Cypriot and Russian subsidiaries, will provide greater transparency in the light of recent volatility of the RUB exchange rate and provide shareholders and other users of the financial statements with reliable and more relevant information, providing a more accurate reflection of the Company's underlying financial performance and financial position. The change has been applied retrospectively in line with IAS 8 "Accounting Policies, Changes in accounting Estimates and Errors" and as a result the comparative financial information for the year ended 31 December 2013 has been presented in Russian Roubles. Further, in accordance with IAS 1 "Presentation of Financial Statements", a balance sheet as at 1 January 2013 was presented in these financial statements.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to financial liabilities are presented in the income statement within "Finance costs". Foreign exchange gains and losses that relate to cash and cash equivalents, loans and dividends receivable are presented in the income statement within "Finance income". All other foreign exchange gains and losses are presented in the income statement within "Other gains/(losses) – net".

Employee benefits
Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses and other benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Company. These are included in staff costs and the Company has no further obligations once the contributions have been paid.

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretations and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the Company can control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when the income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved and are no longer at the discretion of the Company. More specifically, interim dividends are recognised when approved by the Board of Directors whereas in case of final dividends, these are recognised at the time when they are approved by the Company's shareholders.

Operating leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, less residual value, over their estimated useful lives, as follows:

	Number of years
Motor vehicles	3-5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they are incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with carrying amount and these are included within operating income as part of operating expenses.

Investments in subsidiary undertakings
Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company carries the investments in subsidiaries at cost less any impairment in its separate financial statements. The cost of investments in subsidiaries includes the fair value of any asset or liability arising from a contingent consideration arrangement. The subsequent remeasurement of any asset/liability arising from a contingent consideration arrangement is adjusted against the cost of the investment in subsidiary.

In cases of acquisitions of subsidiaries from entities under common control or subsidiaries of the Company, the cost of acquisition is determined to be the fair value of the investment acquired as opposed to the transaction price. Any differences between the transaction price and the fair value of the investment acquired reflect notional contributions/distributions from entities under common control or subsidiaries and are recognised as such, i.e. directly in equity in cases of transactions with common control entities and as an additional contribution to or distribution from the subsidiary transferring the investment to the Company.

Group reorganisations resulting into an exchange of non-financial assets and where the future cash inflows before and after the reorganisation do not change as a result of the reorganisation are considered to lack commercial substance and no gains or losses are recognised relating to such restructurings.

Indemnification assets received for contingent liabilities of the investments in subsidiaries that existed at the time of acquisition of such subsidiaries are recognised against the cost of the relevant investment.

Deferred consideration
Deferred consideration arises when settlement of all or any part of the cost of an acquisition is deferred. Deferred consideration is stated at fair value at the date of acquisition, which is determined by discounting the amounts due to present value using market interest rates at the date of initial recognition. Interest is accrued on the fair value of deferred consideration at the original effective interest rate and is recognised in finance costs.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts, including costs or fees incurred for the modification, is recognised in profit or loss within finance costs. When the terms of the existing financial liability are not substantially modified, the existing liability is not derecognised and the gain/loss arising on the modification, including costs or fees incurred for the modification is recognised in profit or loss within finance costs.

Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Financial assets
The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise receivables, loans to related and third parties, restricted cash and cash and cash equivalents in the balance sheet.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are recognised when the funds are advanced to the debtor/borrower.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor/borrower, probability that the debtor/borrower will enter bankruptcy or financial recognition, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "selling and marketing costs". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "selling and marketing costs" in the income statement.

Share capital, share premium and treasury shares
Ordinary shares are classified as equity.

Incremental costs directly related to the issue of new shares are shown as a deduction, net of tax, from the proceeds.

Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity within a separate reserve "treasury shares" until the shares are cancelled or re-issued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity within retained earnings. The consideration initially paid for treasury shares which are subsequently re-issued is transferred from "treasury shares" to retained earnings.

Capital contribution
Capital contribution constitutes contributions made by the Company's shareholders other than for the issue of shares by the Company in their capacity as equity owners of the Company for which the Company has no contractual obligation to repay them. Such contributions are recognised directly in equity as they constitute transactions with equity owners in their capacity as equity owners of the Company.

Provisions and contingent liabilities
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are only used to cover those expenses which they had been set up for. Other possible or present obligations that arise from past events but it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligations; or the amount cannot be measured with sufficient reliability are disclosed in the notes to the financial statements as contingent liabilities.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial guarantees
Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of: (i) the remaining unamortised balance of the amount at initial recognition; and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Fair values of financial guarantees issued in relation to obligations of subsidiaries, where such guarantees are provided for no compensation, are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

Trade and other payables
Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks. Cash and cash equivalents are carried at amortised cost using the effective interest method. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

Restricted cash
Restricted cash includes cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction. Cash paid into escrow accounts for the purpose of future business combination transactions is included within investing activities in the statement of cash flows.

Transactions with equity owners/subsidiaries
The Company enters into transactions with its shareholders and subsidiaries. When consistent with the nature of the transaction, the Company's accounting policy is to recognise: (a) any gains or losses with equity holders and other entities which are under the control of the ultimate shareholder, directly through equity and consider these transactions as the receipt of additional capital contribution or the payment of dividends; and (b) any losses with subsidiaries as cost of investment in subsidiaries. Similar transactions with non-equity holders, or subsidiaries, are recognised through the income statement in accordance with IAS 39, Financial Instruments Recognition and Measurement.

Cash flow statement
Cash flows arising from dividend income and interest income on loans granted to related parties which form part of the revenue of the Company are reported as part of operating activities in the cash flow statement. Interest income received on other balances which form part of the Company's finance income are reported within cash flows from investing activities in the cash flow statement. Interest expense arising from deferred consideration for acquisition in subsidiaries is recognised within financing activities. Principal payments of deferred consideration are recognised as acquisition of subsidiaries within cash flows from interesting activities.

Comparatives
Up to 2013, the Company's financial statements were presented in US Dollars. In 2014, management has decided to change the presentation currency to Russian Rouble. The Company believes that the presentation of financial results in Russian Roubles, which is the functional currency of the Company as well as its Cypriot and Russian subsidiaries, will provide greater transparency in the light of recent volatility of the RUB exchange rate and provide shareholders and other users of the financial statements with reliable and more relevant information, providing a more accurate reflection of the Company's underlying financial performance and financial position. The change has been applied retrospectively in line with IAS 8 "Accounting Policies, Changes in accounting Estimates and Errors" and as a result the comparative financial information for the year ended 31 December 2013 has been presented in Russian Roubles. Further, in accordance with IAS 1 "Presentation of Financial Statements", a balance sheet as at 1 January 2013 was presented in these financial statements.

3. Financial risk management
Financial risk factors
The Company's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial results.

Market risk
(a) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency different from the functional currency of the Company.

During 2013 the Russian Rouble has depreciated consistently against the US Dollar. From the beginning of 2014 there has been increased volatility in currency markets and the Russian Rouble has depreciated significantly against some major currencies, especially in the last quarter of 2014. As of end of December 2014 the Russian Rouble has depreciated against the US Dollar from 32.77 as of 31 December 2013 to 56.2584 Russian Roubles (72% devaluation).

The fluctuations in the exchange rate between US Dollar and Russian Rouble expose the Company to foreign exchange risk.

The carrying amounts of monetary assets and liabilities denominated in US Dollars as at 31 December 2014 and 31 December 2013 are as follows:

	2014 RUB'000	2013 RUB'000
Assets	**177,339**	1,080,882
Liabilities	**780,125**	1,147,656

Had US Dollar exchange rate strengthened/weakened by 70% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Company for the year ended 31 December 2014 would have decreased/increased by RUB 369,206 thousand (2013: 15% change, effect RUB 8,764 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of loans receivable, cash and cash equivalents, payables and borrowings from related parties denominated in US Dollars.

During the year ended 31 December 2014, the Company has impaired fully the loan receivable from UNFC in the amount of RUB 2,177,628 thousand which was denominated in US Dollars, therefore, although the Company is subject to foreign exchange risk in relation to this loan, any foreign exchange difference arising on this loan as a result of fluctuations in the Russian Rouble to US Dollar exchange rate would trigger an opposite and equivalent adjustment to the impairment for this loan and therefore would not have an impact on the profit or loss of the Company.

As a result of this impairment loss, the net exposure of the Company to US Dollars is higher as of 31 December 2014 compared to 31 December 2013. Therefore the profit was more sensitive to fluctuations in exchange rate of Russian Rouble to US Dollar for the year ended 31 December 2014 compared to 2013 both as a result of this impairment as well as due to the significant volatility of the Russian Rouble against the US Dollar in 2014.

The Company's current policy is not to hedge this foreign exchange risk.

(b) Cash flow and fair value interest rate risk

The Company holds interest bearing financial instruments at both fixed and floating rates interest rates.

Financial assets and liabilities issued at fixed rates expose the Company to fair value interest rate risk. However, as all of the Company's fixed interest rate financial instruments are carried at amortised cost, any reasonably possible change in the interest rates as of 31 December 2014 and 31 December 2013 would not have any impact on the Company's post tax profit or equity.

Financial assets and liabilities issued at floating rate expose the Company to cash flow interest rate risk. As of 31 December 2014, the Company did not have any floating interest rate borrowings or receivables, therefore was not exposed to cash flow interest rate risk. As of 31 December 2013, the Company had borrowings from its subsidiaries at floating rates. Had Russian Rouble lease credit interest rates shift by 1% (in the case of floating interest rates) and all other variables remained unchanged, the post-tax profit of the Company for the year ended 31 December 2013 would have changed by RUB 28,933 thousand.

(c) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of loans and other receivables (Note 17), cash and cash equivalents (Note 18) and financial guarantees (Note 22).

The majority of loans and other receivables are balances with related parties, more specifically with Ukrainian New Forwarding Company ("UNFC"), a Ukrainian subsidiary of the Company. As of 31 December 2013, the loans to UNFC had amounted to RUB 1,237,441 thousand and a provision of RUB 177,512 had been raised as of 31 December 2013. Following the difficult economic situation in Ukraine during 2014, management has assessed that the entire balance of the loans outstanding from UNFC was fully impaired and provided for them in full, raising an additional impairment provision of RUB 1,871,439 thousand for the year ended 31 December 2014.

The majority of bank balances are held with independently rated parties with a minimum rating of "B". These enables the Company to reduce its credit risk significantly.

Other than as explained above, as of 31 December 2014 and 31 December 2013 there were no other loans and other receivables or cash and cash equivalents that were past due or impaired.

The Company has issued financial guarantees on the borrowings of its subsidiaries (Note 22). As a result, the Company is exposed to credit risk arising from potential risk of default of the Company's subsidiaries on their external debt.

As of 31 December 2014 and 31 December 2013, none of the Company's subsidiaries had defaulted on or breached any covenants on their borrowings. Therefore no provision has been recognised in relation to the financial guarantees issued by the Company in relation to the borrowings of its subsidiaries.

(d) Liquidity risk

As at 31 December 2014, the Company has an excess of current assets over current liabilities of RUB 96,806 thousand (2013: excess of current liabilities over current assets of RUB 22,563 thousand).

Management believes that the Company will be able to meet its obligations as they fall due.

Management controls current liquidity based on expected cash flows, expected dividend and interest income receipts, expected dividend payments and extension of borrowings by subsidiaries. In the long-term perspective, the liquidity risk is determined by forecasting future cash flows at the moment of signing new loans and by budgeting procedures.

The table below summarises the analysis of financial liabilities of the Company by maturity as of 31 December 2014 and 31 December 2013. The amounts in the table are contractual undiscounted cash flows. Non-interest-bearing trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 month RUB'000	Between 1 month and 3 months RUB'000	Between 3 and 6 months RUB'000	Between 6 months to 1 year RUB'000	Over 1 year RUB'000	**Total RUB'000**
As of 31 December 2014						
Trade and other payables [23]	11,849	–	–	–	–	**11,849**
Borrowings	1,210	–	–	368,631	4,277,715	**4,647,556**
Financial guarantee contracts [24]	12,392,657	11,607,908	104,528	–	–	**24,105,093**
	12,405,716	11,607,908	104,528	368,631	4,277,715	**28,764,498**
As of 31 December 2013						
Trade and other payables [23]	425	17,183	155,431	–	–	**173,039**
Borrowings	–	–	181,942	183,709	5,812,575	**6,178,226**
Financial guarantee contracts [24]	17,935,733	12,317,798	375,960	–	–	**30,629,491**
	17,936,158	12,334,981	713,333	183,709	5,812,575	**36,980,756**

23 Trade and other payables exclude statutory liabilities as the analysis is provided for financial liabilities only.
24 The maximum possible amount of obligation under financial guarantee contracts is disclosed at the earliest time it may be called.

(e) Capital risk management

The Company's main objective when managing capital is to maintain the ability to continue as a going concern in order to ensure the required profitability of the Company, maintain optimum equity structure and reduce its cost of capital.

Defining capital, the Company uses the amount of net assets attributable to the Company's shareholders and the Company's borrowings. No external requirements are imposed on the capital of the Company.

The Company manages the capital based on borrowings to total capitalisation ratio.

To maintain or change capital structure the Company may vary the amount of dividend paid in order to reduce debts. Management believes that the current equity is sufficient to fund current projects and further development of the Company.

Total capitalisation is calculated as the sum of the total borrowings and net assets at the date of calculation. The management does not currently have any specific target on the rate of borrowings to total capitalisation.

The rate of borrowings to total capitalisation as at 31 December 2014 and 31 December 2013 are as follows:

	2014 RUB'000	2013 RUB'000
Total borrowings	**3,435,019**	4,345,438
Total capitalisation	**45,437,071**	46,249,438
Total borrowings to total capitalisation ratio (percentage)	**7.56%**	9.40%

(f) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values of financial instruments have been determined by the Company, using available market information, where it exists, appropriate valuation methodologies and assistance of experts. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore do not always represent the fair values of financial instruments. The Company has used all available market information in estimating the fair value of financial instruments.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level 1 measurements are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities; (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and (iii) level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The fair values in level 2 and level 3 of fair value hierarchy were estimated using discounted cash flows valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Refer to Note 17.

In the absence of similar Russian Rouble-denominated instruments entered into by the subsidiary of the Company with non-related parties close to the year end, due to the adverse fluctuation of interest rates, the estimated fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted at an estimated rate of Mosprime plus a margin. Such rate was management's best estimate of the interest rate it would receive for new instruments with similar credit risk and remaining maturity.

The fair values of loans from related parties are based on cash flows discounted using a rate of 21.31% based on six month MOSPRIME + 2.99% p.a. (2013: 9.7% p.a.) and are within level 3 (2013: level 2) of the fair value hierarchy.

Liabilities carried at amortised cost. The fair value of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2013, the fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of borrowings at floating rates were estimated to approximate their carrying amount as of 31 December 2013.

As at 31 December 2014 the estimated fair value of fixed interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The discount rates used for US Dollar-denominated borrowings were 3.95%. The fair value measurement of borrowings for disclosure purpose are within level 3 fair value hierarchy.

In the absence of similar Russian Rouble-denominated instruments entered into by the Company with non-related parties close to the year end, due to the adverse fluctuation of interest rates, the estimated fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted at an estimated rate of Mosprime plus a margin. Such rate was management's best estimate of the interest rate it would achieve had it entered into a similar instrument as at the year end.

The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The discount rates used for Russian Rouble-denominated borrowings ranged from 26.48% p.a. To 27.26% p.a. (2013: 7.8% p.a. to 10.3% p.a.) depending on the maturity term of the liability. In the absence of observable interest rates, the fair value measurement of borrowings for disclosure purpose are within level 3 fair value hierarchy (2013: level 2 fair value hierarchy) (Note 20).

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical accounting estimates

1. Fair value of guarantees issued

Management estimated the fair value of the free of charge guarantees issued by the Company to secure the liabilities of its subsidiaries based on the best estimate of expenditure required to settle the obligation.

The fair values of guarantees issued by the Company for the unsecured bonds issued by the Company's subsidiary, were estimated using a probability adjusted discounted cash flow analysis, using probability of default as implied by the market price of the bonds and loss given default as estimated by considering the distressed value of net assets of the issuer of the bonds which were not pledged at the time of the issue of the bonds since in case of default, the Company will be able to recover its losses under the issued guarantee from the subsidiary in full.

Fair values of the financial guarantees issued by the Company for the obligations of its subsidiaries in accordance with loan agreements with financial institutions where such obligations are also secured by a pledge of property, plant and equipment and the distressed sale value of such pledge exceeds the amount of the obligation of the respective subsidiary have been estimated at US$ Nil value since in case of default the Company will be able to recover its losses under the issued guarantees from respective subsidiaries in full.

At the end of each reporting period, the Company assesses as to whether any provision is needed for the guarantees issued. As of 31 December 2014, management has reviewed the financial condition and performance of its subsidiaries and their ability to service the loans which are being guaranteed by the Company and has assessed that no need for provisioning arises in relation to any of the guarantees issued by the Company.

2. Assessment of recoverability of investment in subsidiaries

At each balance sheet date, the Company reviews its investments in subsidiaries for any indication of impairment in accordance with the accounting policy stated in Note 2.

(a) Ukrainian subsidiary

In view of the continued political and economic uncertainty in Ukraine as explained in Note 23, management has assessed as to whether its 100% subsidiary in Ukraine, namely Ukrainian New Forwarding Company OOO, ("UNFC") has suffered any impairment. As a result of the impairment assessment performed by management, the entire carrying amount of the investment in UNFC was impaired in full, in the amount of RUB 48,479 thousand. The recoverable amount of this investment was has been determined based on value-in-use calculations. These calculations require the use of estimates. In view of the significant indebtedness of UNFC as of 31 December 2014, including its debt towards the Company, management has assessed that it will not be able to recover any amounts from this investment and has impaired the carrying amount of the investment in full.

The Company is also acting as a guarantor for obligations of UNFC to the European Bank for Reconstruction and Development, ("EBRD"). UNFC is currently servicing this debt adequately which is also guaranteed with pledges of rolling stock of UNFC. The Company has assessed that no need for provision arises in relation to this guarantee as of 31 December 2014.

(b) Russian subsidiaries

As of 31 December 2014, the management considered the deterioration in the general market and industry conditions in the Russian Federation and more specifically in the open wagons segment and has performed impairment assessments in relation to its investments in subsidiaries operating in this market.

Management has assessed that in view of the fact that the acquisitions of Ferrotrans OOO in 2012 and Steeltrans OOO in 2013 gave rise to synergies benefiting other legal subsidiaries of the Company, that the activities of New Forwarding Company OAO, Steeltrans OOO and GTI Management OOO (following merger of Ferrotrans OOO with Sevtekhnotrans OOO) involve significant intra-Group transactions of rolling stock leases and there are also ongoing restructuring of activities between the Group entities, allocation of value between the three entities would not be possible on a non-arbitrary basis.

Therefore the management has assessed impairment at the group of CGUs which represent the lowest level which is expected to benefit from the synergies arising on the acquisition of Ferrotrans OOO in 2012 and Steeltrans OOO in 2013 and the level at which these synergies are monitored by management, which is represented by the Russian open wagons/operator's services segment, comprising the operator services activities of Steeltrans OOO, New Forwarding Company OAO and GTI Management OOO using open wagons. This approach is also consistent with the level at which goodwill is monitored by management for the purposes of the consolidated financial statements.

The equity value of these three subsidiaries operating in this group of CGUs is determined based on their enterprise value after deducting their net debt. The enterprise value of these subsidiaries has been estimated based on: (i) value-in-use calculations (2013: value-in-use) for the purposes of estimating the enterprise value of the Russian open wagons/operator's services segment; and (ii) fair value less costs to sell and value-in-use calculations on a case-by-case basis for the remaining types of rolling stock held by these subsidiaries.

These calculations are based on seven-year post-tax cash flow projections (2013: seven–year post-tax cash flow projections) and all the assumptions in relation to growth rates are determined by reference to management's past experience and industry forecasts. Cash flows beyond the seven-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the operator's business in which the group of CGUs operates.

For projections prepared for Russian open wagon/operator's services group of CGUs, terminal growth rate of 4.1% (2013: 3%) and the discount rate of 17% for years 2015 and 2016 and 15.75% thereafter (2013: consistent 14%) have been applied.

The key assumptions are transportation volumes and prices per trip. The projected volumes reflect past experience and management's estimates. The transportation prices are estimated in accordance with the past performance of the Group and management's expectations of market development.

The terminal growth rate used is consistent with the forecasts included in industry reports. The discount rate used is post-tax and reflect specific risks relating to the relevant group of CGUs.

The equity value of the three subsidiaries operating in the Russian open wagon/operator's services group of CGUs exceeds the carrying amount of the investments in subsidiaries in the Company's separate financial statements. Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts of these subsidiaries is based would not cause their combined carrying amounts to exceed their combined recoverable amounts.

Further, the Company has assessed whether there were any impairment indicators for the Russian subsidiary operating in the tank cars segment, namely BaltTransservice OOO. Based on the financial performance of this entity and also by reference to a recent market transaction for a non-controlling stake in this company, management has concluded that no impairment indicators arise for the carrying amount of this investment.

3. Impairment of loan receivable from subsidiary

Management has considered that the continued political and economic uncertainty in Ukraine, as explained in Note 23, and the economic performance and financial position of its Ukrainian subsidiary, UNFC, constituted impairment indicators for the recoverability of the loans receivable from this entity. As a result of the impairment assessment performed by management, the entire carrying amount of the loans receivable from UNFC was impaired in full, in the amount of RUB 2,177,628 thousand with impairment charge for the year being RUB 1,871,439 thousand. In view of the current volatile economic environment in Ukraine and the external indebtedness of UNFC, management does not expect to recover material amounts from its loans to UNFC in the foreseeable future.

(b) Critical judgements in the application of the Company's accounting policies

1. Transactions with subsidiaries

The Company enters into transactions with its subsidiaries. When consistent with the nature of the transaction, the Company's accounting policy is to recognise any losses with subsidiaries as cost of investment in subsidiaries. Similar transactions with non-equity holders, or gains on transactions with subsidiaries, are recognised through the income statement in accordance with IAS 39, Financial Instruments Recognition and Measurement. The Company believes that this policy provides a fair representation of the Company's activities.

During the years ended 31 December 2014 and 2013, the following transactions were entered into with subsidiaries:

(i) Extension of deferred consideration payable to subsidiary

In May 2013, the Company agreed with New Forwarding Company to extend the settlement terms of the deferred consideration payable to New Forwarding Company for a year as a result of which the Company realised a gain on remeasurement of the deferred consideration liability of RUB 67,977 thousand. This gain has been recognised in finance costs in accordance with the Company's accounting policy and in accordance with IAS 39.

The Company has assessed that the change in the settlement terms was not entered into by the Company in its capacity as equity owner of New Forwarding Company, but it was similar to a transaction with a third party, therefore, the gain has been recognised in finance costs. Had the transaction been considered as a transaction entered into by the Company in its capacity as equity owner, this gain would have been recognised in revenue as it would be similar to a dividend distribution by New Forwarding Company. Therefore, there would be no impact on the profit or loss of the Company.

(ii) Issue of guarantees in relation to obligations of subsidiaries

During the current and prior year the Company provided guarantees for obligations of its subsidiaries free of charge. The fair value of these guarantees was determined on the basis of probability of default and loss given default and was recognised as part of the cost of the investment in the respective subsidiaries as these transactions were considered to be entered into by the Company in its capacity as equity owners.

(iii) Renegotiation of borrowings from related parties

On 26 May 2014, the Company has renegotiated the terms of its borrowings from Steeltrans OOO and GTI Management OOO, with principal value of RUB 3,183,596 thousand as of May 2014. The change in the terms resulted in the loans bearing fixed interest rates in the range of 9.5% to 10.35% when they previously were at floating rates of Mosprime + 3.3%. The change in the terms was considered substantial and as a result was accounted for as an extinguishment of the existing financial liabilities and recognition of new ones. As a result, the Company has recognised a gain on derecognition of financial liabilities of RUB 47,099 thousand. This gain has been recognised in finance costs in accordance with the Company's accounting policy and in accordance with IAS 39.

The Company has assessed that the change in the interest rates of the loans was not entered into by the Company in its capacity as equity owner of Steeltrans OOO and GTI Management OOO, but it was similar to a transaction with a third party, therefore, the gain has been recognised in finance costs. Had the transaction been considered as a transaction entered into by the Company in its capacity as equity owner, this gain would have been recognised in revenue as it would be similar to a dividend distribution by Steeltrans OOO and GTI Management OOO. Therefore, there would be no impact on the profit or loss of the Company.

2. Initial recognition of related party transactions
In the normal course of business, the Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 22.

3. Restructuring involving BaltTransServis OOO
During the year the Company proceeded with the reorganisation of the structure that involved BaltTransServis OOO ("BTS"). BTS was previously held as an indirect subsidiary of the Company through two intermediate parent entities, Ingulana Holdings Limited and Ultracare Holdings Limited. During the year ended 31 December 2014, the Company entered into a sale and purchase agreement with Ultracare Holdings Limited in order to acquire a direct shareholding in BTS. At the same time, the Company disposed of the intermediate parent entities for the same consideration.

Management has viewed the above transactions as merely a reorganisation of its shareholding in BTS and thus has not recognised any gains or losses arising from these transactions as the two intermediary holding companies were solely holding the interest in BTS with no other activities.

5. Revenue

	2014 RUB'000	2013 RUB'000
Interest on loans to related parties (Note 22)	**62,870**	67,742
Dividend income (Note 22)	**6,250,262**	10,998,249
Total	**6,313,132**	11,065,991

6. Other gains – net

	2014 RUB'000	2013 RUB'000
Net foreign exchange transaction gains/(losses) on non-financing activities (Note 11)	**1,888**	(630)
Amortisation of financial guarantees (Note 22)	**27,572**	27,572
Other gains – net	**29,460**	26,942

7. Expenses by nature

	2014 RUB'000	2013 RUB'000
Statutory auditor's remuneration for audit services	**19,607**	14,512
Audit fees charged by the Company's statutory auditor – prior year	**(5,732)**	905
Advertising and marketing expenses	**3,728**	3,966
Office rent	**1,890**	2,019
Depreciation of property, plant and equipment (Note 13)	**880**	498
Impairment charge for loans receivable from related parties (Note 17)	**1,871,439**	177,512
Employee benefit expense (Note 8)	**10,283**	12,572
Legal, consulting and other professional services [25]	**30,370**	69,396
Bank charges	**1,489**	2,622
Non-Executive Directors' fees (Note 22)	**14,263**	10,105
Travel expenses	**22,765**	20,004
(Profit)/loss on sale of property, plant and equipment (Note 13)	**(56)**	18
Stock exchange and financial regulator fees	**2,450**	11,367
Taxes other than on income	**7,290**	14,777
Other expenses	**7,574**	10,125
Total selling and marketing costs and administrative expenses	**1,988,240**	350,398

25 Includes RUB 153 thousand for the year 2014 (2013: RUB 747 thousand) in fees paid to the Company's statutory auditor for non-audit services.

8. Employee benefit expense

	2014 RUB'000	2013 RUB'000
Wages and salaries	**9,162**	11,719
Social security costs	**1,121**	853
Total employee benefit expense	**10,283**	12,572

9. Finance costs – net

	2014 RUB'000	2013 RUB'000
Finance income:		
Interest on bank balances	**-**	43
Interest on bank deposits	**-**	3,118
Total interest income	**-**	3,161
Net foreign exchange transaction gains on cash and cash equivalents, loans and dividends receivable (Note 11)	**823,774**	109,368
Total finance income	**823,774**	112,529
Finance costs:		
Interest expense on borrowings from related parties (Note 22)	**(397,533)**	(230,836)
Interest expense on payables to related parties (Note 22)	**(6,439)**	(392,951)
Bank borrowings	**-**	(331,065)
Total interest expense	**(403,972)**	(954,852)
Gain on remeasurement of financial liability (Note 22)	**-**	67,977
Other finance costs on early repayment of bank borrowing (Note 20)	**-**	(50,707)
Gain from extinguishment of financial liabilities (Note 22)	**47,099**	–
Net foreign exchange transaction (losses)/gains on financial liabilities (Note 11)	**(553,607)**	79,099
Total finance costs	**(910,480)**	(858,483)
Total finance costs – net	**(86,706)**	(745,954)

10. Income tax expense

	2014 RUB'000	2013 RUB'000
Current tax:		
Withholding tax on dividends receivable	**139,500**	420,000
Corporation tax – current year	**-**	566
Total tax expense	**139,500**	420,566

The tax on the Company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2014 RUB'000	2013 RUB'000
Profit before tax	**4,219,167**	9,996,581
Tax calculated at the applicable tax rate	**527,396**	1,249,573
Tax effect of expenses not deductible for tax purposes	**251,146**	66,864
Tax effect of allowances and income not subject to tax	**(798,455)**	(1,397,305)
Foreign withholding tax on dividends receivable	**139,500**	420,000
Tax effect of tax losses for which no deferred tax was recognised	**19,913**	80,868
Special defence contribution	**-**	566
Tax charge	**139,500**	420,566

The Company is subject to income tax on taxable profits at the rate of 12.5% as from 1 January 2013. As from tax year 2012 brought forward losses of only five years may be utilised.

Up to 31 December 2008, under certain conditions interest may be subject to special contribution for defence at the rate of 10%. In such cases 50% of the same interest will be exempt from income tax thus having an effective tax rate burden of approximately 15%. From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011; and to 30% as from 29 April 2013. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2014.

In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence. Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon, etc.) are exempt from Cyprus income tax.

Withholding tax is applied to dividends distributed to the Company by its Russian subsidiaries at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected.

At 31 December 2014, the Company has tax losses carried forward amounting RUB 1,248,936 thousand (2013: RUB 679,055 thousand) for which no deferred tax was recognised as profits for future periods against which these losses can be utilised cannot be estimated with sufficient reliability.

11. Net foreign exchange gains/(losses)

	2014 RUB'000	2013 RUB'000
Finance income/(costs) – net (Note 9)	**270,167**	188,467
Other gains/(losses) (Note 6)	**1,888**	(630)
Total foreign exchange gains – net	**272,055**	187, 837

12. Dividends

The Board of Directors of the Company does not recommend the payment of final dividends in relation to the financial year ended 31 December 2014.

In April 2014, the shareholders of the Company approved the payment of the final dividend in respect of the financial year ended 31 December 2013 in the amount of RUB 22.28 (US$0.62) per ordinary share, for the total dividend declared and paid refer to the table below.

During the year ended 31 December 2014, the Company declared and paid as detailed in the table below.

	2014 RUB'000	2013 RUB'000
Dividends declared	**3,981,615**	3,968,150
Dividends paid	**3,983,892**	3,906,954

13. Property, plant and equipment

	Motor vehicles RUB'000	Total RUB'000
At 1 January 2013		
Cost	1,707	1,707
Accumulated depreciation	(961)	(961)
Net book amount	746	746
Year ended 31 December 2013		
Additions	2,364	2,364
Disposals	(418)	(418)
Depreciation charge	(498)	(498)
Closing net book amount	2,194	2,194
At 31 December 2013/1 January 2014		
Cost	2,751	2,751
Accumulated depreciation	(557)	(557)
Net book amount	2,194	2,194
Year ended 31 December 2014		
Additions	655	655
Disposals	(151)	(151)
Depreciation charge	(880)	(880)
Closing net book amount	1,818	1,818
At 31 December 2014		
Cost	2,710	2,710
Accumulated depreciation	(892)	(892)
Net book amount	**1,818**	**1,818**

In the cash flow statement, proceeds from sale of property, plant and equipment comprise of:

	2014 RUB'000	2013 RUB'000
Net book amount	**151**	418
Gain/(loss) on sale of property, plant and equipment (Note 7)	**56**	(18)
Consideration from sale of property, plant and equipment	**207**	400

The consideration from sale of property, plant and equipment is further analysed as follows:

	2014 RUB'000	2013 RUB'000
Consideration from sale of property, plant and equipment	**207**	400

14. Investments in subsidiary undertakings

	2014 RUB'000	2013 RUB'000
At beginning of year	**45,364,649**	37,785,192
Contribution into the capital of subsidiary	**97**	–
Additions	**2,430**	7,579,457
Indemnification received	**(78,400)**	–
Impairment of investments	**(48,479)**	–
At end of year	**45,240,297**	45,364,649

Acquisition of Steeltrans OOO during the year ended 31 December 2013
On 12 February 2013, the Company has completed the purchase of 100% of the share capital of OOO Steeltrans ("ST") (formerly OOO MMK-Trans), the freight rail transportation operator, for a total consideration of RUB 7,579,457 thousand. ST principally handles cargos of the MMK Group, primarily metallurgical cargos and coal.

At the time of the acquisition of ST, the Company had entered into the call option agreement for the acquisition of 52.5% of Amalfico Holdings Limited, incorporated in Cyprus, which in turn controlled 97% of ZAO Ural Wagonrepair Company ("UWC"), incorporated in Russia a company offering railcar repair services. The remaining interest of 47.5% of Amalfico Holdings Limited was controlled by ST and formed part of the acquisition. The rights of this option were transferred to ST during the year ended 31 December 2013 following which ST entered into a share purchase agreement to acquire 52.5% economic interest in Amalfico on 30 November 2013. Following this agreement the Company controls 100% of the share capital of Amalfico Holdings Limited, which owns 97% of the share capital of ZAO Ural Wagonrepair Company ("UWC"). During 2014 the Company has acquired the remaining 3% of the share capital of UWC from a third party.

In September 2014 following a group restructuring Sevtekhnotrans, OOO and Ferrotrans, OOO were merged and formed a new entity which was named GTI Management, OOO.

Details of the direct and indirect investments in the subsidiary undertakings are as follows:

Name	Country of incorporation	Principal activities	Proportion of ordinary shares held by the Company (%)		Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by non-controlling interest (%)	
			2014	2013	2014	2013	2014	2013
Sevtekhnotrans, OOO [26]	Russia	Railway transportation	**-**	100	**-**	100	**-**	–
New Forwarding Company, OAO	Russia	Railway transportation	**100**	100	**100**	100	**-**	–
Ferrotrans, OOO (formerly Metalloinvesttrans, OOO) [26]	Russia	Railway transportation	**-**	100	**-**	100	**-**	–
GTI Management, OOO [26]	Russia	Railway transportation	**100**	–	**100**	–	**-**	–
Steeltrans, OOO (formerly MMK-Trans, OOO) [27]	Russia	Railway transportation	**100**	100	**100**	100	**-**	–
Amalfico Holdings Limited [28]	Cyprus	Intermediary holding company	**100**	100	**100**	100	**-**	–
Ural Wagonrepair Company, ZAO [29]	Russia	Repair and maintenance of rolling stock	**3**	–	**100**	97	**-**	3
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	**100**	100	**100**	100	**-**	–
BaltTransServis, OOO [30]	Russia	Railway transportation	**60**	–	**60**	60	**40**	40
RemTransServis, OOO	Russia	Repair and maintenance of rolling stock	**-**	–	**59.4**	59.4	**40.6**	40.6
Ingulana Holdings Limited [30]	Cyprus	Intermediary holding company	**-**	60	**-**	60	**-**	–
Ultracare Holdings Limited [30]	Cyprus	Intermediary holding company	**-**	–	**-**	60	**-**	–
SyntezRail LLC [32]	Russia	Railway transportation	**-**	–	**100**	–	**-**	–
SyntezRail Ltd [32]	Cyprus	Intermediary holding company	**100**	–	**100**	–	**-**	–
Spacecom AS	Estonia	Operating lease of rolling stock and provision of forwarding services	**65.25**	65.25	**65.25**	65.25	**34.75**	34.75
Ekolinja Oy [31]	Finland	Operating sub-lease of rolling stock	**-**	–	**65.25**	65.25	**34.75**	34.75
Spacecom Trans AS	Estonia	Operating lease of rolling stock	**65**	65	**65**	65	**35**	35

26 GTI Management, OOO was formed as a result of a merger of Sevtekhnotrans, OOO and Ferrotrans, OOO. No gains or losses were recognised with regards to this transaction.
27 Steeltrans was acquired on 12 February 2013.
28 Amalfico Holding Limited was liquidated in January 2015. Amalfico Holdings Limited was acquired on 12 February 2013.
29 During 2014, Steeltrans OOO acquired the remaining 3% interest of Ural Wagonrepair Company ZAO. This subsidiary was acquired on 12 February 2013.
30 BalttransServis OOO was held through intermediate holding entities, Ingulana Holdings Limited and Ultracare Holdings Limited. A restructuring took place in 2014 following which BalttransServis, OOO is held directly by the Company. The two intermediate holding entities were disposed in December 2014. No gains or losses arose in this respect (Note 4).
31 Ekolinja Oy is a 100% subsidiary of Spacecom AS.
32 SyntezRail LLC and SyntezRail Ltd have been incorporated in 2014 and started activity in December 2014.

Indemnification received in relation to financial guarantee
During the year 2014 the Company received an indemnification of RUB 78,400 thousand in relation to a financial guarantee contract entered into by Steeltrans OOO, a subsidiary of the Company, before its acquisition by the Company in 2013. Steeltrans OOO was a guarantor in two lease agreements entered into by a third party who defaulted in its payments. The default of the lessee in the arrangement and the requirement for Steeltrans OOO to compensate the lessor formed a breach of the warranties entered into in the share purchase agreement for the acquisition of Steeltrans OOO by the Company. As a result the Company was compensated by the amount of RUB 78,400 thousand from the previous shareholder of Steeltrans OOO. In these separate financial statements, the indemnification received was recognised as a reduction to the cost of the investment in Steeltrans OOO. The guarantee was settled in full by Steeltrans OOO as of 31 December 2014 and no loss arose.

Impairment of investment in subsidiary
In view of the continued political and economic uncertainty in Ukraine, as explained in Note 23, management has assessed as to whether its 100% subsidiary in Ukraine, namely Ukrainian New Forwarding Company ("UNFC"), has suffered any impairment. As a result of the impairment assessment performed by management, the entire carrying amount of the investment in UNFC was impaired in full, in the amount of RUB 48,479 thousand. The recoverable amount of this investment was has been determined based on value-in-use calculations. These calculations require the use of estimates. In view of the significant indebtedness of UNFC as of 31 December 2014, including its debt towards the Company, management has assessed that it will not be able to recover any amounts from this investment and has impaired the carrying amount of the investment in full.

The following amounts are included in the statement of cash flows in relation to acquisitions of subsidiaries:

	2014 RUB'000	2013 RUB'000
Acquisition of OOO Ferrotrans	**5,000**	5,943,939
Acquisition of OOO Steeltrans	**-**	7,277,867
Acquisition of Ural Wagonrepair Company, ZAO	**2,430**	–
Contribution to the share capital of SyntezRail Ltd	**97**	–
Total cash outflow for the acquisition of subsidiaries	**7,527**	13,221,806

15. Financial instruments by category
The accounting policies for financial instruments have been applied in the line items below:

31 December 2013	Loans and receivables RUB'000	Total RUB'000
Financial assets as per balance sheet		
Loans and other receivables [33]	1,066,002	**1,066,002**
Cash and cash equivalents	15,964	**15,964**
Total assets	1,081,966	**1,081,966**

	Financial liabilities measured at amortised cost RUB'000	Other financial liabilities RUB'000	Total RUB'000
Financial liabilities as per balance sheet			
Payables and accrued expenses	166,218	–	**166,218**
Borrowings	4,345,438		**4,345,438**
Financial guarantees [34]	–	41,358	**41,358**
Total liabilities	4,511,656	41,358	**4,553,014**

31 December 2014	Loans and receivables RUB'000	Total RUB'000
Financial assets as per balance sheet		
Loans and other receivables [33]	32,833	**32,833**
Cash and cash equivalents	173,078	**173,078**
Total assets	205,911	**205,911**

	Financial liabilities measured at amortised cost RUB'000	Other financial liabilities RUB'000	Total RUB'000
Financial liabilities as per balance sheet			
Payables and accrued expenses	11,849	–	**11,849**
Borrowings	3,435,019		**3,435,019**
Financial guarantees [34]	–	13,786	**13,786**
Total liabilities	3,446,868	13,786	**3,460,654**

33 Loans and other receivables do not include taxes and prepayments.
34 Financial guarantees are carried at the higher of: (a) the amount initially recognised less cumulative amortisation; and (b) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

16. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rating if available or to historical information about counterparty default rates:

	2014 RUB'000	2013 RUB'000
Counterparties without external credit rating		
Group 1	**27,207**	–
Group 2	**5,626**	5,400
	32,833	5,400

Cash at bank and short-term bank deposits Agency	Rating	2014 RUB'000	2013 RUB'000
Moody's*	A1	**17**	33
Moody's*	Aa3	**-**	3,175
Moody's*	A2	**26**	11,970
Moody's*	Baa1	**170,803**	622
Moody's*	Ba1	**611**	–
Moody's*	Caa3	**1,621**	164
Total cash at bank and short-term bank deposits		**173,078**	15,964

* International rating agency Moody's Investors Service.

Group 1 – Related party loans and other receivables from related parties with no default in the past.
Group 2 – Other receivables with no default in the past.

17. Loans and other receivables

	2014 RUB'000	2013 RUB'000
Loans to related parties (Note 22)	**2,204,835**	1,238,114
Less: Provision for impairment of loans to related parties	**(2,177,628)**	(177,512)
Loans to related parties – net (Note 22)	**27,207**	1,060,602
Other receivables – third parties	**5,626**	5,400
Prepayments – third parties	**2,976**	1,476
Total loans and other receivables	**35,809**	1,067, 478
Less non-current portion:		
Loans to related parties (Note 22)	**27,207**	888,838
Non-current portion of loans to related parties – net (Note 22)	**27,207**	888,838
Total non-current portion	**27,207**	888,838
Current portion	**8,602**	178,640

The contractual average interest rate on loans receivable from related parties was 10% at 31 December 2014 (31 December 2013: 5.0%). Non-current receivables mature by 31 October 2017. The effective interest rate on loans receivables from related parties was 9.14% (2013: 8.11%).

The fair values of non-current loans are as follows:

	2014 RUB'000	2013 RUB'000
Financial assets		
Loans to related parties	**18,961**	882,936
Total financial assets	**18,961**	882,936

The fair value of current loans receivable equals their carrying amount as the impact of discounting is not significant.

The fair values of loans from related parties are based on cash flows discounted using a rate of 21.31% based on six month MOSPRIME + 2.99% p.a. (2013: 9.7% p.a.) and are within level 3 (2013: level 2) of the fair value hierarchy.

The table below summarises the analysis of loans and other receivables under contractual terms of settlement at the balance sheet date for the year ended 31 December 2014 and 31 December 2013:

	Fully performing RUB'000	Past due RUB'000	Impaired RUB'000	Impairment provision RUB'000	Total RUB'000
As of 31 December 2014					
Loans receivable	27,207	–	2,177,628	(2,177,628)	**27,207**
Other receivables	5,626	–	–	–	**5,626**
	32,833	–	2,177,628	(2,177,628)	**32,833**
As of 31 December 2013					
Loans receivable	–	–	1,238,114	(177,512)	**1,060,602**
Other receivables	5,400	–	–	–	**5,400**
	5,400	–	1,238,114	(177,512)	**1,066,002**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Company does not hold any collateral as security for any receivables.

Movements on the Company's provision for impairment of loans and other receivables are as follows:

	2014			2013		
	Loans receivable RUB'000	Other receivables RUB'000	Total RUB'000	Loans receivable RUB'000	Other receivables RUB'000	Total RUB'000
At 1 January	**177,512**	**-**	**177,512**	–	–	–
Provision for receivables impairment (Note 7)	**1,871,439**	**-**	**1,871,439**	177,512	–	177,512
Foreign exchange difference	**130,476**	**-**	**130,476**	–	–	–
Write-off	**(1,799)**	**-**	**(1,799)**	–	–	–
At 31 December	**2,177,628**	**-**	**2,177,628**	177,512	–	177,512

The creation and release of provision for impaired receivables have been included in "selling and marketing costs" in the income statement (Note 7). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Impaired loans include loans to Ukrainian New Forwarding Company OOO and Amalfico Holdings Limited with a total gross carrying amount of RUB 2,177,628 thousand as of 31 December 2014. The impairment on the UNFC loan arose as a result of the difficult economic situation in Ukraine (refer to Note 4). As of 31 December 2013, the Company had recognised an impairment loss of RUB 177,512 thousand in relation to the loan receivable from UNFC.

The loan to Amalfico with a carrying amount of RUB 1,799 thousand was impaired and was written down in full following the decision to liquidate Amalfico.

The carrying amounts of the Company's loans and other receivables are denominated in the following currencies:

	2014 RUB'000	2013 RUB'000
US Dollars	**6,937**	1,066,038
Russian Roubles	**28,361**	327
Euro	**511**	1,113
Total loans and other receivables	**35,809**	1,067,478

18. Cash and cash equivalents

	2014 RUB'000	2013 RUB'000
Cash at bank	**173,078**	15,964
Total cash and cash equivalents	**173,078**	15,964

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2014 RUB'000	2013 RUB'000
Cash and cash equivalents	**173,078**	15,964
Bank overdrafts (Note 20)	**(1,210)**	–
	171,868	15,964

Cash and cash equivalents are denominated in the following currencies:

	2014 RUB'000	2013 RUB'000
US Dollars	**171,713**	14,884
Russian Roubles	**590**	916
Euro	**775**	164
Total cash and cash equivalents	**173,078**	15,964

19. Share capital and share premium

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2013/31 December 2013/ 1 January 2014/31 December 2014	178,740,916	17,875	949,471	967,346

	Number of shares	Share capital RUB'000	Share premium RUB'000	Total RUB'000
At 1 January 2013/31 December 2013/31 December 2014	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2014 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2013: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

20. Borrowings

	2014 RUB'000	2013 RUB'000
Current		
Bank overdrafts	**1,210**	–
Loans from related parties (Note 22)	**69,733**	16,320
Total current borrowings	**70,943**	16,320
Non-current		
Loans from related parties (Note 22)	**3,364,076**	4,329,118
Total non-current borrowings	**3,364,076**	4,329,118
Total borrowings	**3,435,019**	4,345,438
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 2 and 5 years	**3,364,076**	4,329,118
	3,364,076	4,329,118

On 26 May 2014, the Company has renegotiated the terms of its borrowings from Steeltrans OOO and GTI Management OOO, with principal value of RUB 3,183,596 thousand. The change in the terms resulted in the loans bearing fixed interest rates in the range of 9.5% to 10.35% when they previously were at floating rates of Mosprime + 3.3%. The change in the terms was considered substantial and as a result was accounted for as an extinguishment of the existing financial liabilities and recognition of new ones. As a result, the Company has recognised a gain on derecognition of financial liabilities of RUB 47,099 thousand. This gain has been recognised in finance costs in accordance with the Company's accounting policy and in accordance with IAS 39 (Note 9).

During the year 2013 the Company also obtained a bank loan of RUB 5,725,000 to finance the acquisition of Steeltrans, OOO. The loan bore interest at 10.5% and was repayable by 21 January 2016. The loan was early repaid during the year ended 31 December 2013 and the Company incurred an early repayment fee of RUB 50,707 thousand in this respect (Note 9).

As at 31 December 2013 Rouble-denominated loans advanced from related parties bore interest at MosPrime + 3.3% p.a. MosPrime (Moscow Prime Offered Rate is the National Foreign Exchange Association fixing of reference rate based on the offered rates of Russian Rouble deposits) and US Dollar-denominated loans advanced from related parties bore interest at 4% p.a.

As at 31 December 2014 Rouble-denominated loans advanced from related parties bear fixed average interest at 10.21% p.a. and US Dollar-denominated loans advanced from related parties bear interest at 4% p.a.

The exposure of the Company's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	2014 RUB'000	2013 RUB'000
6 months or less	**1,210**	3,197,782
6 to 12 months	**69,733**	–
1 to 5 years	**3,364,076**	1,147,656
	3,435,019	4,345,438

All of the loans are unsecured.

The weighted average effective interest rates at the balance sheet were as follows:

	2014 %	2013 %
Loans from related parties	**10.62**	8.46

The carrying amount and fair value of current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	2014 RUB'000	2013 RUB'000	2014 RUB'000	2013 RUB'000
Bank borrowings	**1,210**	–	**1,210**	–
Loans from related parties	**3,433,809**	4,345,438	**2,243,763**	4,345,438
	3,435,019	4,345,438	**2,244,973**	4,345,438

The fair value of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2013, the fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of borrowings at floating rates were estimated to approximate their carrying amount as of 31 December 2013.

As at 31 December 2014 the estimated fair value of fixed interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The discount rates used for US Dollar-denominated borrowings were 3.95%. The fair value measurement of borrowings for disclosure purpose are within level 3 fair value hierarchy.

In the absence of similar Russian Rouble-denominated instruments entered into by the Company with non-related parties close to the year end, due to the adverse fluctuation of interest rates, the estimated fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted at an estimated rate of Mosprime plus a margin. Such rate was management's best estimate of the interest rate it would achieve had it entered into a similar instrument as at the year end.

The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The discount rates used for Russian Rouble-denominated borrowings ranged from 26.48% p.a. to 27.26% p.a. (2013: 7.8% p.a. to 10.3% p.a.) depending on the maturity term of the liability. In the absence of observable interest rates, the fair value measurement of borrowings for disclosure purpose are within level 3 fair value hierarchy (2013: level 2 fair value hierarchy).

The carrying amounts of the borrowings are denominated in the following currencies:

	2014 RUB'000	2013 RUB'000
US Dollars	**780,125**	1,147,656
Russian Roubles	**2,653,684**	3,197,782
Euro	**1,210**	–
Total borrowings	**3,435,019**	4,345,438

21. Payables and accrued expenses

	2014 RUB'000	2013 RUB'000
Current		
Provision for issued guarantees (Note 22)	**13,786**	41,358
Payables to related party (Note 22)	**102**	150,964
Other payables to third parties	**524**	2,090
VAT payable	**-**	1,008
Accrued expenses	**11,223**	13,164
Total current trade and other payables	**25,635**	208,584

The fair value of payables which are due within one year approximates their carrying amount at the balance sheet date.

22. Related party transactions

Marigold Investments, Onyx Investments and Maple Valley Investments, are Company's shareholders with a direct shareholding as at 31 December 2013 and as at 31 December 2014 of 11.5% each.

As at 31 December 2013, Envesta Investment Limited and in affiliates held 10.8% and in early 2014 it distributed its shares in the Company to Litten Investments Limited and Goldriver Resources Limited. Litten Investments Limited and Goldriver Resources Limited, both controlled by members of Key Management of the Company have a direct shareholding in the Company of 6.3% and 4.5% respectively, as at 31 December 2014.

54.5% of the shares represent the free market-float and are held by external investors through the Global Depositary Receipts. The remaining 0.2% of the shares of the Company are controlled by Directors and management of the Company.

Until March 2013, Transportation Investments Holding Limited ("TIHL") held 34.5% of the Company's shares which were then disposed to Marigold Investments, Onyx Investments and Maple Valley Investments.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The following transactions were carried out with related parties:

(a) Loans to related parties

	2014 RUB'000	2013 RUB'000
Loans to subsidiaries:		
At beginning of year	**1,060,602**	1,392,351
Loan advances	**28,050**	341,461
Interest charged (Note 5)	**62,870**	67,742
Loan repaid during the year	**(28,215)**	(456,550)
Interest repaid during the year	**(111)**	(198,377)
Impairment charge (Note 7)	**(1,871,439)**	(177,512)
Net foreign exchange	**775,450**	91,487
At end of year	**27,207**	1,060,602
Consists of:		
Non-current portion	**27, 207**	888,838
Current portion	**-**	171,764
At end of year	**27,207**	1,060,602
Loans to related parties – gross amount	**2,204,835**	1,238,114
Less: Provision for impairment of loans to related parties	**(2,177,628)**	(177,512)
Loans to related parties – net	**27,207**	1,060,602

The balances at the year end carry a contractual rate of 10.0% (2013: 5.0%) per annum and are payable by October 2017 (31 December 2013: December 2018). During 2013 the coupon interest rate of 8.0% was contractually reduced to 5.0%.

(b) Loans from related parties

	2014 RUB'000	2013 RUB'000
Loans from subsidiaries:		
At beginning of year	**4,345,438**	–
Loan advances	**-**	4,364,684
Interest charged (Note 9)	**397,533**	230,836
Interest repaid during the year	**(323,171)**	(214,594)
Loan repaid during the year	**(1,490,224)**	(18,224)
Fair value gain from extinguishment of financial liabilities (Note 9)	**(47,099)**	–
Net foreign exchange difference	**551,332**	(17,264)
At end of year	**3,433,809**	4,345,438
Consists of:		
Non-current portion	**3,364,076**	4,329,118
Current portion	**69,733**	16,320
At end of year	**3,433,809**	4,345,438

As at 31 December 2014 loans from subsidiaries carry a weighted average interest rate of 8.84% (31 December 2013 8.46%) and are payable by December 2018.

During the year, Rouble-denominated loans of RUB 3,183,596 thousand were renegotiated and their interest rate, previously at Mosprime + 3.3% was fixed at 9.4% to 10.35%.

(c) Dividend income from related parties

	2014 RUB'000	2013 RUB'000
Dividend income from related parties:		
Subsidiaries	**6,250,262**	10,998,249
Total	**6,250,262**	10,998,249

(d) Year end balances with related parties

	2014 RUB'000	2013 RUB'000
Payables to related parties:		
Subsidiary	**-**	148,964
Directors	**102**	2,000
Total payables to related parties (Note 21)	**102**	150,964
Payables to related parties:		
Current	**102**	150,964
Total payables to related parties (Note 21)	**102**	150,964

Payables to subsidiary in 2013 represents the deferred consideration payable by the Company to OJSC New Forwarding Company for the acquisition of LLC Ferrotrans completed in November 2012. The outstanding amount is denominated in Russian Roubles, bears an interest rate of 5.5% as at 31 December 2013 and was payable by 31 May 2013. Its repayment was extended to 31 May 2014 during the year. A gain of RUB 67,977 thousand was recognised in this respect during 2013. In April 2014 the payable to OJSC New Forwarding Company was settled in full.

(e) Interest income, finance income and finance costs

	2014 RUB'000	2013 RUB'000
Interest income:		
Subsidiaries	**62,870**	67,742
Total interest income	**62,870**	67,742
Other interest expense:		
Subsidiaries – deferred consideration for the acquisition of subsidiary	**(6,439)**	(392,951)
Subsidiaries – borrowings	**(397,533)**	(230,836)
Total interest expense	**(403,972)**	(623,787)
Gain on remeasurement of financial liability		
Subsidiaries	**-**	67,977
Fair value gain from extinguishment of financial liabilities		
Subsidiaries	**47,099**	–

Interest expense to subsidiary includes the interest accrued on deferred consideration payable to OJSC New Forwarding Company for the acquisition of OOO Ferrotrans and consists of RUB 6,439 thousand (2013: RUB 392,951 thousand) of interest accrued on the outstanding amount in accordance with the terms of the agreement at the rate of 5.5%.

In May 2013, the Company had extended the settlement terms for the deferred consideration payable to New Forwarding Company. This resulted in the gain for the year 2013 on remeasurement of such financial liability of RUB 67,977 thousand (Note 9). In 2014 the balance was settled in full.

(f) Purchases of services

	2014 RUB'000	2013 RUB'000
Purchases of services from related parties:		
Companies under control of TIHL	**-**	222
Total	**-**	222

(g) Directors' remuneration

	2014 RUB'000	2013 RUB'000
Directors' fees	**14,263**	10,105
Emoluments in their Executive capacity	**-**	4,563
Total Directors' remuneration	**14,263**	14,668

Key Management compensation comprises solely Directors' remuneration as stated above.

(h) Guarantees in favour of subsidiaries

Guarantees are irrevocable assurances that the Company will make payments in the event that another party cannot meet its obligations. The Group has guaranteed the following obligations:

	2014 RUB'000	2013 RUB'000
Subsidiaries [35]	**24,105,093**	30,629,491
Total guaranteed obligations	**24,105,093**	30,629,491

35 Represents the maximum amount of obligation under each contract, being the contractual undiscounted cash flows under the loan agreements as at 31 December 2014 and 2013.

During the years ended 31 December 2014 and 31 December 2013 the Company has acted as the guarantor for the obligation of its subsidiary for the unsecured non-convertible bonds issues and loan agreements with financial institutions and third parties. The fair values of such guarantees are amortised through the income statement (2014: RUB 27,572 thousand; 2013: RUB 27,572 thousand). As at 31 December 2014 the unamortised balance of the guarantees is RUB 13,786 thousand (2013: RUB 41,358 thousand) and is included in other payables.

(i) Impairment losses

	2014 RUB'000	2013 RUB'000
Impairment loss of loans to subsidiaries (Notes 7 and 17)	**(1,871,438)**	(177,512)
Provision for impairment of investments in subsidiaries (Note 14)	**(48,479)**	–

23. Contingencies

Operating environment of the Company

The Company's subsidiaries operate in the Russian Federation, Estonia and Ukraine.

Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

> The CBRF exchange rate fluctuated between RUB 32.7292 and RUB 56.2584 per USD; between RUB 44.9699 and RUB 68.3427 per Euro; between RUB 3.9720 and RUB 3.5564 per Ukrainian Hryvnia;
> The CBRF key refinancing interest rate increased from 5.5% p.a. To 17.0% p.a. including an increase from 12.0% p.a. to 17.0% p.a. on 16 December 2014;
> The RTS stock exchange index ranged between 1,445 and 791;
> Access to international financial markets to raise funding was limited for certain entities; and
> Capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

> The CBRF exchange rate fluctuated between RUB 56.2584 per USD and RUB 69.6640 per USD;
> Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. In February 2015 Moody's Investors Service downgraded Russia's rating to Ba1 from Baa3. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
> The RTS stock exchange index ranged between 791 and 862;
> Bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates; and
> The CBRF key refinancing interest rate decreased from 17.0% p.a. to 14% p.a.

These events may have a further significant impact on the Company and Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Estonia

Estonia represents a well-developed market economy with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine

Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The National Bank of Ukraine ("NBU"), among other measures, imposed certain restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

The recent political situation has been volatile, with changes in the Ukrainian Parliament and the Presidency. In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation.

The political and economic situation has deteriorated particularly in Eastern Ukraine with increasing levels of armed conflict and military activity, particularly in the Donetsk and Lugansk regions. The Group has no business in Crimea/Donetsk/Lugansk regions.

As at 26 March 2015, the official NBU exchange rate of Hryvnia against US Dollar was UAH 23.50 per USD 1, compared to 15.77 per USD 1 as at 31 December 2014. In 2014, real GDP fell by 6.8% compared to 2013. Industrial production in 2014 increased by 6% compared to 2013.

The final resolution of the political and economic crisis in Ukraine and the final effects are difficult to predict but it may have further severe effects on the Ukrainian economy and the Group's business.

Indemnification received in relation to financial guarantee

During the year 2014 the Company received an indemnification of RUB 78,400 thousand in relation to a financial guarantee contract entered into by Steeltrans OOO, a subsidiary of the Company, before its acquisition by the Company in 2013. Steeltrans OOO was a guarantor in two lease agreements entered into by a third party who defaulted in its payments. The default of the lessee in the arrangement and the requirement for Steeltrans OOO to compensate the lessor formed a breach of the warranties entered into in the share purchase agreement for the acquisition of Steeltrans OOO by the Company. As a result the Company was compensated by the amount of RUB 78,400 thousand from the previous shareholder of Steeltrans OOO. The guarantee was settled in full as of 31 December 2014 and no loss arose for the Company.

24. Events after the balance sheet date

There were no other material events after the balance sheet date that which have a bearing on the understanding of these financial statements.

Independent Auditor's Report on pages 140 and 141.

Definitions

Terms that require definitions are marked with capital letters in this Annual Report and their definitions are provided here in alphabetical order:

Adjusted EBITDA (a non-GAAP financial measure) represents EBITDA excluding "Net foreign exchange transaction (gains)/losses on borrowings and other liabilities", "Net foreign exchange transaction (gains)/gains on cash and cash equivalents and other monetary assets", "Share of profit/(loss) of associates", "Other gains – net" and "(Gain)/loss on sale of property, plant and equipment".

Adjusted EBITDA Margin (a non-GAAP financial measure) is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Adjusted Revenue (a non-GAAP financial measure) is calculated as "Total Revenue" less the following "pass through" items "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations".

Average Distance of Loaded Trip is calculated as the sum of the distances of all loaded trips for a period divided by the number of loaded trips for the same period.

Average Number of Loaded Trips per Railcar is calculated as total number of loaded trips in the relevant period divided by Average Rolling Stock Operated.

Average Price per Trip is calculated as Net Revenue from Operation of Rolling Stock divided by total number of loaded trips during the relevant period in the respective currency.

Average Rolling Stock Operated is calculated as the average weighted (by days) number of rolling stock available for operator services (not including rolling stock in maintenance, purchased rolling stock in transition to its first place of commercial utilisation, rolling stock leased out or Engaged Fleet).

EBITDA (a non-GAAP financial measure) represents "Profit for the year" before "Income tax expense", "Finance costs - net" (excluding "Net foreign exchange transaction (gains)/losses on borrowings and other liabilities" and "Net foreign exchange transaction (gains)/losses on cash and cash equivalents and other monetary assets"), "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Impairment of property, plant and equipment" and "Impairment of intangible assets".

Engaged Fleet is defined as rolling stock subcontracted or otherwise engaged from a third-party rail operator for a loaded trip from the point of origination to the cargo's destination, at which point the railcar is then released to such third party.

Empty Run or Empty Runs means movement of railcars without cargo for the whole or a substantial part of the journey.

Empty Run Costs (a non-GAAP financial measure meaning costs payable to RZD for forwarding empty railcars) is derived from management accounts and presented as part of the "Infrastructure and locomotive tariffs: empty run trips and other tariffs" component of "Cost of sales" reported under EU IFRS. Empty Run Costs do not include costs of relocation of rolling stock to and from maintenance, purchased rolling stock in transition to its first place of commercial utilisation, rolling stock leased in or leased out and Engaged Fleet.

Empty Run Ratio is calculated as the total of empty trips in kilometres by respective rolling stock type divided by total loaded trips in kilometres of such rolling stock type. Empty trips are only applicable to rolling stock operated (not including rolling stock in maintenance, purchased rolling stock in transition to its first place of commercial utilisation, rolling stock leased out or Engaged Fleet).

Free Cash Flow (a non-GAAP financial measure) is calculated as "Net cash from operating activities" (after "Changes in working capital" and "Tax paid") less "Purchases of property, plant and equipment" (which includes maintenance CAPEX) and "Interest paid".

Freight Rail Turnover is a measure of freight carriage activity over a particular period calculated as the sum of tonnage of each loaded trip multiplied by the distance of each loaded trip, expressed in tonnes-km. It includes volumes transported by the Engaged Fleet, unless otherwise stated.

Functional Currency is defined as the currency of the primary economic environment in which the entity operates. The functional currency of the Company, its Cyprus and Russian subsidiaries is the Russian Rouble. The Estonian and Finnish subsidiaries have the Euro as their functional currency. The Ukrainian subsidiary of the Company has the Ukrainian Hryvnia as its functional currency.

Infrastructure and Locomotive Tariffs – Other Tariffs (a non-GAAP financial measure) is presented as part of the "Infrastructure and locomotive tariffs: empty run trips and other tariffs" component of "Cost of sales" reported under EU IFRS. This cost item includes the costs of relocation of rolling stock to and from maintenance, transition of purchased rolling stock to its first place of commercial utilisation, and relocation of rolling stock in and from lease operations as well as other expenses.

Leased-in Fleet is defined as rolling stock fleet leased-in under operating leases, including both railcars and locomotives.

Leased-out Fleet is defined as rolling stock fleet leased out to third parties under operating leases.

Market Share is calculated using the Group's own information as the numerator and information published by Rosstat as the denominator. The Group's Market Share is calculated as a percentage of the overall Russian freight rail transportation volume and includes volumes transported by Engaged Fleet.

Net Debt (a non-GAAP financial measure) is defined as the sum of total borrowings (including interest accrued) less "Cash and cash equivalents".

Net Revenue from Engaged Fleet (a non-GAAP financial measure) represents the net sum of the price charged for transportation to clients by the Group utilising Engaged Fleet less the loaded railway tariff charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips") less the cost of attracting fleet from third-party operators (included in the EU IFRS line item "Services provided by other transportation organisations").

Net Revenue from Operation of Rolling Stock (a non-GAAP financial measure) is defined as the sum of "Revenue from railway transportation – operators services (tariff borne by the Group)" and "Revenue from railway transportation – operators services (tariff borne by the client)" less "Infrastructure and locomotive tariffs: loaded trips", "Services provided by other transportation organisation" and Net Revenue from Engaged Fleet.

Net Working Capital (a non-GAAP financial measure) is calculated as the sum of the current portions of "Inventories", "Current income tax assets", "Trade receivables – net", "Prepayments – third parties", "Prepayments – related parties", "Other receivables – net" and "VAT recoverable", less the sum of the current portions of "Trade payables to third parties", "Trade payables to related parties", "Advances from customers for transportation services", "Advances from related parties for sale of wagons", "Accrued expenses", "Other payables to third parties", "Other payables to related parties" and "Current tax liabilities".

Total Operating Cash Costs (a non-GAAP financial measure) represent operating cost items payable in cash and calculated as "Total cost of sales, selling and marketing costs and administrative expenses" less the "pass through" items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations" and non-cash items: "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Impairment charge for receivables", "Impairment of property, plant and equipment" and "(Gain)/loss on sale of property, plant and equipment".

Total Operating Non-Cash Costs (a non-GAAP financial measure) include cost items such as "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Impairment charge for receivables", "Impairment of property, plant and equipment" and "(Gain)/loss on sale of property, plant and equipment".

Other Operating Cash Costs (a non-GAAP financial measure) include cost items such as "Operating lease rentals – office", "Auditors' remuneration", "Advertising and promotion", "Communication costs", "Information services", "Taxes (other than income tax and value added taxes)" and "Other expenses".

Owned Fleet is defined as the rolling stock fleet owned and leased in under finance lease as at the end of the reporting period. It includes railcars and locomotives unless otherwise stated and excludes Engaged Fleet.

Share of Empty Run Kilometres Paid by Globaltrans is defined as the percentage of empty run kilometres paid by Globaltrans divided by the total amount of empty run kilometres incurred by the fleet operated by Globaltrans (not including relocation of rolling stock to and from maintenance, purchased rolling stock in transition to its first place of commercial utilisation and rolling stock leased out or Engaged Fleet) in the relevant period.

Total Empty Run Ratio is calculated as total kilometres travelled empty divided by the total kilometres travelled loaded by the fleet operated by Globaltrans (not including the relocation of rolling stock to and from maintenance, purchased rolling stock in transition to its first place of commercial utilisation, or rolling stock leased out or Engaged Fleet) in the relevant period.

Total Fleet is defined as the total rolling stock owned and leased in under finance and operating leases as at the end of period. It includes railcars and locomotives unless otherwise stated and excludes Engaged Fleet.

Transportation Volume is a measure of freight carriage activity over a particular period measuring weight of cargo carried in million tonnes. It includes volumes transported by Engaged Fleet, unless otherwise stated.

Presentation of Financial and Other Information

Financial information

All financial information presented in this Annual Report is derived from the consolidated financial statements of Globaltrans Investment PLC (the "Company" or, together with its subsidiaries, "Globaltrans" or the "Group") and prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113 ("EU IFRS"). The Group's consolidated financial statements for the year ended 31 December 2014 are included in the Financial Statements section of this Annual Report. Financial statements for prior years can be found on Globaltrans' corporate website (www.globaltrans.com). The Parent Company financial statements for the year ended 31 December 2014 are included in the Financial Statements section of this Annual Report. Certain financial information which is derived from the management accounts is marked in this Annual Report with an asterisk (*).

The presentation currency of the Group's consolidated financial statements was changed from US Dollars to Russian Roubles effective from the results for the year ending 31 December 2014. The Company believes that the presentation of financial results in Russian Roubles, which is the functional currency of the Company as well as its Cypriot and Russian subsidiaries, provides greater transparency in the light of recent volatility of the RUB exchange rate and provides shareholders with a more accurate reflection of the Group's underlying performance. In accordance with relevant accounting standards, comparative financial information for the year ended 31 December 2013 is provided in Russian Roubles.

Non-GAAP Financial information

In this Annual Report the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as "non-GAAP measures"). Management believes that these non-GAAP measures provide valuable information to readers because they enable the reader to focus more directly on the underlying day-to-day performance of the Group's business and are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the freight rail transportation sector.

The following non-GAAP measures have been used in this Annual Report as supplemental measures of the Group's operating performance: Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Revenue, EBITDA, Empty Run Costs, Free Cash Flow, Infrastructure and Locomotive Tariffs – Other Tariffs, Net Debt, Net Debt to Adjusted EBITDA ratio, Net Revenue from Engaged Fleet, Net Revenue from Operation of Rolling Stock, Net Working Capital, Total Operating Cash Costs, Total Operating Non-Cash Costs, Other Operating Cash Costs. All non-GAAP financial information is calculated on the basis of EU IFRS financial statements and/or management accounts. Non-GAAP financial information requiring additional explanation or definitions is marked with capital letters and the definitions and explanations are provided on pages 179 and 180 of this Annual Report.

Other companies in the freight rail transportation sector may calculate the above non-GAAP measures differently or may use each of them for different purposes than the Group, limiting their usefulness as comparative measures.

Operational and market information

Globaltrans reports certain operational information to illustrate the changes in the Group's operational and financial performance during the reporting periods. This operational information is derived from management accounts. The Group's selected operational information for the year ended 31 December 2014 is provided on pages 24 to 27 of this Annual Report. Selected operational information for prior years can be found on Globaltrans' corporate website (www.globaltrans.com). Terms referring to such operational information are marked with initial capital letters with definitions or explanations provided on pages 179 and 180 of this Annual Report. Market Share data has been calculated using the Group's own information as the numerator and information published by the Federal State Statistics Service of the Russian Federation ("Rosstat") as the denominator. The Group's Market Share is calculated as a percentage of the overall Russian freight rail transportation volume or as a percentage of overall Russian freight rail transportation volume transported by Engaged Fleet unless otherwise stated. The Group has obtained certain statistical, market and pricing information that is presented in this Annual Report on such topics as the Russian freight rail transportation market, the Russian economy in general and related subjects from the following third-party sources: Rosstat, OJSC Russian Railways ("RZD"), Ministry of Economic Development of Russian Federation and Federal Tariff Service of Russian Federation ("FST"). The Group has accurately reproduced such information and, as far as it is aware and is able to ascertain from information published by such third-party sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Group has not independently verified this third-party information. In addition, the official data published by Russian governmental agencies is substantially less complete or researched than that of more developed countries.

All non-GAAP financial and operational information presented in this Annual Report should be used only as an analytical tool and investors should not consider such information, in isolation or in any combination, as a substitute for analysis of the Group's consolidated financial statements reported under EU IFRS and included in the Financial Statements section of this Annual Report.

Cautionary note

This Annual Report including its appendices may contain forward-looking statements regarding future events or the future financial performance of the Group. You can identify forward-looking statements by terms such as expect, believe, estimate, anticipate, intend, will, could, may, or might, the negative of such terms or other similar expressions. These forward-looking statements include matters that are not historical facts and statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Group operates.

By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future.

The Group cautions you that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Group operates may differ materially from those described in or suggested by the forward-looking statements contained in this Annual Report.

In addition, even if the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in these materials, those results or developments may not be indicative of results or developments in future periods. The Group 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 forward-looking statements of the Group, including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, market change in the Russian freight rail market, as well as many other risks specifically related to the Group and its operations.

This Annual Report has been prepared to assist shareholders to assess the Group's financial condition, results of operations, business, strategies and prospects and for no other purpose. The Group, its Directors, employees, agents and advisers do not accept or assume responsibility for any other purpose or to any other person to whom this Annual Report is shown or into whose access it may come and any such responsibility or liability is expressly disclaimed.

Shareholder Structure

The issued share capital of Globaltrans consists of 178,740,916 ordinary shares with a nominal value of US$0.10 each. Global Depositary Receipts ("GDRs") of Globaltrans representing one ordinary share each are listed and traded on the Main Market of the London Stock Exchange under the ticker GLTR. The free-float of Globaltrans amounts to approximately 54.5% of the issued share capital. The Bank of New York Mellon is the depositary bank for the GDR programme of Globaltrans.

Shareholder structure as of the end of 2014

Maple Valley Investments [1]	11.5%
Onyx Investments [1]	11.5%
Marigold Investments [1]	11.5%
Litten Investments [2]	6.3%
Goldriver Resources [3]	4.5%
Other entities controlled by Directors and management of Globaltrans	0.2%
Free-float	54.5%

1 Konstantin Nikolaev, Nikita Mishin and Andrey Filatov are beneficiaries with regard to 11.5% of Globaltrans' ordinary share capital each through their respective SPVs (Maple Valley Investments, Onyx Investments and Marigold Investments). These individuals are co-founders of Globaltrans as well as founders and strategic shareholders of Global Ports Investments PLC, Russia's leading container port operator, which is also listed on the London Stock Exchange.
2 Beneficially owned by Alexander Eliseev, Non-Executive Director and co-founder of Globaltrans.
3 Beneficially owned by Sergey Maltsev, Chief Executive Officer, Executive Director and co-founder of Globaltrans.

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