Globaltrans

2022 Annual Report & Accounts

Contents

Summary of presentation of financial and other information

All financial information presented in this Annual Report is derived from the Consolidated Management Report and Consolidated Financial Statements of Globaltrans Investment PLC (the "Company" and, together with its subsidiaries, "Globaltrans" or the "Group") and has 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 ("EU IFRS").

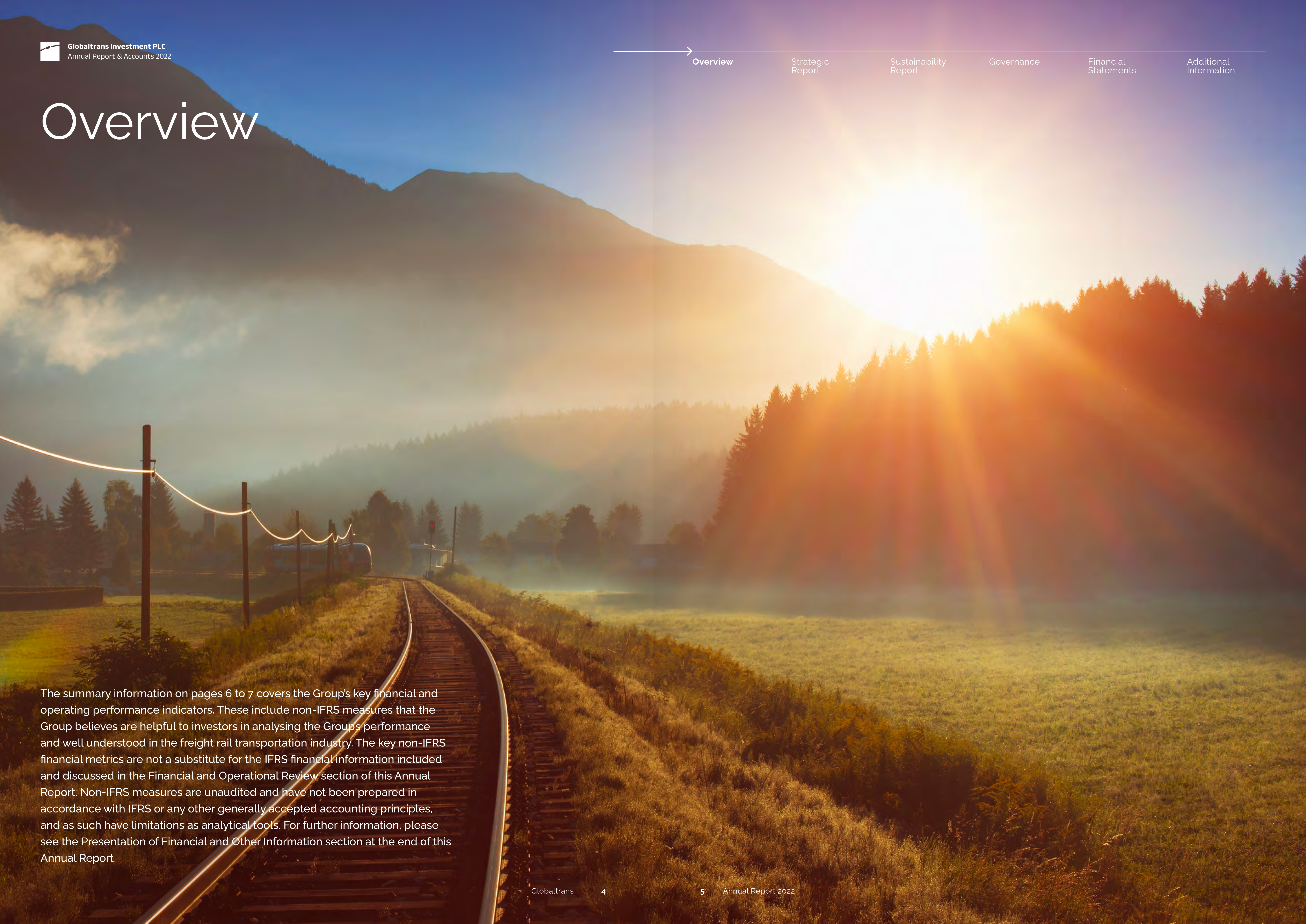
The Group's Consolidated Management Report and Consolidated Financial Statements and the Parent Company Financial Statements for the year ended 31 December 2022 are included in the Financial Statements section of this Annual Report. Financial statements for prior years can be found on Globaltrans' corporate website (www.globaltrans.com). The presentational currency of the Group's financial results is the Russian rouble (RUB), which is the functional currency of the Company as well as of its Russian subsidiaries. Certain financial information derived from management accounts is marked in this Annual Report with an asterisk (*). In this Annual Report, the Group has used certain "non-IFRS financial information" (i.e. measures not recognised by EU IFRS or IFRS) as supplementary explanations of the Group's operating performance. Management believes that these non-IFRS measures provide valuable information to readers, because they enable them to focus more directly on the underlying day-to-day performance of the Group's business. However, these non-IFRS measures are unaudited and have not been prepared in accordance with IFRS or any other generally accepted accounting principles. As such, they have limitations as analytical tools, and you should not consider them in isolation or place undue reliance on them. Similarly titled measures are used by other companies for a variety of purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing these measures as reported by us to the same or similar measures as reported by other companies.

Information (non-IFRS financial and operating measures) requiring additional explanation or defining is marked with initial capital letters and the explanations or definitions are provided at the end of this Annual Report. Reconciliations of the non-IFRS measures to the closest EU IFRS measures are included in the body 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 arithmetical 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 and 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 the Presentation of Financial and Other Information section at the end of this Annual Report.



Overview

The summary information on pages 6 to 7 covers the Group's key financial and operating performance indicators. These include non-IFRS measures that the Group believes are helpful to investors in analysing the Group's performance and well understood in the freight rail transportation industry. The key non-IFRS financial metrics are not a substitute for the IFRS financial information included and discussed in the Financial and Operational Review section of this Annual Report. Non-IFRS measures are unaudited and have not been prepared in accordance with IFRS or any other generally accepted accounting principles, and as such have limitations as analytical tools. For further information, please see the Presentation of Financial and Other Information section at the end of this Annual Report.

Highlights of 2022

In difficult markets we have demonstrated our resilience.

"We have again delivered strong results and improved operational efficiency in 2022 by providing first-class services underpinned by strong logistical expertise and excellent cost control. Against this backdrop, we have invested significantly into the growth of the business, increasing our Total CAPEX adjusted for M&A to over RUB 20 billion.

Our markets remain challenging. Nevertheless, Globaltrans enjoys a leading competitive position in its sector, supported by our outstanding logistics competences, strong service culture as well as a solid client base. Our experienced team continues to pursue a clearly defined strategy which has proven its effectiveness."

Valery Shpakov
Chief Executive Officer

+40%
RUB **81.6** bln
Adjusted Revenue

+69%
RUB **49.2** bln
Adjusted EBITDA

-8%
RUB **14.8** bln
Free Cash Flow

+165%
RUB **20.2** bln*
Total CAPEX adjusted for M&A

(31.12.2021: 0.6x)
0.1x
Net Debt to Adjusted EBITDA

(2021: 44%)
41 %
Empty Run Ratio for gondola cars

Market

Logistics transformation supporting demand for railcars even as market volumes remain under pressure

- Following a robust Q1 2022, overall Russia's freight rail turnover and volumes started to deteriorate, largely reflecting a weakening bulk cargo segment.
- Overall Russia's freight volumes (measured in tonnes) fell 3.7% year on year in 2022. The transformation of logistics with an increased proportion of longer-distance routes supported overall Russian freight rail turnover (measured in tonnes-km), which was broadly flat (-0.1% year on year).

Globaltrans

Strong financial performance, robust Free Cash Flow and further deleveraging with dividends remaining on hold

- Adjusted Revenue increased to RUB 81.6 billion (+40% year on year) in 2022, reflecting the recovery in both the gondola and tank car segments' revenue streams largely supported by a recovery in gondola market pricing in H1 2022 from the depressed levels of H1 2021. However, a subsequent decline in gondola market pricing over the second half of 2022 drove a 9% decrease in Adjusted Revenue in H2 2022 compared to H1 2022.
- Adjusted EBITDA of RUB 49.2 billion in 2022 (+69% year on year), although H2 2022 Adjusted EBITDA declined 18% compared to H1 2022.
- Expansion CAPEX and acquisition expenditure (including selective investments in new gondolas and rail tanks along with the acquisition of the remaining 40% of BaltTransServis[1]) rose six-fold driving the growth in Total CAPEX adjusted for M&A to RUB 20.2 billion* in 2022.
- Robust Free Cash Flow of RUB 14.8 billion in 2022 (-8% year on year).
- Net Debt reduced to RUB 4.6 billion at the end of 2022. Further deleveraging with Net Debt to Adjusted EBITDA at 0.1x compared to 0.6x at the end of 2021.
- Dividend payments continue to be suspended due to the technical limitations regarding upstreaming cash to the holding company incorporated in Cyprus.

Operational efficiency significantly improved, Service Contracts performed well, average pricing was robust

- Globaltrans successfully adjusted its logistics with the Empty Run Ratio for gondola cars improving to 41% (2021: 44%).
- The Group's Freight Rail Turnover declined 8% year on year in 2022, reflecting logistics readjustments and volatility in demand in the gondola segment along with the decline in the average gondola fleet in operation. In the tank segment, Freight Rail Turnover rose 7% year on year, supported primarily by changes in logistics with more longer-distance routes.
- Robust average pricing despite volatile gondola pricing where a strong first half was followed by a decline in the second half of 2022. Rail tank rates remained solid.
- The Group maintained its focus on Service Contracts[2] and client retention. Service Contracts remain intact contributing about 59% of the Group's Net Revenue from Operation of Rolling Stock in 2022.

[1] In March 2022 Globaltrans completed the acquisition of the outstanding 40% shareholding in BaltTransServis ("BTS") bringing its shareholding to 100% for RUB 9.1 billion in cash (RUB 0.3 billion was prepaid in 2021 and RUB 8.8 billion was paid in 2022). BTS is one of the leading Russian freight rail operators of tank cars, with a strong market position, long-term Service Contracts and unique competencies in operating its own locomotives; Total Fleet of 13.1 thousand units as of the end of 2021.

[2] Service Contracts represent contracts with an initial term greater than one-year that stipulate an obligation to transport a specified amount of cargoes with the client. As of the end of 2022, Globaltrans had six Service Contracts.

At a Glance

WHO WE ARE

Robust business model and efficient operations

- Strong positions in key freight rail segments of metals and oil products and oil
- Diversified blue-chip customer portfolio underpinned by long-term service agreements
- Industry-leading operational efficiency

Entrepreneurial culture combined with strong governance

- Founded and led by entrepreneurs with a focus on quality and innovation
- Experienced Board and management team
- Aligned with best practice governance standards
- Sustainable business with a strong environmental, social and governance ("ESG") focus
- Dual-listed on the London Stock Exchange ("LSE")[1] and the Moscow Exchange ("MOEX")

Financial stability and strength

- High proportion of multi-year Service Contracts
- Robust balance sheet
- Strong Free Cash Flow generation
- Significant liquidity available
- Focus on long-term value creation
- Opportunistic investments and prudent capital allocation
- Transparent Dividend Policy

WHAT WE DO

We are leaders in the provision of complex freight rail logistics and transportation services in our target market segments of metals and mining and oil products and oil as well as in other segments.

We have a high-quality customer base, including large blue-chip companies across our key segments. Customers benefit from our state-of-the-art logistics, large and modern fleet, customer-focused approach and constant drive for innovation.

66,115

Total Fleet at year-end 2022 (units)

59%

Share of Net Revenue from Operation of Rolling Stock covered by Service Contracts in 2022

[1] Imposed suspension of Global Depositary Receipts ("GDRs") trading on the LSE since 3 March 2022 continued as of the date of publication.

HOW WE DELIVER VALUE

We consistently deliver value to our clients through our pursuit of operational and service excellence. Our operating platform is fundamental to our success.

Sophisticated logistics

We are experts in managing complex freight logistics that improve our customers' productivity, saving them time and money.

Sector-leading operational efficiency

Our centralised gondola dispatch hub is the nerve centre of our railcar operations. Working around the clock, it keeps our fleet running smoothly, maintains high utilisation levels and low Empty Runs, delivering efficiency which, in turn, drives profitability.

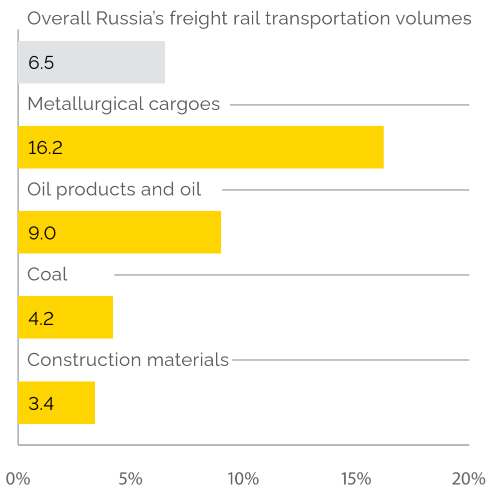
High-quality long-term client base

We are trusted partners for our clients, ranging from major industrial groups to smaller, more specialised companies. We focus on long-term outsourcing partnerships, whereby we manage most of a client's freight rail logistics. Our clients benefit from operational scale, 24-hour services, advanced logistics, and access to one of Russia's largest fleets.

In-house locomotives improve productivity

Our in-house locomotive fleet transports oil products and oil in block trains where all the cargo is bound for a single destination, obviating the need to stop at multiple sorting stations, improving delivery schedules and fleet utilisation.

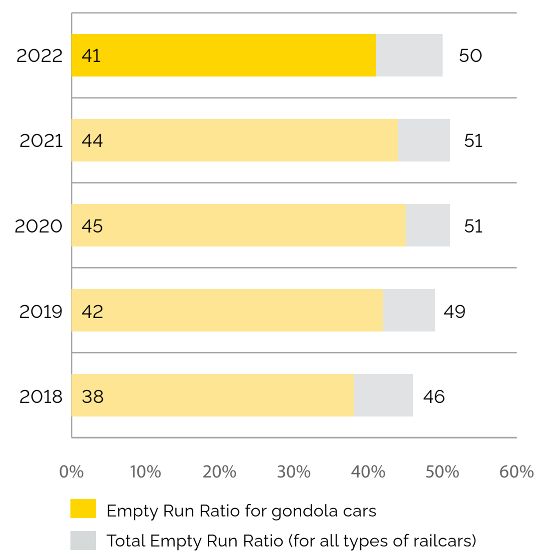
Market Share, 2022, %[2]



[2] Coal including coke; metallurgical cargoes including ferrous metals, scrap metal and ores; construction materials including cement.

Source: Globaltrans

Historical Empty Run Ratio, 2018-22, %



At a Glance

"In 2022, Globaltrans continued to operate efficiently, ethically and responsibly. We acted responsibly towards our employees, our clients and the community at large, and maintained our commitment to a wide range of sustainable practices. In my two years serving on the ESG Committee, I have seen positive progress and a gradual transformation in Globaltrans' corporate culture, employee perceptions, internal procedures and decision-making mechanisms. In addition, we have taken further important steps to advance the governance of our ESG processes at all levels of the Group since this ensures a solid foundation for effective management and accountability."

Elia Nicolaou
Chair of the ESG Committee, Non-executive Director

Read more on the Group's sustainability commitments and actions on pages 68 to 99.

OUR APPROACH TO ESG

Delivering sustainable value through

- Oversight from the Board's ESG Committee
- Clear ESG supervision at the management level
- Transparent reporting of key metrics

Sustainable business practices

- Embedding sustainability in our way of working and business mindset
- Minimising our impact on the environment
- Improving our energy efficiency
- Reducing our carbon emissions

Positive social impact

- Focus on employee development
- Providing support to our communities

Our Assets

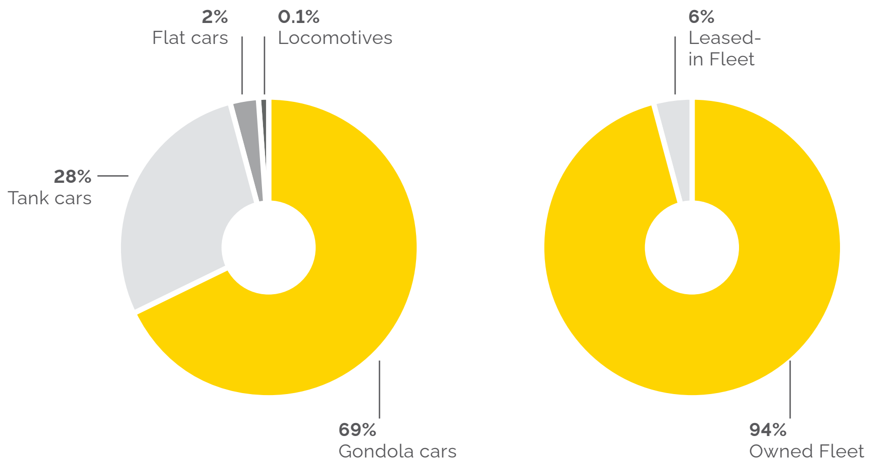
LARGE FLEET

- Operational flexibility maintained by striking appropriate balance between Owned Fleet (94%) and Leased-in Fleet (6%).
- Fleet composition corresponds to the industrial segments served: universal gondola cars for bulk cargoes (69%); tank cars for liquid cargoes (28%); flat cars for other cargoes (2%).
- Current average age of the Group's Owned Fleet is 14.5 years which compares with average useful life for gondola cars of 22 years and for tank cars of 32 years.
- Exceptional fleet maintenance programme maintains the focus on operational and service excellence.

66,115

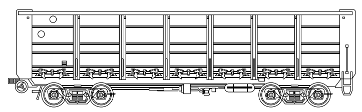
Total Fleet
at year-end 2022 (units)

Total Fleet composition at year-end 2022, %



Source: Globaltrans

69%

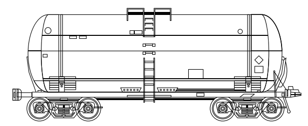


45,711 units

GONDOLA CARS

- Open-top, high-sided universal railcar.
- Backbone of Globaltrans' fleet.
- Designed to carry bulk cargoes like metals, ores, coal, construction materials, etc.
- Able to be rapidly redeployed between different bulk cargoes in response to changing market demand.

28%

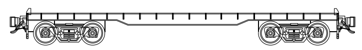


18,796 units

TANK CARS

- Designed to carry liquid cargoes including oil and petroleum products, chemicals, liquefied gas and other liquid substances.
- Principally used by Globaltrans in the transportation of oil products.

2%

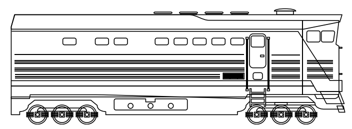


1,537 units

FLAT CARS

- Open, flat deck cars designed to carry intermodal containers.

0.1%



71 units

LOCOMOTIVES

- Globaltrans has its own fleet of mainline locomotives, which haul block trains, principally in the oil products and oil segment.

Our History

>18 years of growth and leadership

Globaltrans was formed in 2004 with the merger of two entrepreneur-led companies and from these roots has grown to become one of the leading freight rail transportation groups in Russia and the CIS[1]. Through strong organic growth and the acquisition of both railcars and other freight rail businesses, we have created a profitable company with market-leading capabilities.

Our commitment to transparency and good corporate governance helped make us the first Russia-focused freight rail group to be listed on an international stock exchange. Since the Initial Public Offering ("IPO") on the LSE in 2008[2], we have had a consistent focus on value creation and growth. Today, we operate a fleet that is almost three times larger than at the time of our IPO. In 2020, we also listed our GDRs on MOEX in order to diversify our investor base.

[1] Commonwealth of Independent States ("CIS").
[2] Imposed suspension of GDRs trading on the LSE since 3 March 2022 continued as of the date of publication.

2004
Established as a merger of two entrepreneur-led companies.

2008
Successful IPO on the LSE.

2009
Secondary Public Offering ("SPO") to fund further business expansion.

2010
Organic expansion of the business — purchases of new rolling stock and the expansion of the Leased-in Fleet.

2012
Acquired Metalloinvesttrans, the captive freight rail operator of Metalloinvest, a leading producer of hot briquetted iron, iron ore products and high-quality steel.

Signed industry's first ever long-term outsourcing contract with Metalloinvest.

2013
Acquired MMK-Trans, the captive freight rail operator of MMK Group, one of the world's largest steel producers.

Signed a long-term outsourcing contract with MMK.

Created a single 24/7 gondola dispatching centre.

2014–2016
The Group's corporate structure simplified to drive efficiency and cut costs.

Formed specialised SyntezRail subsidiary with partners to transport petrochemicals in tank containers.

Extended long-term partnership with Rosneft, a long-standing client of the Group.

2017
The enhanced Dividend Policy introduced linking dividends to Attributable Free Cash Flow and Leverage Ratio.

2018
The Group celebrated its 10th anniversary of its Main Market listing on the LSE.

Two new long-term Service Contracts signed: with TMK, a leading global manufacturer and supplier of steel pipes for the oil and gas industry, and with ChelPipe Group, a leading Russian manufacturer of pipe products and provider of integrated solutions for fuel and energy companies.

2019
A new long-term service contract signed with Gazprom Neft, a long-standing client of the Group.

A new service for the steel industry launched, transporting high-quality rolled steel in specialised containers.

2020
Globaltrans' GDRs began trading on MOEX, and are included in Level One, MOEX's highest quotation list.

2021
Established Board ESG Committee.

60% stake in SyntezRail (a small non-core specialised container operator) sold.

2022
The Group takes full control of its key rail tank and locomotive operating subsidiary BaltTransServis, increasing its stake to 100%.

2023
Intra-group consolidation of rail tank fleet in BaltTransServis, followed by sale of the Group's 65.25% shareholding in its leasing subsidiary Spacecom.

Strategic Report

Each of the Directors confirms that, to the best of his or her knowledge, the Strategic Report presented on pages 16 to 67 of this Annual Report includes a fair review of the development and performance of the business and the position of Globaltrans Investment PLC and its subsidiary 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 V. Tolmachev
Director

Chairman's Statement

Globaltrans reported a year of solid progress in 2022 under challenging circumstances, delivering strong financial results and reassuring operational performance.

The results demonstrate both the resilience of our business model and the quality of our operations.

We delivered robust growth in all key financial metrics with solid cash generation and controlled costs despite inflationary pressures. Due to sustained deleveraging, the Group ended the year in healthy financial shape.

We have extensive experience navigating difficult markets, built mainly around our dynamic business model that responds fast to shifts in market conditions and short-term market volatility. Because of this, we could react effectively to the pronounced turbulence our industry encountered in 2022, which was characterised by volatile logistics, declining freight volumes, and substantial market uncertainty.

Consequently, our top priorities were supporting our customer base, improving fleet efficiency, and controlling costs. The issue of client retention was a particular focus, and the Group's long-term partnerships performed well. Dynamic fleet management is central to our business, and we successfully adjusted our logistics footprint to accommodate market volatility and shifting cargo flows. As a result, we maintained good efficiency levels, improving our Empty Run Ratio for gondola cars despite market conditions.

In 2022, we increased our expansion CAPEX and acquisition expenditure six-fold with selective investments in new gondolas and rail tanks alongside taking full control of BTS, a prominent player in the oil products and oil segment. Additionally, in early 2023, we completed the reorganisation of our rail tank operations as BTS acquired the majority of the rail tanks from our 65.25% held leasing subsidiary Spacecom which was subsequently sold.

The Board

The Board remains committed to the principles and practice of good corporate governance, and I would like to thank my board colleagues for their steadfast support throughout the last year. Given the industry headwinds, the Board's main focus was protecting value for our shareholders.

Several board changes occurred during the past year. In June, Sergey Foliforov joined the Board as a Non-executive Director, replacing Alexander Tarasov, who stepped down. I welcome Sergey and look forward to working with him.

In September, we announced the sad news that Dr Johann Durrer, our Senior Independent Non-executive Director, had passed away. Johann served on our Board with distinction for 14 years, ever since the Company listed on the LSE. I know I speak for the Board when I say he will be greatly missed as a colleague and friend.

Sustainability

Notwithstanding the unprecedented macro environment, the Group made positive progress in implementing our ESG strategy, under the direction of the ESG Committee. Our Sustainability Report, published alongside the Annual Report, contains more details. I would highlight here the work being done to strengthen the safety culture at Globaltrans. In 2022, the Group reached its goal of zero harm, marking another important milestone in our development as a responsible business.

People

Our people are our most important asset and the driving force behind our consistent performance history. They continued to deliver superior service and support to our customers in challenging conditions in 2022. So again, I wish to thank all our employees for their hard work and dedication over the last year.

Listing and Dividend

The Group's GDRs are listed on the Moscow and London stock exchanges. There was good trading volume in the Company's GDRs listed on the Moscow Exchange during the period. However, the London Stock Exchange suspended trading in Globaltrans GDRs in March 2022, and trading remains suspended.

Dividend payments also remain suspended due to technical limitations regarding upstreaming cash to the holding company in Cyprus. The Group continues to analyse options to address the limitations of its corporate structure and listing constraints.

Summary

Globaltrans delivered robust performance in 2022 thanks to its clear strategy, proven business model, and strong management. Although the macroeconomic backdrop remains highly uncertain, the Board is nonetheless confident in the Group's strategy and business model to deliver results.

Sergey V. Maltsev

Chairman of the Board,
Executive Director,
Chief Strategy Officer,
Co-founder and shareholder of Globaltrans

Our Strategy

Our vision is to maintain our position as a leading freight rail group and to be the partner of choice for blue-chip industrial customers by continually developing our business to ensure we meet customers' changing needs.

Our Shared Principles

Value customers: they are at the heart of our business and we work hard to exceed their expectations.

Deliver excellence: we strive for excellence in everything we do.

Prioritise safety: safety is our number one priority and we act safely and responsibly at all times.

Respect people: we respect the rights of all employees and invest in their training and development.

Uphold good governance: we aim to pursue a course that benefits all stakeholders.

Protect our environment: we value our communities and the world around us and treat them with the respect and consideration they deserve.

OUR STRATEGIC PRIORITIES

Deliver excellence and efficiency in operations

Deliver value through sustainable business practices

Focus on opportunistic investments and pursue prudent capital allocation

Promote a strong entrepreneurial and governance culture

STRATEGY

Our strategy is to offer our industrial customers reliable and innovative transportation solutions aimed at ensuring the cost-effective and timely management of their cargoes. We invest opportunistically to grow our business, subject to strict returns criteria, and maintain a prudent balance sheet. Together these elements underpin our ability to create lasting value for our shareholders, employees and other stakeholders.

Our entrepreneurial spirit, disciplined approach, and focus on efficiency and innovation are at the heart of this strategy. These, alongside our large fleet and advanced logistics platform, form our major competitive advantages.

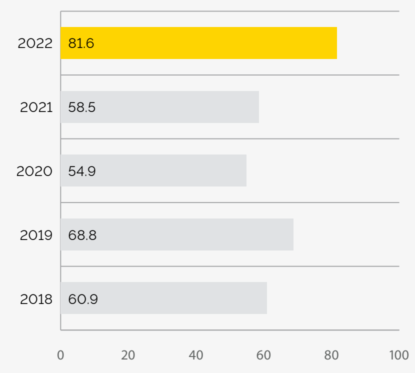
By focusing on long-term outsourcing partnerships, we can use our deep understanding of our clients' needs to improve our service quality while increasing our logistical efficiency.

We allocate our capital prudently, investing in attractive growth opportunities when they arise, and returning capital to shareholders at times when no such opportunities exist. We review organic and non-organic growth opportunities subject to our strict returns criteria. Maintaining a strong balance sheet is critical as it allows us to seize opportunities and remain flexible in the face of any change to the business environment or market.

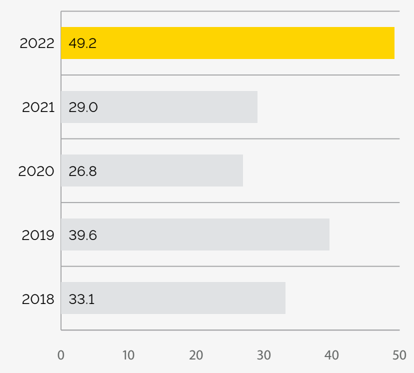
[1] Total dividends (including interim, final and special) in respect of declared year.

[2] Final 2021 dividends were suspended in April 2022 and no further dividends were declared due to technical limitations regarding upstreaming cash to the Cyprus holding company.

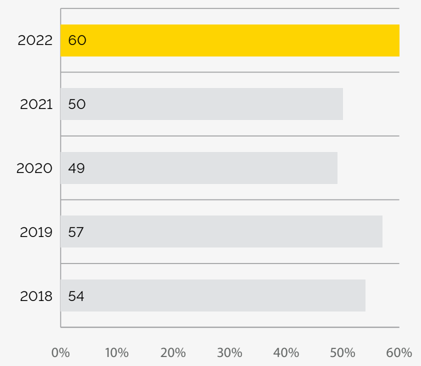
Adjusted Revenue, RUB bln



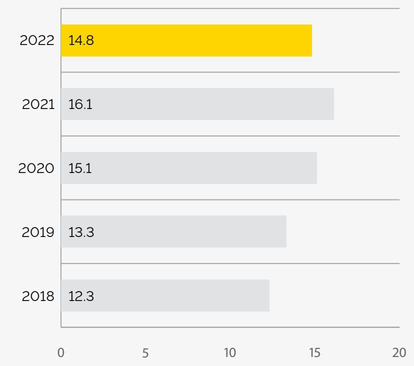
Adjusted EBITDA, RUB bln



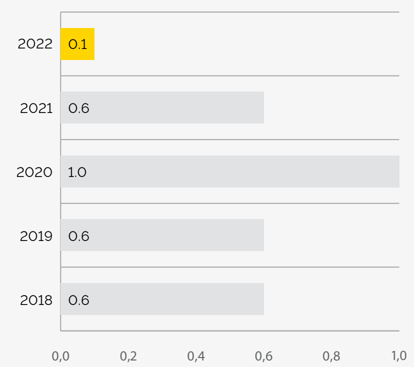
Adjusted EBITDA Margin, %



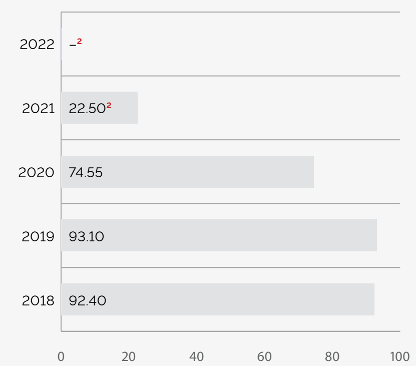
Free Cash Flow, RUB bln



Net Debt to Adjusted EBITDA at year-end



Total dividends[1]**,** RUB per share/GDR



Source: Globaltrans

CEO Review

The Group's robust performance in 2022 attests to the resilience of our business in uncertain markets. We were able to draw on all our experience to deliver a strong set of results, underlining the Group's reputation for operational excellence and quality delivery for our clients.

Results

Despite the challenging backdrop, Globaltrans delivered a strong financial performance, by leveraging our scale, customer relationships, and highly efficient logistics. As a result, headline results for 2022 were higher than the previous year.

Adjusted Revenue climbed 40% year on year to RUB 81.6 billion, benefiting from the recovery in both the gondola and tank car segments' revenue streams. The Group's profitability maintained its positive trajectory of recent years, with Adjusted EBITDA climbing to RUB 49.2 billion, up 69%, accompanied by Adjusted EBITDA Margin expansion to 60% from 50% in 2021. And in an inflationary environment, with business costs rising, we kept a firm lid on operating expenses, limiting the increase in Total Operating Cash Costs to just 9% year on year.

The Group generated strong cash flows, with net cash from operating activities up 47% year on year to RUB 40.2 billion in 2022. Expansion CAPEX and acquisition expenditure rose six-fold year on year, bringing the Total CAPEX adjusted for M&A to RUB 20.2 billion*, as the Group took full ownership of BTS by acquiring the 40% minority shareholding for RUB 9.1 billion[1]. We also made selective purchases of rolling stock (gondolas and rail tank cars), while the level of maintenance CAPEX slightly declined. Despite the increase in overall capital expenditure, the Group still recorded robust Free Cash Flow at RUB 14.8 billion in 2022 (-8% year on year).

Our solid balance sheet provides optionality for prudent capital allocation. We ended the year with a Net Debt to Adjusted EBITDA ratio of 0.1x (31.12.2021: 0.6x). Thanks to solid cash generation, we delivered another significant reduction in borrowings, with Net Debt down 75% from year end 2021 to RUB 4.6 billion.

[1] Including RUB 0.3 billion prepaid in the second half of 2021.

Market Overview

The performance of Russia's freight rail transportation sector was negatively impacted by the challenging operating environment that persisted for most of 2022, and which resulted in widespread transformation of freight flows and logistics, as well as concerted pressure on cargo volumes and intensified cost inflation.

The transformation of logistics, with an increased proportion of longer-distance routes, helped support overall Russia's freight rail turnover (measured in tonnes-km) which was broadly unchanged as a stronger first half was largely offset by a weaker second half. However, overall transportation volumes (measured in tonnes) declined by 3.7%, with the bulk cargo segment taking the hit, as softer demand in key cargo categories like coal and metallurgical products put pressure on volumes, being only partially offset by strong construction cargo volumes.

In contrast, demand for oil products and oil held steady, with overall volumes broadly in line with the previous year's levels.

Our Performance

Service performance in our operations was generally excellent, as we worked hard to mitigate the adverse impact of market uncertainty on our operations and our customers. The Group's Service Contracts performed well. In 2022, our six anchor Service Contracts covered about 59% of the Group's Net Revenue from Operation of Rolling Stock.

We continued to actively manage our fleet to ensure we could meet customer demand and replenished about 3.8 thousand units ofrolling stock (mostly gondolas) blocked in Ukraine by expanding our Leased-in Fleet and acquiring new gondola units. In the tank car segment, we also continued the substitution of leased-in tanks with newly acquired units.

CEO Review

We ended the year with a Total Fleet of 66.1 thousand units, about 4% fewer than at the end of 2021.

The Group's Freight Rail Turnover fell 8% year on year, partly due to operational challenges in the bulk cargo segment and partly due to a smaller average gondola fleet in operation. Despite volatile gondola market rates, we benefitted from an overall robust pricing environment in both gondola and tank segments.

Alongside customer service, another key priority of management was maintaining operational efficiency, a crucial concern in times of market dislocation. Our teams once more proved their expertise and professionalism in logistics management, as the Group reported a year on year improvement in Empty Run Ratio for gondola cars to 41% from 44% in the previous year.

Our ESG Focus

ESG activities are overseen by the Board's ESG Committee and implemented by management. The importance of sustainable behaviour is recognised right across the Group and we are committed to improving our programmes, proactively managing our ESG risks, and providing high-quality reporting for our stakeholders.

At Globaltrans, we are committed to doing our part to combat climate change and contribute to a lower carbon future.

As a result, our sustainability performance has continued to improve, helped by the ongoing roll-out of our Green Office initiative. We have also improved our climate-related disclosures to make them more effective, consistent with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

Safety remains a key management concern. It is, therefore, gratifying that for the second year in a row, we have had no fatalities among our workforce.

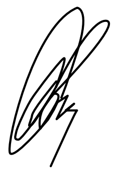
Moreover, we also met our target of zero-harm, a great achievement, reflecting the tremendous effort made by our colleagues across the business to support our safety programmes.

We also improved support for our employees by introducing better benefits packages, providing more training and establishing better feedback mechanisms.

Summary

In difficult markets we have demonstrated our resilience as a business. We have again delivered strong results and improved operational efficiency in 2022 by providing first-class services underpinned by strong logistical expertise and excellent cost control. Against this backdrop, we have invested significantly into the growth of the business, increasing our Total CAPEX adjusted for M&A to over RUB 20 billion.

Our markets remain challenging. Nevertheless, Globaltrans enjoys a leading competitive position in its sector, supported by our outstanding logistics competences, strong service culture as well as a solid client base. Our experienced team continues to pursue a clearly defined strategy which has proven its effectiveness.



Valery Shpakov
CEO

OUR APPROACH TO DIVIDENDS

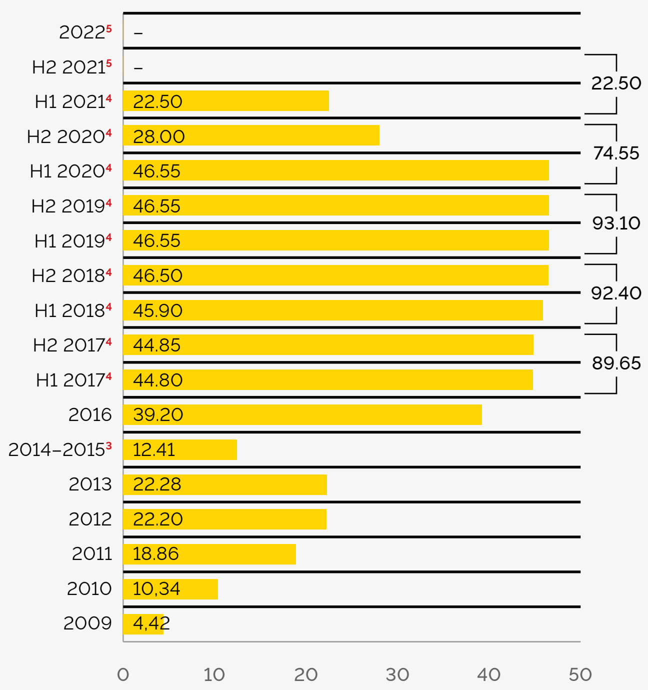
The Group's Dividend Policy strikes a balance between investing in business expansion and delivering returns to shareholders.

- Focusing on maximising shareholder value, the policy boosts pay-outs during low investment cycles and limits them in periods when sizeable expansion opportunities meeting Globaltrans' strict return criteria are identified.
- Clear formula linking dividends to Attributable Free Cash Flow and Leverage Ratio[1] provides flexibility and transparency in capital allocation.

Leverage Ratio (Net Debt to Adjusted EBITDA)	Dividends as a % of Attributable Free Cash Flow
Less than 1.0x	Not less than 50%
From 1.0x to 2.0x	Not less than 30%
From 1.0x to 2.0x	0% or more

Our approach to dividends, RUB per share/GDR[2]

To view the Dividend Policy, please visit our corporate website www.globaltrans.com.



Source: Globaltrans

1. The Board of Directors of Globaltrans reserves the right to recommend to the General Meeting of Shareholders dividends in the amount calculated on a reasonable basis other than described in this Annual Report in its sole discretion. For more details, please see the Dividend Policy as adopted by the Board on 31 March 2017 and amended on 24 August 2018, which is available at www.globaltrans.com.
2. Prior to 2016, dividends on Globaltrans' shares/GDRs were declared and paid in US dollars, thus the amounts in Russian roubles are presented for information purposes only and calculated at the Central Bank of Russia's official exchange rate for the Russian rouble as of the date of the General Meeting that approved the respective dividend. From 2016, dividends on Globaltrans shares/GDRs are declared in Russian roubles and paid in US dollars.
3. The dividend declared in 2016 related to both the 2014 and 2015 financial years.
4. Including regular and special dividends.
5. Final 2021 dividends were suspended in April 2022 and no further dividends were declared due to technical limitations regarding upstreaming cash to the Cyprus holding company.

Market Review

The performance of Russia's freight rail transportation sector was negatively impacted by the challenging operating environment that persisted for most of 2022, and which resulted in widespread transformation of freight flows and logistics, as well as concerted pressure on cargo volumes and intensified cost inflation.

Logistics transformation supporting demand for railcars even as market volumes remain under pressure

- Following a robust Q1 2022, overall Russia's freight rail turnover and volumes started to deteriorate, largely reflecting a weakening bulk cargo segment.
- Overall Russia's freight rail volumes (measured in tonnes) fell 3.7% year on year in 2022. The transformation of logistics with an increased proportion of longer-distance routes supported overall Russia's freight rail turnover (measured in tonnes-km) which was broadly flat (-0.1% year on year).
- Intensified cost inflation with regulated RZD tariffs for the traction of empty railcars up about 18.6% during 2022[1].

Non-oil (bulk) cargo volumes under pressure from Q2 2022[2]

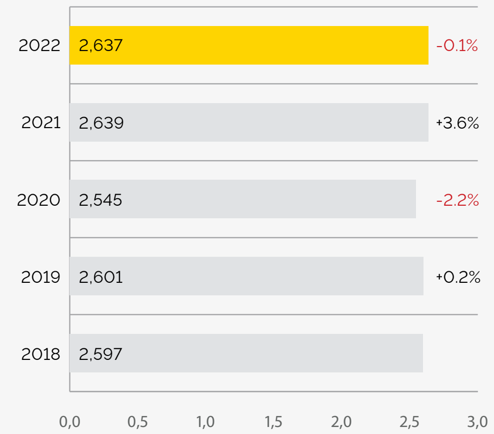
- Overall non-oil (bulk) cargo volumes decreased 4.3% year on year in 2022 which was largely driven by the deterioration in volumes for coal (-5.0% year on year) and metallurgical cargoes (-5.7% year on year). Volumes in the construction segment remained robust (+3.8% year on year).
- Gondola market rates recovered from the depressed levels of H1 2021 but deteriorated from late Q2 2022 before showing signs of stabilisation by the year end.

Demand in oil products and oil segment stabilised

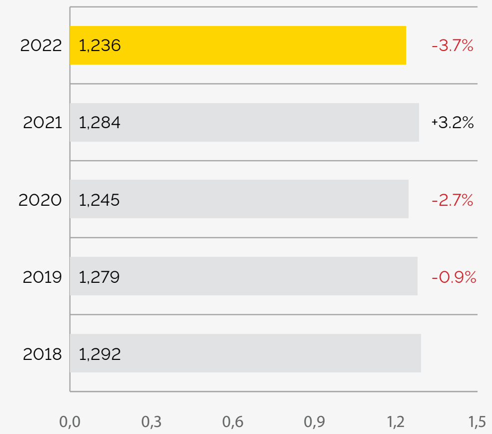
- Overall Russia's oil products and oil volumes slipped 0.6% year on year in 2022.
- Market pricing conditions in the oil products and oil segment remained robust.

[1] Regulated Russian Railways ("RZD") tariffs for the traction of empty railcars rose 6.8% from 1 January 2022 and by a further 11% from 1 June 2022.
[2] Coal including coke; metallurgical cargoes including ferrous metals, scrap metal and ores; construction materials including cement.

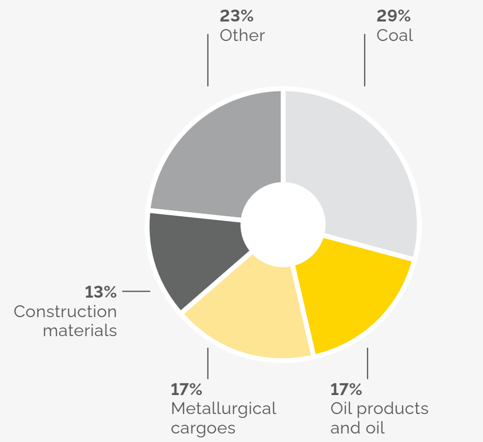
Russia's freight rail turnover, bln tonnes-km



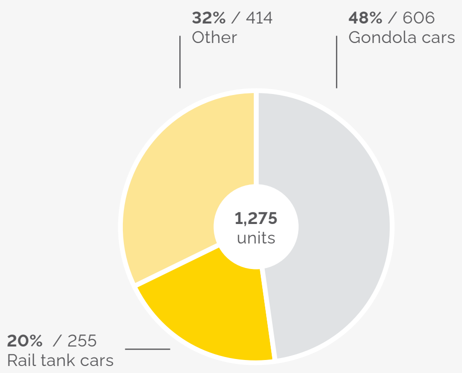
Russia's freight rail volumes, mln tonnes



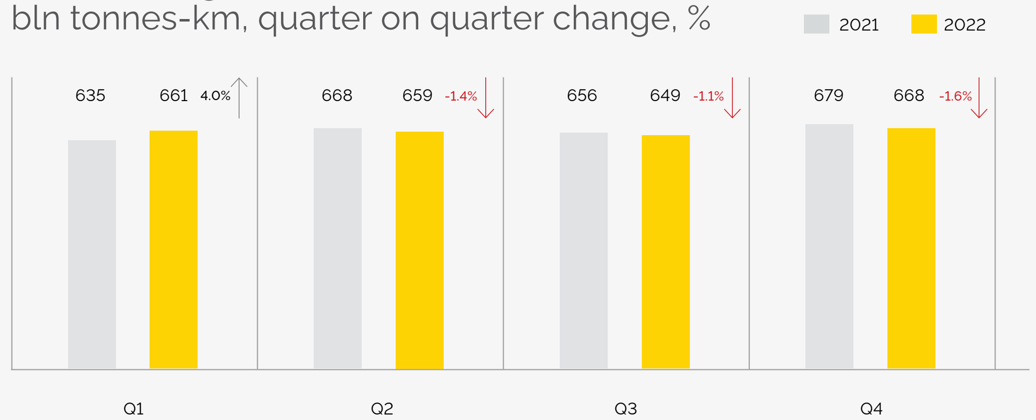
Russia's freight rail transportation volumes by cargo type, in 2022, %[2]



Russia's total railcar fleet by car type at year-end 2022, ths units



Russia's freight rail turnover, bln tonnes-km, quarter on quarter change, %



Source: Globaltrans; Rosstat.

Financial and Operational Review

FINANCIAL RESULTS

Strong financial performance, robust Free Cash Flow and further deleveraging with dividends remaining on hold

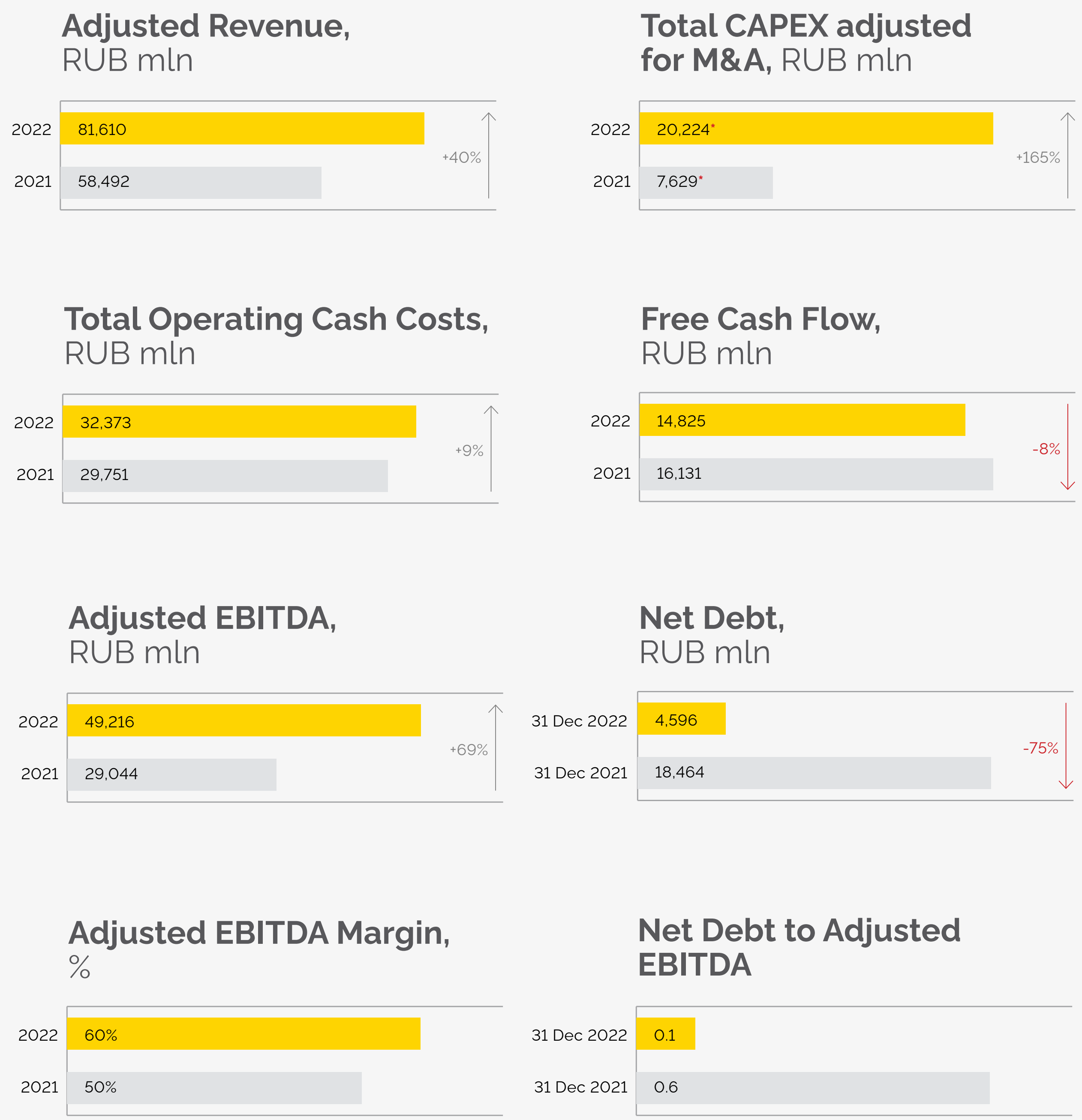
- Revenue rose to RUB 94.5 billion with Adjusted Revenue (a key component) increasing to RUB 81.6 billion (+40% year on year) in 2022 reflecting the recovery in both the gondola and tank car segments' revenue streams largely supported by a recovery in gondola market pricing in H1 2022 from the depressed levels of H1 2021. A subsequent decline in gondola market pricing over the second half of 2022 drove a 9% decrease in Adjusted Revenue in H2 2022 compared to H1 2022.
- Adjusted EBITDA of RUB 49.2 billion in 2022 (+69% year on year), although H2 2022 Adjusted EBITDA declined 18% compared to H1 2022.
- Expansion CAPEX and acquisition expenditure (including selective investments in new gondolas and rail tanks along with the acquisition of the remaining 40% of BTS) rose 6x driving the growth in Total CAPEX adjusted for M&A to RUB 20.2 billion* in 2022.
- Robust Free Cash Flow of RUB 14.8 billion in 2022 (-8% year on year).
- Profit for the year increased to RUB 24.9 billion (+65% year on year).
- Net Debt reduced to RUB 4.6 billion at the end of 2022. Further deleveraging with Net Debt to Adjusted EBITDA at 0.1x compared to 0.6x at the end of 2021.
- Group debt was all at fixed interest rates and denominated in RUB, the functional currency of the Group.
- Dividend payments remain suspended due to the technical limitations regarding upstreaming cash to the holding company incorporated in Cyprus.

OPERATIONAL PERFORMANCE

Operational efficiency significantly improved, Service Contracts performed well, average pricing was robust

- Globaltrans successfully adjusted its logistics with the Empty Run Ratio for gondola cars improving to 41% (2021: 44%). Total Empty Run Ratio (for all types of rolling stock) improved to 50% (2021: 51%).
- The Group's Freight Rail Turnover declined 8% year on year in 2022 reflecting logistics readjustments and volatility in demand in the gondola segment, along with the decline in the average gondola fleet in operation. In the tank segment, Freight Rail Turnover rose 7% year on year supported primarily by changes in logistics with more longer-distance routes.
- Robust average pricing despite volatile gondola market pricing where a strong first half was followed by a decline in the second half of 2022. Rail tank rates remained solid.
- The Group maintained its focus on Service Contracts[1] and client retention. Service Contracts remain intact contributing about 59% of the Group's Net Revenue from Operation of Rolling Stock in 2022.

[1] Service Contracts represent contracts with an initial term greater than one year that stipulate an obligation to transport a specified amount of cargoes for the client. As of the end of 2022, Globaltrans had six Service Contracts.



Source: Globaltrans

Financial and Operational Review

RESULTS IN DETAIL

The following tables provide the Group's key financial and operational information for the years ended 31 December 2022 and 2021.

EU IFRS financial information

	2021 RUB mln	2022 RUB mln	Change %
Revenue	73,151	94,474	29%
Total cost of sales, selling and marketing costs and administrative expenses	(52,630)	(58,838)	12%
Other gains/(losses) — net	796	(1,335)	NM
Operating profit	21,627	34,302	59%
Finance costs — net	(2,189)	(1,150)	-47%
Profit before income tax	19,438	33,152	71%
Income tax expense	(4,338)	(8,232)	90%
Profit for the year	15,100	24,920	65%
Profit attributable to:			
Owners of the Company	12,987	25,193	94%
Non-controlling interests	2,113	(274)	NM
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (RUB per share)	72.69	141.23	94%

	2021 RUB mln	2022 RUB mln	Change %
Cash generated from operations (after changes in working capital)	30,058	48,631	62%
Tax paid	(2,808)	(8,455)	201%
Net cash from operating activities	27,250	40,176	47%
Net cash used in investing activities	(7,154)	(19,652)	175%
Net cash used in financing activities	(12,217)	(17,520)	43%

Non-IFRS financial information

	2021 RUB mln	2022 RUB mln	Change %
Adjusted Revenue	58,492	81,610	40%
Including			
Net Revenue from Operation of Rolling Stock	54,319*	76,798*	41%
Operating leasing of rolling stock	1,832	3,372	84%
Total Operating Cash Costs	29,751	32,373	9%
Including			
Empty Run Cost	15,429*	17,283*	12%
Employee benefit expense	5,491	6,781	23%
Repairs and maintenance	3,969	3,943	-1%
Fuel and spare parts — locomotives	1,972	2,017	2%
Adjusted EBITDA	29,044	49,216	69%
Adjusted EBITDA Margin, %	50%	60%	
Total CAPEX (incl. maintenance CAPEX)	8,439	11,424	35%
Total CAPEX adjusted for M&A	7,629*	20,224*	165%
Free Cash Flow	16,131	14,825	-8%
Attributable Free Cash Flow	14,018	15,098	8%

Debt profile

	As of 31 Dec 2021 RUB mln	As of 31 Dec 2022 RUB mln
Total debt	31,318	20,649
Cash and cash equivalents	12,855	16,052
Net Debt	18,464	4,596
Net Debt to Adjusted EBITDA (x)	0.6	0.1

Financial and Operational Review

Operational information

	2021	2022
Freight Rail Turnover, billion tonnes-km (excluding Engaged Fleet)	146.8	134.9
Transportation Volume, million tonnes (excluding Engaged Fleet)	85.1	77.0
Average Price per Trip, RUB	41,075	64,553
Average Rolling Stock Operated, units	57,347	56,637
Average Distance of Loaded Trip, km	1,716	1,733
Average Number of Loaded Trips per Railcar	23.1	21.0
Total Empty Run Ratio (for all types of rolling stock), %	51%	50%
Empty Run Ratio for gondola cars, %	44%	41%
Share of Empty Run Kilometres paid by Globaltrans, %	99%	99%
Total Fleet, units (at year end), including:	69,106	66,115
Owned Fleet, units (at year end)	65,067	62,354
Leased-in Fleet, units (at year end)	4,039	3,761
Leased-out Fleet, units (at year end)	8,458	7,474
Average age of Owned Fleet, years (at year end)	13.8	14.5
Total number of employees (at year end)	1,777	1,768

Revenue

In 2022, the Group's total revenue increased 29% year on year to RUB 94,474 million reflecting the combination of a 40% year-on-year rise in Adjusted Revenue and a 12% year-on-year decrease in "pass through" items (a combination of "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 2022 and 2021.

	2021 RUB mln	2022 RUB mln	Change %
Railway transportation — operators services (tariff borne by the Group)	31,744	30,341	-4%
Railway transportation — operators services (tariff borne by the client)	37,238	60,197	62%
Operating leasing of rolling stock	1,832	3,372	84%
Revenue from specialised container transportation	1,824	-	-100%
Other	514	564	10%
Total revenue	**73,151**	**94,474**	**29%**

Adjusted Revenue

Adjusted Revenue is a non-IFRS 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 and is included in Adjusted Revenue.

In 2022, the Group's Adjusted Revenue was RUB 81,610 million up 40% year on year largely driven by the increase in Net Revenue from Operation of Rolling Stock.

The following table provides details of Adjusted Revenue for the years ended 31 December 2022 and 2021 and its reconciliation to total revenue.

	2021 RUB mln	2022 RUB mln	Change %
Total revenue	73,151	94,474	29%
Minus "pass through" items			
Infrastructure and locomotive tariffs: loaded trips	12,964	10,465	-19%
Services provided by other transportation organisations	1,695	2,399	42%
Adjusted Revenue	**58,492**	**81,610**	**40%**

The principal components of Adjusted Revenue include: (i) Net Revenue from Operation of Rolling Stock, (ii) revenue from operating leasing of rolling stock, (iii) Net Revenue from Specialised Container Transportation, (iv) Net Revenue from Engaged Fleet, and (v) other revenues generated by the Group's auxiliary business activities, including freight forwarding, repair and maintenance services provided to third parties, and other.

The following table provides a breakdown of the components of Adjusted Revenue for the years ended 31 December 2022 and 2021.

	2021 RUB mln	2022 RUB mln	Change %
Net Revenue from Operation of Rolling Stock	54,319*	76,798*	41%
Operating leasing of rolling stock	1,832	3,372	84%
Net Revenue from Specialised Container Transportation	1,643*	-	-100%
Net Revenue from Engaged Fleet	184*	876*	375%
Other	514	564	10%
Adjusted Revenue	**58,492**	**81,610**	**40%**

Financial and Operational Review

Net Revenue from Operation of Rolling Stock

Net Revenue from Operation of Rolling Stock is a non-IFRS financial measure, derived from management accounts, describing the net revenue generated from freight rail transportation services which is adjusted for respective "pass through" loaded railway tariffs charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips").

The Group's Net Revenue from Operation of Rolling Stock, which accounted for 94% of the Group's Adjusted Revenue in 2022, increased 41% year on year to RUB 76,798 million* reflecting the recovery in both the gondola and tank car segments' revenue streams which was largely aided by the market pricing recovery in the gondola segment in the first half of 2022 albeit with a subsequent decline in the second half.

Revenue from operating leasing of rolling stock

Revenue from operating leasing of rolling stock contributed 4% of the Group's Adjusted Revenue in 2022 and increased 84% year on year to RUB 3,372 million reflecting the increase in the average number of leased-out fleet along with a rise in average leasing rates.

Net Revenue from Specialised Container Transportation

Net Revenue from Specialised Container Transportation is a non-IFRS financial measure, derived from management accounts, that represents the revenue generated from the specialised container operations (included in the EU IFRS line item: "Revenue from specialised container transportation") less the respective "pass through" loaded railway tariffs charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips").

Net Revenue from Specialised Container Transportation was eliminated in 2022 due to the deconsolidation of this business segment reflecting the sale of SyntezRail (a subsidiary of Globaltrans) in October 2021. In 2021 the revenue from this segment amounted to RUB 1,643 million* and accounted for 3% of the Group's Adjusted Revenue.

Net Revenue from Engaged Fleet

Net Revenue from Engaged Fleet is a non-IFRS financial measure, derived from management accounts, that represents the net sum of the price charged to clients for transportation by the Group utilising Engaged Fleet less the respective "pass-through" loaded railway tariffs charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips") and less the "pass-through" 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, which contributed 1% of the Group's Adjusted Revenue in 2022, increased 375% year on year in 2022 to RUB 876 million*, largely reflecting a rise in the number of Engaged Fleet operations in the oil products and oil segment.

Other revenue

Other revenue, comprising less than 1% of the Group's Adjusted Revenue in 2022, includes revenues generated by the Group's auxiliary business activities such as freight forwarding, repair and maintenance services provided to third parties, and other. It increased 10% year on year to RUB 564 million in 2022.

Cost of sales, selling and marketing costs and administrative expenses

The following table provides a breakdown of cost of sales, selling and marketing costs and administrative expenses for the years ended 31 December 2022 and 2021.

	2021 RUB mln	2022 RUB mln	Change %
Cost of sales	48,334	53,929	12%
Selling and marketing costs	249	282	13%
Administrative expenses	4,046	4,626	14%
Total cost of sales, selling and marketing costs and administrative expenses	**52,630**	**58,838**	**12%**

A 12% year-on-year rise in the Group's total cost of sales, selling and marketing costs and administrative expenses to RUB 58,838 million in 2022 was principally due to the following factors:

- "Pass through" cost items (a combination of "infrastructure and locomotive tariffs: loaded trips" and "services provided by other transportation organisations") decreased 12% year on year to RUB 12,864 million primarily due to a decrease in the proportion of clients that pay infrastructure and locomotive tariffs: loaded trips through the Group.
- The Group's total cost of sales, selling and marketing costs and administrative expenses adjusted for "pass-through" cost items rose 21% year on year to RUB 45,973 million in 2022, due to:
  - An 9% year-on-year increase in Total Operating Cash Costs to RUB 32,373 million in 2022, which largely reflected the rise in Empty Run Costs and employee benefit expense with repairs and maintenance costs relatively unchanged (-1% year on year).
  - Total Operating Non-Cash Costs rose 65% year on year to RUB 13,600 million principally due to the impairment of about 3.8 thousand units of rolling stock (mostly gondola cars) blocked in Ukraine along with a 130% year-on-year increase in depreciation of right-of-use assets as the Group substantially increased the number of gondola cars leased-in under long-term operating leases.

Financial and Operational Review

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:

	2021 RUB mln	2022 RUB mln	Change %
"Pass through" cost items	**14,659**	**12,864**	**-12%**
Infrastructure and locomotive tariffs: loaded trips	12,964	10,465	-19%
Services provided by other transportation organisations	1,695	2,399	42%
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for "pass through" cost items)	**37,971**	**45,973**	**21%**
Total Operating Cash Costs	**29,751**	**32,373**	**9%**
Empty Run Costs	15,429*	17,283*	12%
Employee benefit expense	5,491	6,781	23%
Repairs and maintenance	3,969	3,943	-1%
Fuel and spare parts — locomotives	1,972	2,017	2%
Infrastructure and Locomotive Tariffs — Other Tariffs	1,219*	1,258*	3%
Engagement of locomotive crews	294	116	-61%
Expense relating to short-term leases (rolling stock)	274	35	-87%
Other Operating Cash Costs	1,103	941	-15%
Total Operating Non-Cash Costs	**8,221**	**13,600**	**65%**
Depreciation of property, plant and equipment	6,643	6,753	2%
Impairment of property, plant and equipment	-	3,933	NM
Depreciation of right-of-use assets	1,127	2,597	130%
Loss on derecognition arising on capital repairs	484	310	-36%
Gain on sale of property, plant and equipment	(42)	(13)	-70%
Net impairment losses on trade and other receivables	8	21	165%
Amortisation of intangible assets	0.7	0.3	-52%
Total cost of sales, selling and marketing costs and administrative expenses	**52,630**	**58,838**	**12%**

"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 and is reflected in equal amounts in both the Group's total revenue and cost of sales.

The 19% year-on-year decrease in this item in 2022 to RUB 10,465 million primarily reflected the lower proportion of clients that pay infrastructure and locomotive tariffs: loaded trips through the Group.

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 and includes tariffs that the Group pays to third-party rail operators for subcontracting their rolling stock (Engaged Fleet).

Services provided by other transportation organisations rose 42% year on year to RUB 2,399 million in 2022 primarily due to a higher number of Engaged Fleet operations in the oil products and oil segment along with the rise in the cost of fleet engagement.

Total Operating Cash Costs

Total Operating Cash Costs (a non-IFRS financial measure) represents 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.

Total Operating Cash Costs for 2022 of RUB 32,373 million were 9% higher compared to the previous year due to a combination of the factors described below.

The following table provides a breakdown of the Total Operating Cash Costs for the years ended 31 December 2022 and 2021.

	2022 % of total	2021 RUB mln	2022 RUB mln	Change %
Empty Run Costs	53%	15,429*	17,283*	12%
Employee benefit expense	21%	5,491	6,781	23%
Repairs and maintenance	12%	3,969	3,943	-1%
Fuel and spare parts — locomotives	6%	1,972	2,017	2%
Infrastructure and Locomotive Tariffs — Other Tariffs	4%	1,219*	1,258*	3%
Engagement of locomotive crews	0.4%	294	116	-61%
Expense relating to short-term leases (rolling stock)	0.1%	274	35	-87%
Other Operating Cash Costs	3%	1,103	941	-15%
Total Operating Cash Costs	**100%**	**29,751**	**32,373**	**9%**

Empty Run Costs

Empty Run Costs (a non-IFRS 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.

Financial and Operational Review

Empty Run Costs, which accounted for 53% of the Group's Total Operating Cash Costs in 2022, increased 12% year on year to RUB 17,283 million* due to:

- Regulated RZD tariffs for the traction of empty railcars which rose about 18.6% over 2022 (an increase of 6.8% from 1 January 2022 and an additional increase of 11% from 1 June 2022);
- A decline in the Group's Freight Rail Turnover of 8% year on year in 2022;
- An improved Total Empty Run Ratio (for all types of rolling stock) of 50% (2021: 51%) with the Share of Empty Run Kilometres paid by Globaltrans remaining stable year on year at 99%.

Employee benefit expense

Employee benefit expense, which represented 21% of the Group's Total Operating Cash Costs in 2022, increased 23% year on year to RUB 6,781 million. This resulted from:

- Inflation-driven growth in wages and salaries;
- A 2% year-on-year increase in the average headcount due to the continued shift to in-house locomotive crews;
- Increases in bonuses largely reflecting the Group's strong business performance in 2022 and successful M&A.

Repairs and maintenance

Repairs and maintenance costs, which comprised 12% of the Group's Total Operating Cash Costs in 2022, declined 1% year on year to RUB 3,943 million as a decrease in the number of depot repairs was partially offset by the inflation-driven rise in costs of certain repair works and spare parts in the reporting year.

Fuel and spare parts — locomotives

Fuel and spare parts — locomotives expenses, which accounted for 6% of the Group's Total Operating Cash Costs in 2022, rose 2% year on year to RUB 2,017 million reflecting an inflation-driven rise in the cost of fuel and engine oil.

Infrastructure and Locomotive Tariffs — Other Tariffs

Infrastructure and Locomotive Tariffs — Other Tariffs (a non-IFRS financial measure, derived from management accounts), 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. This cost item includes the costs of the 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 represented 4% of the Group's Total Operating Cash Costs in 2022 and rose 3% year on year to RUB 1,258 million*, impacted largely by the changed logistics in the oil products and oil segment.

Engagement of locomotive crews

Costs related to the engagement of locomotive crews from RZD in 2022 (less than 1% of the Group's Total Operating Cash Costs) declined 61% year on year to RUB 116 million due to a reduction in the amount of outsourcing of locomotive crews as the Group continued to increase its use of in-house crews.

Expense relating to short-term leases (rolling stock)

In 2022, expense relating to short-term leases (rolling stock), representing less than 1% of the Group's Total Operating Cash Costs, fell 87% year on year to RUB 35 million primarily due to the intentional decrease in the average number of fleet leased-in under short-term operating leases.

Other Operating Cash Costs

Other Operating Cash Costs (a non-IFRS financial measure) include the following cost items: "advertising and promotion", "auditors' remuneration", "communication costs", "information services", "legal, consulting and other professional fees", "expense relating to short-term leases (tank containers)", expense relating to short-term leases (office)", "taxes (other than income tax and value added taxes)" and "other expenses".

The following table provides a breakdown of the Other Operating Cash Costs for the years ended 31 December 2022 and 2021.

	2021 RUB mln	2022 RUB mln	Change %
Expense relating to short-term leases (office)	99	93	-6%
Auditors remuneration	57	46	-19%
Legal, consulting and other professional fees	74	94	27%
Advertising and promotion	46	41	-10%
Communication costs	25	25	-3%
Information services	16	15	-7%
Expense relating to short-term leases (tank containers)	23	-	-100%
Taxes (other than on income and value added taxes)	27	24	-13%
Other expenses	735	603	-18%
Other Operating Cash Costs	**1,103**	**941**	**-15%**

Other Operating Cash Costs, which comprised 3% of the Group's Total Operating Cash Costs, fell 15% year on year to RUB 941 million in 2022 reflecting cost optimisation efforts.

Financial and Operational Review

Total Operating Non-Cash Costs

Total Operating Non-Cash Costs (a non-IFRS financial measure) include the following cost items: "depreciation of property, plant and equipment", "amortisation of intangible assets", "loss on derecognition arising on capital repairs", "depreciation of right-of-use assets", "net impairment (gains)/losses on trade and other receivables", "impairment/(reversal of 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 2022 and 2021.

	2021 RUB mln	2022 RUB mln	Change %
Depreciation of property, plant and equipment	6,643	6,753	2%
Depreciation of right-of-use assets	1,127	2,597	130%
Loss on derecognition arising on capital repairs	484	310	-36%
Net impairment gains on trade and other receivables	8	21	165%
Amortisation of intangible assets	0.7	0.3	-52%
Gain on sale of property, plant and equipment	(42)	(13)	-70%
Impairment of property, plant and equipment	-	3,933	NM
Total Operating Non-Cash Costs	**8,221**	**13,600**	**65%**

A 65% year-on-year increase in Total Operating Non-Cash Costs to RUB 13,600 million in 2022 which stemmed primarily from:

- Impairment of property, plant and equipment in the amount of RUB 3,933 million related to the impairment of about 3.8 thousand units of rolling stock (mostly gondola cars) blocked in Ukraine;
- A 130% year-on-year rise in depreciation of right-of-use assets as the Group substantially increased the number of gondola cars leased-in under long-term operating leases.

Adjusted EBITDA (non-IFRS financial measure)

EBITDA (a non-IFRS financial measure) represents "profit for the period" before "income tax expense", "finance costs — net" (excluding "net foreign exchange transaction (gains)/losses on financing activities"), "depreciation of property, plant and equipment", "amortisation of intangible assets" and "depreciation of right-of-use assets".

Adjusted EBITDA (a non-IFRS financial measure) represents EBITDA excluding "net foreign exchange transaction (gains)/losses on financing activities", "share of profit/(loss) of associate", "other gains/(losses) — net", "gain/(loss) on sale of property, plant and equipment", "impairment/(reversal of impairment) of property, plant and equipment", "impairment of intangible assets", "loss on derecognition arising on capital repairs" and "reversal of impairment of intangible assets".

The Group's Adjusted EBITDA rose 69% year on year to RUB 49,216 million in 2022. The Adjusted EBITDA Margin increased to 60% in 2022 from 50% in 2021 reflecting the 40% year-on-year increase in Adjusted Revenue while Total Operating Cash Costs rose 9% year on year.

The following table provides details on Adjusted EBITDA for the years ended 31 December 2022 and 2021, and its reconciliation to EBITDA and profit for the year.

	2021 RUB mln	2022 RUB mln	Change %
Profit for the year	**15,100**	**24,920**	**65%**
Plus (Minus)			
Income tax expense	4,338	8,232	90%
Finance costs — net	2,189	1,150	-47%
Net foreign exchange transaction (losses)/gains on financing activities	(10)	641	NM
Amortisation of intangible assets	0.7	0.3	-52%
Depreciation of right-of-use assets	1,127	2,597	130%
Depreciation of property, plant and equipment	6,643	6,753	2%
EBITDA	**29,388**	**44,293**	**51%**
Minus (Plus)			
Loss on derecognition arising on capital repairs	(484)	(310)	-36%
Net foreign exchange transaction (losses)/gains on financing activities	(10)	641	NM
Other gains/(losses) — net	796	(1,335)	NM
Gain on sale of property, plant and equipment	42	13	-70%
Impairment of property, plant and equipment	-	(3,933)	NM
Adjusted EBITDA	**29,044**	**49,216**	**69%**

Financial and Operational Review

Finance income and costs

The following table provides a breakdown of finance income and costs for the years ended 31 December 2022 and 2021.

	2021 RUB mln	2022 RUB mln	Change %
Interest expense:			
Bank borrowings	(1,483)	(1,258)	-15%
Non-convertible bonds	(772)	(561)	-27%
Total interest expense calculated using the effective interest rate method	(2,255)	(1,820)	-19%
Other lease liabilities	(202)	(781)	287%
Total interest expense	(2,457)	(2,600)	6%
Other finance costs	(50)	(2)	-96%
Total finance costs	(2,507)	(2,602)	4%
Interest income:			
Bank balances	209	521	149%
Short term deposits	72	222	208%
Loans to related parties	-	18	NM
Loans to third parties	3	-	-100%
Total interest income calculated using the effective interest rate method	284	761	168%
Finance leases — related parties	0.4	2	351%
Finance leases — third parties	42	17	-60%
Total interest income	326	779	139%
Other finance income	0.8	32	3,832%
Total finance income	327	812	148%
Net foreign exchange transaction gains on borrowings and other liabilities	3	-	-100%
Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets	(12)	641	NM
Net foreign exchange transaction (losses)/gains on financing activities	(10)	641	NM
Net finance costs	**(2,189)**	**(1,150)**	**-47%**

Finance costs

Total finance costs for 2022 increased 4% year on year to RUB 2,602 million. A deleveraging-driven 19% year-on-year decrease in total interest expense, calculated using the effective interest rate method (related to bank borrowings and non-convertible bonds) to RUB 1,820 million, was more than offset by the rise in other lease liabilities to RUB 781 million from RUB 202 million in 2021 as the Group increased the number of gondola cars leased-in under long-term operating leases.

Finance income

In 2022, the Group's total finance income increased 148% year on year to RUB 812 million, primarily due to increases in short-term deposits and bank balances along with a rise in deposit rates compared to the previous year.

Net foreign exchange transaction gains/(losses) on financing activities

The Group had net foreign exchange transaction gains on financing activities of RUB 641 million in 2022 compared to RUB 10 million of net foreign expense losses on financing activities in 2021. This resulted from foreign exchange volatility on the available cash and cash equivalents denominated in foreign currency.

Other gains/(losses) — net

The Group had other losses — net of RUB 1,335 million in 2022 that largely reflected the foreign exchange volatility impact on the intragroup acquisition of rail tanks by BTS from Spacecom and the subsequent sale of the Company's shareholding in Spacecom. In 2021, the Group reported RUB 796 million of other gains — net.

Profit before income tax

The Group reported a year-on-year increase of 71% in profit before income tax to RUB 33,152 million in 2022, reflecting a 59% year-on-year increase in the Group's operating profit to RUB 34,302 million, which was largely linked to the factors described above.

Income tax expense

Income tax expense rose 90% year on year to RUB 8,232 million in 2022 primarily due to a rise in taxable profits and an increase in the average tax rate used for 2022 to 24.8% (2021: 22.3%).

Profit for the year

The Group's profit for the year increased 65% year on year to RUB 24,920 million reflecting the factors described above.

Profit for the year attributable to the owners of the Company increased 94% year on year to RUB 25,193 million reflecting the factors described above.

Financial and Operational Review

Liquidity and capital resources

In 2022, the Group's capital expenditure consisted principally of maintenance CAPEX (including capital repairs) and the selective acquisition of rolling stock. In addition, the Group acquired a 40% stake in its subsidiary BTS bringing its shareholding to 100%.

The Group was able to meet its liquidity and capital expenditure needs through operating cash flow and available cash and cash equivalents.

The Group manages its liquidity based on expected cash flows. As at 31 December 2022, the Group had Net Working Capital of RUB 3,630 million*. Given its anticipated operating cash flow and borrowings, the Group believes that it has sufficient working capital to operate successfully.

Cash flows

The following table sets out the principal components of the Group's consolidated cash flow statement for the years ended 31 December 2022 and 2021.

	2021 RUB mln	2022 RUB mln
Cash flows from operating activities	*29,104*	*47,963*
Changes in working capital:	954	668
Inventories	620	548
Trade receivables	(139)	(86)
Other assets	(488)	(1,285)
Other receivables	23	389
Trade and other payables	524	1,660
Contract liabilities	414	(557)
Cash generated from operations	30,058	48,631
Tax paid	(2,808)	(8,455)
Net cash from operating activities	**27,250**	**40,176**
Cash flows from investing activities		
Acquisition of non-controlling interest	(300)	(8,800)
Cash inflow from disposal of subsidiary undertakings — net of cash disposed of	1,110	-
Purchases of property, plant and equipment	(8,439)	(11,422)
Purchases of intangible assets	-	(2)
Loans granted to third parties	(75)	-
Loans granted to related parties	-	(800)
Proceeds from sale of property plant and equipment	78	238
Loan repayments received from third parties	79	-
Loan repayments received from related parties	-	400
Interest received	326	761
Receipts from finance lease — related parties	-	9
Receipts from finance lease — third parties	108	28
Other	(41)	(65)
Net cash used in investing activities	**(7,154)**	**(19,652)**
Cash flows from financing activities		
Net cash inflows/(outflows) from borrowings and financial leases:	1,521	(10,549)
Proceeds from bank borrowings	*18,058*	*2,750*
Repayments of borrowings	*(15,287)*	*(9,549)*
Repayments of non-convertible unsecured bonds	*(1,250)*	*(3,750)*
Purchase of treasury shares	-	(114)
Principal elements of lease payments for other lease liabilities	(1,068)	(2,403)
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,239)	(1,939)
Interest paid on other lease liabilities	(183)	(786)
Dividends paid to non-controlling interests in subsidiaries	(1,225)	(1,728)
Dividends paid to the owners of the Company	(9,023)	-
Net cash used in financing activities	**(12,217)**	**(17,520)**
Net increase in cash and cash equivalents	7,879	3,005
Exchange (losses)/gains on cash and cash equivalents	(3)	193
Cash and cash equivalents at the beginning of the year	4,978	12,855
Cash and cash equivalents at the end of the year	**12,855**	**16,052**

Net cash from operating activities

In 2022, net cash from operating activities rose 47% year on year to RUB 40,176 million primarily due to the following factors:

- The increase in cash generated from operations (after "changes in working capital") which rose 62% year on year to RUB 48,631 million, supported by growth in average pricing combined with the Group's market-leading operational capabilities;
- Tax paid was 201% higher year on year at RUB 8,455 million primarily reflecting the increase in taxable profits.

Net cash used in investing activities

Net cash used in investing activities increased 175% (or RUB 12,497 million) year on year to RUB 19,652 million largely reflecting:

- A 35% or RUB 2,983 million year-on-year increase in purchases of property, plant and equipment (on a cash basis; including maintenance CAPEX) to RUB 11,422 million;
- RUB 8,800 million payment for the acquisition of the 40% shareholding in BTS bringing the Group's shareholding to 100% (RUB 300 million was prepaid in the second half of 2021).

Financial and Operational Review

Net cash used in financing activities

The 43% year-on-year rise in net cash used in financing activities which increased to RUB 17,520 million in 2022, was due to the factors described below:

- The Group continued to repay its debt out of its operational cash flow and available cash and cash equivalents in 2022, with net cash outflow from borrowings and financial leases amounting to RUB 10,549 million compared to net cash inflow from borrowings and financial leases of RUB 1,521 million in the previous year;
- Interest paid on bank borrowings and non-convertible unsecured bonds decreased 13% year on year to RUB 1,939 million in 2022;
- Interest paid on other lease liabilities rose to RUB 786 million from RUB 183 million on the back of an increase in the number of gondola cars leased-in under long-term operational leases;
- As previously announced, the Group suspended dividend payments due to technical limitations regarding upstreaming cash to the Cyprus holding company. As a result, no dividends were paid to the owners of the Company in 2022 compared to the RUB 9,023 million paid in the previous year;
- Dividends paid to non-controlling interests in subsidiaries increased 41% year on year to RUB 1,728 million in 2022.

Capital expenditure (including M&A)

Total CAPEX (a non-IFRS financial measure) is calculated on a cash basis as the sum of "purchases of property, plant and equipment" (which includes maintenance CAPEX), "purchases of intangible assets", "acquisition of subsidiary undertakings — net of cash acquired" and "principal elements of lease payments for leases with financial institutions".

Total CAPEX adjusted for M&A (a non-IFRS financial measure) is calculated as a combination of Total CAPEX (which includes maintenance CAPEX) and cash inflows and outflows from acquisitions and disposals.

In 2022 the Group's Total CAPEX (on a cash basis, including maintenance CAPEX) was 35% higher year on year at RUB 11,424 million, reflecting:

- Maintenance CAPEX which decreased 3% year on year to RUB 6,411 million*, with an inflationary rise in the cost of certain spare parts more than offset by the decline in the number of respective repairs;
- Expansion CAPEX which rose 174% year on year to RUB 5,013 million* and includes cash outflow for the purchase of 1,341 units of rolling stock (composed of 541 rail tank cars and 800 gondola cars).

The Group's capital expenditure (including maintenance CAPEX) on an accrual basis was RUB 11,186 million in 2022 (2021: RUB 7,994 million). The difference between capital expenditure given on a cash basis and on an accrual basis is principally because of a time lag between the prepayments for and the delivery of rolling stock.

The Group's Total CAPEX adjusted for M&A increased 165% year on year to RUB 20,224 million* in 2022:

- In October 2021, Globaltrans sold its 60% shareholding in the small non-core container operator SyntezRail for RUB 1.1 billion in cash;
- In March 2022, Globaltrans completed the acquisition of the remaining 40% shareholding in BTS bringing the Group's shareholding to 100%. The respective payment for the acquisition of the non-controlling interest amounted to RUB 8,800 million in the first six months of 2022 (RUB 300 million was prepaid in the second half of 2021).

The following table sets out the principal components of the Group's Total CAPEX and Total CAPEX adjusted for M&A for the years ended 31 December 2022 and 2021.

	2021 RUB mln	2022 RUB mln	Change %
Purchase of property, plant and equipment	8,439	11,422	35%
Purchases of intangible assets	-	2	NM
Total CAPEX	**8,439**	**11,424**	**35%**
Acquisition of non-controlling interest	300	8,800	2,833%
Cash inflow from disposal of subsidiary undertakings — net of cash disposed of	(1,110)	-	NM
Total CAPEX adjusted for M&A	**7,629***	**20,224***	**165%**

Free Cash Flow

Free Cash Flow (a non-IFRS financial measure) is calculated as "cash generated from operations" (after "changes in working capital") less "tax paid", "purchases of property, plant and equipment" (including maintenance CAPEX), "purchases of intangible assets", "acquisition of subsidiary undertakings — net of cash acquired", "principal elements of lease payments for leases with financial institutions", "principal elements of lease payments for other lease liabilities", "interest paid on other lease liabilities", "interest paid on bank borrowings and non-convertible unsecured bonds", "interest paid on leases with financial institutions" and "acquisition of non-controlling interest" plus "cash inflow from disposal of subsidiary undertakings — net of cash disposed of".

Free Cash Flow decreased 8% or RUB 1,306 million year on year to RUB 14,825 million in 2022, primarily due to:

- A 62% or RUB 18,573 million year-on-year increase in cash generated from operations (after "changes in working capital") to RUB 48,631 million;
- Total CAPEX (including maintenance CAPEX) of RUB 11,424 million which was 35% or RUB 2,985 million higher year on year;
- Tax paid which increased 201% or RUB 5,647 million year on year to RUB 8,455 million;
- Payment of RUB 8,800 million for the acquisition of a non-controlling interest reflecting the acquisition of the remaining stake in BTS;
- A 155% or RUB 1,938 million year-on-year rise in a combined "principal elements of lease payments for other lease liabilities" and "interest paid on other lease liabilities" which rose to RUB 3,189 million as the Group substantially increased the number of gondola cars leased-in under long-term operating leases.

Financial and Operational Review

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for the years ended 31 December 2022 and 2021, and its reconciliation to cash generated from operations.

	2021 RUB mln	2022 RUB mln	Change %
Cash generated from operations (after "changes in working capital")	30,058	48,631	62%
Total CAPEX (including maintenance CAPEX)	(8,439)	(11,424)	35%
Tax paid	(2,808)	(8,455)	201%
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,239)	(1,939)	-13%
Principal elements of lease payments for other lease liabilities	(1,068)	(2,403)	125%
Interest paid on other lease liabilities	(183)	(786)	330%
Cash inflow from disposal of subsidiary undertakings — net of cash disposed of	1,110	-	NM
Acquisition of non-controlling interest	(300)	(8,800)	2,833%
Free Cash Flow	**16,131**	**14,825**	**-8%**
Minus			
Adjusted Profit Attributable to Non-controlling Interests	2,113	(274)	NM
Attributable Free Cash Flow	**14,018**	**15,098**	**8%**

Capital resources

As of 31 December 2022, the Group's financial indebtedness consisted of borrowings and non-convertible unsecured bonds for an aggregate principal amount of RUB 20,649 million (including accrued interest of RUB 260 million*), a decrease of 34% compared to the end of 2021.

Under IFRS 16, other lease liabilities (not included in total debt) of RUB 4,195 million were recognised on the balance sheet as of 31 December 2022 (31 December 2021: RUB 5,842 million) which was primarily related to the long-term leasing of certain fleet and offices.

As of 31 December 2022, the Group's Net Debt decreased 75% to RUB 4,596 million compared to 31 December 2021 with the Net Debt to Adjusted EBITDA ratio improving to 0.1x compared to 0.6x at the end of 2021.

The following table sets out details on the Group's total debt, Net Debt and Net Debt to Adjusted EBITDA at 31 December 2022 and 2021, and the reconciliation of Net Debt to total debt.

	As of 31 Dec 2021 RUB mln	As of 31 Dec 2022 RUB mln	Change %
Total debt	31,318	20,649	-34%
Minus			
Cash and cash equivalents	12,855	16,052	25%
Net Debt	**18,464**	**4,596**	**-75%**
Net Debt to Adjusted EBITDA	**0.6x**	**0.1x**	

Rouble-denominated borrowings accounted for 100% of the Group's debt portfolio as of 31 December 2022. The Russian rouble is the functional currency of the Company.

The weighted average effective interest remained favourable at 8.1% as of 31 December 2022 (31 December 2021: 7.5%) despite significant market interest rate volatility over the first half of 2022. All of the Group's debt had fixed interest rates as of 31 December 2022.

The Group has a balanced maturity profile supported by the Group's cash flow generation, available cash and cash equivalents, as well as undrawn borrowing facilities of RUB 42,783 million as of 31 December 2022.

The following table gives the maturity profile of the Group's borrowings (including accrued interest of RUB 260 million*) as of 31 December 2022.

	As of 31 Dec 2022 RUB mln
Q1 2023	4,758*
Q2 2023	1,940*
Q3 2023	3,209*
Q4 2023	1,689*
2024	6,167*
2025	1,764*
2026	561*
2027	561*
Total	**20,649**

Financial and Operational Review

Related party transactions

For the purposes of this Annual Report and the Group's Consolidated Management Report and Consolidated 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.

Litten Investments Ltd, controlled by a Director of the Company, has a shareholding in the Company of 5.1% as at 31 December 2022 (31 December 2021: 5.1%)[1]. Goldriver Resources Ltd, controlled by a Director of the Company, has a shareholding in the Company of 3.1% as at 31 December 2022 (31 December 2021: 3.1%)[2]. As at 31 December 2022, another 0.1% (31 December 2021: 0.2%) of the shares of the Company are controlled by Directors and key management of the Company. For further details on Globaltrans' shareholder structure, please see the Share Capital section of this Annual Report on page 122.

For further details on the transactions carried out with the above related parties, please see Note 35 of the Group's Consolidated Management Report and Consolidated Financial Statements which is included in the Financial Statements section of this Annual Report. Except as set out in this section and Note 35 of the Group's Consolidated Management Report and Consolidated Financial Statements, during the period 1 January to 31 December 2022, there were no transactions or proposed transactions that were material to either the Company or any related party nor were there any transactions with any related party that were unusual in their nature or conditions.

[1] Beneficially owned by Alexander Eliseev, Non-executive Director and co-founder of Globaltrans.

[2] Beneficially owned by Sergey Maltsev, Chairman of the Board of Directors, Chief Strategy Officer and co-founder of Globaltrans.

Risk Management

Globaltrans faces a wide range of potential and current risks to its business. To identify, evaluate and mitigate these risks, the Group has established a system for monitoring and controlling uncertainties and risks that it faces. This system is overseen by a dedicated risk management function.

The Board of Directors has overall responsibility for the Group's risk management.

The Board, as part of its role in providing strategic oversight and stewardship of the Company, is responsible for maintaining a sound risk management and internal control system. As part of that system, the Board determines principal risks and sets respective risk tolerance levels. Globaltrans has adopted a risk management policy that provides a consistent framework for the identification, assessment, management and, where possible, mitigation of risks.

The oversight of risk management is delegated to the Audit Committee. The Board 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 evaluate their effectiveness. Appropriate actions are then taken to manage the risk to an acceptable level as defined by the Board.

Ultimately, risk management aims to establish and maintain a holistic view of risks across the enterprise, so capabilities and performance objectives are achieved via risk-informed resources and investment decisions.

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 and interconnected components that aim to provide a holistic view of risk across the whole organisation.

In addition, in January 2021, the Board established the ESG Committee to analyse and oversee risks related to environmental, social and governance issues.

Risk Management

RISK MANAGEMENT PRINCIPLES

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.

Integrated into the Group's business

Risk management should be embedded in all of the Group's practices and business processes (including business and strategic planning, budgeting and decision-making) so that it is relevant, effective, efficient and sustained. All Group staff should be responsible and accountable for managing the risks in their activities.

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 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 by the Group's employees.

Evolving

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

Principal Risks and Uncertainties

Globaltrans has grouped risks that it considers significant into key categories — strategic, operational, compliance and financial. This list is not exhaustive, and the order of information does not reflect the probability of occurrence or the magnitude of any potential effect. The current geopolitical situation and conflict surrounding Russia and Ukraine creates additional risks, which may have significant impacts on the business of the Group and its business environment. Additional risks not currently known or that are currently considered immaterial could also have an impact on the Group's business, financial condition, operational results and prospects, decisions of regulatory authorities in the EU, the UK, Russia and other jurisdictions, including the suspension of trading of its GDRs on the LSE may affect the price of GDRs. We monitor and assess risks on an ongoing basis and we make efforts to control and mitigate such risks to the extent possible.

STRATEGIC: RISKS THAT INFLUENCE THE GROUP'S ABILITY TO ACHIEVE ITS STRATEGY

General Economic Situation and Operating Environment

Description

The Group and its subsidiaries operate mainly in Russia and other emerging markets. Emerging markets, such as Russia and Kazakhstan, are subject to greater risks than more developed markets, including significant economic, political, social, legal and legislative uncertainties. Moreover, the Group's business depends on demand in the Russian freight rail transportation market, which in turn depends on certain key commodity sectors and, accordingly, on economic conditions in Russia, Europe and elsewhere.

A decrease in production and 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 a technological shift, economic downturn, political crisis or another event in Russia or another relevant country (such as the recent conflict between Russia and Ukraine), may negatively impact the Group's business and growth prospects.

In addition to the human impact, the spread of Coronavirus (COVID-19) continues to affect global businesses and may lead to further and/or continued lockdowns, trade wars and turbulence in different currencies. The Group's outlook for 2023 may be further impacted by the Coronavirus outbreak, which continues to cause uncertainty.

Risk Management

The freight rail market may experience reduced demand stemming from the effects of COVID-19. The Company cannot predict the full impact of COVID-19 on its markets, business or prospects although they may be materially adversely impacted by the rapidly evolving situation. Also, the appearance of new pandemics or other dangerous illnesses could seriously affect the global and local business environment and lead to negative consequences for the Group's business. Significant levels of COVID-19 illness in the Group or its key clients could interfere with the stability of the Group's operations.

The sanctions imposed on the Russian Central Bank and a number of commercial banks, the restrictions for capital movements outside the Russian Federation, sanctions imposed by the United States, the European Union, the United Kingdom and a number of other countries on the biggest Russian industrial groups and other institutions, companies and individuals may adversely affect the business environment in which the Group operates and the prospects of the Group and may result in long-term disruption and economic downturn in Russia and/or the other countries to which the Group is directly or indirectly exposed. The restrictions on the export of certain Russian commodities or change in directions of supply for Russian commodities may have a negative impact on the freight rail transportation market and the Group's business.

The threat of sanctions against the Group's existing customers and the existing sanctions imposed, any deterioration in or threat to their financial condition and/or the temporary closure of certain markets (whether as a result of the current situation in Ukraine or otherwise) may decrease demand for the Group's services and/or negatively impact the Group's logistics.

Moreover, many businesses are taking a cautious approach to sanctions and export compliance matters and have adopted internal policies more restrictive than are strictly required by the applicable rules which may adversely affect the willingness of counterparties to deal with our business. In addition, the current situation in Ukraine has a negative impact on the Group's business and assets in Ukraine and/or on the ability of the Group to carry on business in Ukraine. Some of the Group's railcars which were in Ukraine or used to transport cargo from Russia into or through the territory of Ukraine (about 5% of the Group's Total Fleet) have been blocked in Ukraine.

The restrictions on Russian-based companies' ability to transfer capital outside the Russian Federation currently impacts and may further impact the ability of the Company's subsidiaries to make payments to the Company or to make payments between the Company's bank accounts in Russia and abroad. At present, the Group is unable to upstream material amounts of cash to the Company's bank accounts outside of Russia as a result of these restrictions. Further, the weakening of the Russian rouble against the US dollar and Euro and the accelerated inflation in Russia may have a negative impact on the Group's operating costs and costs of repairs. In addition, the Group may experience difficulties in making the payments due to potential refusal of certain banks to maintain the Group's bank accounts or to make payments from these accounts.

The situation in Russia and Ukraine and the resulting sanctions imposed on Russia and other persons connected to Russia by various countries around the world as well as sanctions and restrictive measures imposed by Russia may have unforeseen, long-term and far-reaching consequences for the global economy, the Russian economy and the freight rail transportation industry in Russia.

These consequences, including restrictions and limitations on the business activity of Russian companies (including access to funds located outside of Russia) and widespread and/or localised economic downturn and/or volatility, could have an adverse and unforeseen impact on the Group's business, operational results and financial effect on the Group's performance.

Controls and mitigating factors

Mitigation methodology involves understanding the political and economic uncertainties of the operating environment and the risks faced in 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 while the finance and business teams monitor economic developments and do the same. The counterparties, banks and transactions of the Group are constantly reviewed by the Group's compliance and legal teams to ensure full compliance with all applicable legislation. Risk managers have direct access to the Group's key management.

The Group maintains a balanced fleet as one of the cornerstones of its business model. A balanced fleet (between universal gondola cars, adaptable to the demand for the transportation of various bulk cargoes, and rail tank cars, which are used for the transportation of oil products and oil) enables the Group to adapt to market conditions and reduces its dependence on any one cargo flow. In addition, the Group has entered into long-term Service Contracts with several large clients.

Management assesses the possible impairment of the Group's tangible assets by considering the current economic environment and outlook.

Management believes that it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment. Management is closely monitoring the implications of recent sanctions imposed on the Russian Central Bank and various Russian businesses and individuals and of the global outbreak of COVID-19 and acts depending on the development of the situation. The Group constantly evaluates and implements options for distant work for its workforce to mitigate risks of spreading and catching COVID-19 illness.

Regulatory Risk and Relations with Government Authorities and State-owned Enterprises

Description

The Group is subject to regulatory risks relating to the operation of the Russian railway transportation market and railway industry reform. Any changes to the regulatory environment of the Russian railway transportation market or in other markets where the Group operates, including, but not limited to, railway tariff regulations and technical requirements for fleet operation and maintenance, could negatively impact the Group's business, its profitability and prospects for further business growth. Government authorities have significant influence over the functioning of the Russian railway transportation market. Any 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 and how it conducts its operations or less effective access to services dependent upon government authorities.

Risk Management

In addition, the Group relies on its relationship with and the services (including maintenance and repairs), infrastructure and information provided by RZD, an entity controlled by the state. While 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. Railway transportation regulations in countries bordering Russia may change, limiting the access of the Group's rolling stock to certain territories.

Controls and mitigating factors

Management of the Group regularly monitors changes to the regulatory regime of the railway transportation market in the countries in which it operates. The Group has a diversified portfolio of service providers (e.g. for rolling stock repair services), which allows it to use private repair depots (including three in-house repair facilities) to ensure less dependence on RZD-owned depots, obtain higher-quality service and minimise the costs of that service. RZD remains 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 going in the same direction) on some routes. The Group also continues to monitor market liberalisation reforms to ensure that it can take advantage of any opportunities when they arise. The Group monitors Federal Antimonopoly Service ("FAS") initiatives regarding railway tariff regulation and also seeks to minimise its exposure to adverse changes in RZD's regulated tariffs for the usage of infrastructure and locomotive traction by providing that these changes are adequately passed on to the Group's customers where possible.

Regulatory Risk, Risks of Banking System and Risk of Termination of Listing of the Company's GDRs on the London Stock Exchange ("LSE") and Admission to Trading, Sanctions

Description

Since late February 2022, the Russian economy and the Group's operating environment have been negatively impacted by the escalated military and political conflict between Russia and Ukraine and the associated international sanctions against a number of Russian institutions, companies, banks and individuals. These events have drastically changed the business environment of the Group and changed the regulation of business processes in a number of European countries, the US, Russian Federation and Ukraine. On 3 March 2022, the LSE suspended the trading of the Company's GDRs and as at the date of publication of this Annual Report this suspension is still in place. There is a risk that the admission of Company's GDRs to trading on the LSE will be cancelled due to a potential change in the listing rules of the LSE. In this case, the Company's GDRs may be converted into ordinary shares of the Company. The major clearing systems, Euroclear and Clearstream, have, as at the date of publication of this Annual Report, suspended the instructions for transfers and settlements of accounts connected to the Russian Federation. In addition, an increasing number of Russian banks have been banned from SWIFT, the global messaging system for financial transactions. The conversion between the Russian rouble and other currencies is, as at the date of publication of this Annual Report, not possible in most cases.

Following the sanctions, imposed by the EU on NSD, the major clearing systems Euroclear and Clearstream block the amounts payable through NSD, thus holders of GDRs traded on the Moscow Exchange may have difficulties with receiving dividends, if such dividends are paid through Euroclear and Clearstream clearing systems.

Controls and mitigating factors

Management is closely monitoring the situation with the assistance of legal and tax consultants and is ready to act depending on the developments. In addition, management will seek to maintain an open and constructive dialogue with any regulators to discuss any developments as they arise.

Constraints and Risks to Growth Strategies

Description

Business growth can be constrained by an increase in prices for new rolling stock and spare parts, underproduction of rolling stock, partial scrappage of the Group's rolling stock due to expiration of its useful life, sanctions imposed on Russian Federation and some Russian industrial groups, a limited supply of long-term funding, an increase in the cost of borrowing and/or adverse market conditions that can have a negative impact on the return on any investments.

Although the Group takes a conservative approach to investments, any deterioration in the market environment may negatively impact the profitability and payback period of investments in rolling stock, thus limiting the Group's return on its investments and ability to expand its business. Alongside pursuing organic growth strategies, the Group has expanded its operations through acquisitions in the past and may pursue more in the future if appropriate opportunities arise. The pursuit of an acquisition strategy entails certain risks, including problems with integrating and managing such new acquisitions. The expiry of long-term Service Contracts with its key customers may also limit the Group's growth opportunities as these may result in volatility in logistics, a reduction in the Group's business volumes and/or profitability of its operations.

Controls and mitigating factors

Any acquisition of rolling stock is matched against projected demand for railway transportation and the economically viable expected payback period for such investments. The Group cooperates with numerous rolling stock producers in Russia and other CIS countries without placing too much reliance on any particular supplier. The Group is also focused on the diversification of its business. Any valuation of an acquisition target is subject to review by external advisers, and fairness opinions are normally provided by reputable appraisal companies to the Group's Board of Directors when a transaction is considered.

Risk Management

Competition and Customer Concentration

Description

The Russian freight rail transportation market is highly competitive in terms of unregulated operators' services tariffs. The ongoing market consolidation may lead to greater price competition. The risk of an irrational supply of railcars on the market by railcar producers and/or irrational behaviour of competitors (including new market entrants) may place additional pressure on the profitability of railcar operations and thus negatively impact the Group.

Competition between railway transportation and other means of transportation, including, but not limited to, oil product and oil transportation by pipeline, river and road, may negatively impact the Group's business volumes and profitability. The Group's customer base is characterised by significant concentration: the business is heavily dependent on a few large industrial groups and their suppliers, with its top 10 customers and their suppliers accounting for about 67% of the Group's Net Revenue from Operation of Rolling Stock in 2022. While the Group has long-term Service Contracts with several key customers, failure to extend and/or maintain the current Service Contracts or for such customers to no longer have the volume requirements they have had in the past may have a negative impact on the Group's operational results and financial performance.

Controls and mitigating factors

Globaltrans has significant competitive advantages that mitigate some of the risks of competition. These advantages include its strong reputation for high-quality service and reliability; its independent status; its long-term partnership with customers; its sophisticated operating capabilities; and its 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. About 59% of the Group's Net Revenue from Operation of Rolling Stock in 2022 was covered by long-term Service Contracts with several large clients. Such contracts provide additional stability and greater certainty regarding transport volumes for the Group. Globaltrans continues its focus on expanding business with small and medium companies to further diversify its customer base. In 2022, the share of small and medium companies amounted to about 33% of Net Revenue from Operation of Rolling Stock (2021: 32%). Furthermore, the Group's marketing function regularly monitors competitors' business strategies, their use of technology, their price strategies and industry trends.

Locomotive Traction and RZD Authorisations

Description

The Group is dependent on RZD to issue permits allowing 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, their utilisation could be lower. Furthermore, there is uncertainty about the prospects for, and the timing of, further deregulation of locomotive traction.

Controls and mitigating factors

The Group has a competitive advantage in providing freight rail transportation services to some clients, as 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 reliability of transportation for its clients. The Group has established controls to obtain the timely renewal of locomotive operation licences and the respective permits from RZD. The Group regularly monitors the progress of the reform relating to continued deregulation of locomotive traction. In addition, the Group's management actively participates in the development of the required regulation through various dedicated industrial organisations and partnerships.

Heightened Risk of Shareholder Activism

Description

GDRs of Globaltrans have been listed on the Main Market of the LSE since May 2008 (although trading has been suspended by the LSE since 3 March 2022) and on the Moscow Exchange since October 2020 with a free float of over 50%. Publicly traded companies are often subject to shareholder activism, and the Company's shareholders may seek to advocate for changes to corporate governance practices, social issues, or for certain corporate actions or reorganisations via media campaigns or other activities. Responding to these campaigns can be costly and time consuming and may have an adverse effect on the Group's reputation or ability to execute its business plan. In addition, the current geopolitical environment surrounding Ukraine and Russia may heighten the likelihood of these risks.

Controls and mitigating factors

The Group has an active shareholder engagement programme and seeks to maintain a constructive dialogue with the Company's major shareholders. Feedback from shareholders is provided to the Company's Board of Directors.

Risk Management

OPERATIONAL: RISKS THAT INFLUENCE THE GROUP'S OPERATIONAL EFFICIENCY

Current State and Quality of Infrastructure

Description

The rail network and physical infrastructure in Russia, owned and operated by RZD, as well as the networks and infrastructure of other countries on which the Group depends to operate its rolling stock, like Kazakhstan, Ukraine and other neighbouring countries, largely date back to the Soviet era. In some cases, these rail networks have not been adequately maintained, which could negatively affect the condition of the Group's rolling stock, performance and business. In addition, the oversupply of rolling stock, inefficient logistics at local destinations as well as maintenance and modernisation of rail infrastructure undertaken from time to time by RZD could negatively impact the average speed of transportation and therefore affect the operational performance of railcars. RZD tariffs for the use of the railway network and the provision of locomotive services are regulated by the FAS and are in principle "pass-through" items for the Group and other private freight rail operators. Meanwhile, RZD tariffs for the traction of empty railcars are in most cases a direct cost to 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 the tariff-setting methodology, could have an adverse effect on the Group's business. The railway infrastructure in Ukraine may also be partially damaged/destroyed following the military and political conflict between Russia and Ukraine.

Controls and mitigating factors

With immaterial exceptions, all of the Group's rolling stock is insured against damage. Moreover, as a freight carrier on the railway network, RZD 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 optimise logistics and minimise the risks of disruption. The Group monitors FAS initiatives to detect possible changes in tariff-setting methodology and tries to reflect relevant changes in contracts with customers.

Risks to Operational Performance, Including Inflationary Pressures

Description

Rising inflation in Russia and an increase in prices for spare parts and railcar repair works may increase the Group's costs and maintenance CAPEX, while the Group may have limited opportunities to increase tariffs to customers.

Controls and mitigating factors

Among the Group's key objectives are to increase operational efficiency and to focus on controlling and reducing costs. The Group seeks to diversify and control its supply chain to maintain cost efficiency.

Employees

Description

The Group's future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team and logistics and railway experts. 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.

Controls and mitigating factors

Adequate remuneration packages, which are in line with or above market levels, are offered to all employees and key managers and the remuneration of key managers is linked to the Group's financial results. The human resources function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are appropriate.

Customer Satisfaction

Description

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 the timely collection and delivery of cargo and availability of rolling stock, which is not always within the direct control of the Group because it is dependent upon RZD for locomotive traction and maintenance of infrastructure. Accordingly, timely delivery of cargo is highly dependent on a third party whose performance could be unsatisfactory to the Group's customers.

Controls and mitigating factors

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 and the majority of key customers stay with the Group for many years. In addition, the Group serves several key clients on a long-term basis and has recently added new contracts and extended others. The Group will also continue to monitor its third party service providers to ensure satisfactory performance standards are being met.

IT Availability/Continuity

Description

The Group uses specialised rail transport and logistics software to ensure the efficiency and effectiveness of its 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.

Due to recent sanctions imposed by the US, the European Union, the United Kingdom and a number of other countries, a number of IT solutions used by the Group will no longer be maintained by American, British and European Union suppliers.

Risk Management

The Group may potentially face risks related to access privileges, audit trails, authentication, authorisation, backup procedures, business continuation, change management (software and hardware), data integrity, disaster recovery, infrastructure, information/data security and cyber-attacks. The Group may lose access to IT products if third party providers do not renew commitments under existing or expiring service agreements. Further systems and products that the Group uses could cease to be maintained by third party service providers, requiring the Group to adopt new systems or products.

Controls and mitigating factors

Local IT specialists have introduced solutions to maintain the availability and proper licensing of IT services and ensure their recovery in case of disruption. Where applicable, the Group is working to identify and engage alternative suppliers of IT solutions. The IT function and internal audit function monitor all IT-related activities and performance for compliance with IT policies and procedures as well as regularly reviewing and maintaining business continuity plans and procedures.

Risks of Terrorist Attacks, Natural Disasters or Other Catastrophic Events Beyond the Group's Control

Description

The Group's business operations could be adversely affected or disrupted by terrorist attacks, natural disasters (such as earthquakes, floods, tsunamis, hurricanes, fires or typhoons) or other catastrophic or otherwise disruptive events — including changes to predominant natural weather, sea and climatic patterns, piracy, sabotage, insurrection, military conflict or war, riots or civil disturbance, radioactive or other material environmental contamination, an outbreak of a contagious disease or changes to sea levels — which may adversely affect global or regional trade volumes or customer demand for cargo transported to or from affected areas, or lead to denial of the use of any railway, port, airport, shipping service or other means of transport and disrupt customers' logistics chains. In addition, the Group may be exposed to extreme weather conditions such as severe cold periods and icy conditions that disrupt activities in ports that are destination points for customer cargoes. Furthermore, many of these events may not be covered by the Group's insurance or any applicable insurance may not adequately cover any resulting losses.

The Group's rolling stock could be adversely affected by unlawful acts in Russia or neighbouring countries. The occurrence of any such events may reduce the Group's business volumes, cause idle time for its rolling stock or disruptions to its operations in part or whole, subject the Group to liability, impact its brand and reputation and otherwise hinder normal operations. This could have a material adverse effect on the Group's business, results of operations or financial condition.

Controls and mitigating factors

The Group's rolling stock is insured against damage, and the responsibility for third-party losses caused by accidents on the network lies with RZD. The Group consistently monitors any disruptive events and applies a business continuity policy to:

- Ensure the safety of employees and human life;
- Maintain continuity of time-critical services;
- Minimise disruptions to clients and partners;
- Minimise the operational, financial and reputational impact.

COMPLIANCE: RISKS THAT INFLUENCE THE GROUP'S ADHERENCE TO RELEVANT LAWS AND REGULATIONS

Pending and Potential Legal Actions

Description

The Group is involved in legal actions from time to time. Such actions may have an adverse effect on the Group. The ambiguity of the law in Russia and CIS countries creates regulatory uncertainty and could result in claims from government authorities not expected by the Group.

Controls and mitigating factors

The Group runs its operations in compliance with tax, currency, sanctions, labour, customs, antimonopoly and other applicable legislation and constantly monitors any changes in the 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 rigorous review by all of the Group functions concerned and to a formal approval process prior to execution.

ESG Risks

Description

ESG risks include those related to climate change impacts mitigation and adaptation, environmental management practices, environmental protection and duty of care, working and safety conditions, respect for human rights, gender equality, supporting a culture in which all relevant stakeholders are valued and respected, compliance with relevant laws and regulations and ensuring compliance with regulations governing the protection of human rights, operational and occupational health and safety, and ESG practices in the jurisdictions in which we operate.

Controls and mitigating factors

Although rail is one of the greenest modes of transport, the Group is committed to the protection of the environment by seeking to reduce the environmental footprint of its business and develop a sustainable supply chain. The Group aims to ensure compliance with regulations governing the protection of human rights, operational and occupational health and safety, and ESG practices in the jurisdictions in which the Group operates. The Group promotes high ethical standards and respect for human rights. In January 2021, the Group formally adopted an ESG policy and also established the ESG Committee of the Board of Directors. The main purpose of ESG Committee is to oversee the development and implementation of the corporate environmental and social responsibility initiatives of the Group, monitor and review activities, and make recommendations to the Board of Directors of the Company on actions needed to address any issues identified or to make improvements where desirable.

More information on climate-related risks is available in the Sustainability Report on pages 94 to 99.

Risk Management

Compliance with Regulations and Sanctions

Description

The Group functions in several jurisdictions, including Cyprus, Russia and Ukraine. In addition, the Group has its GDRs listed on the LSE (although the LSE suspended trading of the Group's GDRs on 3 March 2022 and such suspension remains in place) and the Moscow Exchange. Thus, the Group is subject to the laws and regulations of those countries in which it is active, the regulations of stock exchanges on which its securities are traded and any applicable sanctions legislation, all of which may change from time to time. As a result of the situation in Ukraine, the United States, the European Union, Ukraine, the United Kingdom and a number of other countries have imposed heightened sanctions and restrictions on numerous Russian businesses, banks and individuals.

Controls and mitigating factors

The legal and compliance teams of the Group together with the external lawyers engaged by the Group monitor the applicable requirements in each of jurisdiction in which it is active and stock exchanges on which its securities are trading, including monitoring US personal and sectoral sanctions (SDN OFAC, SSI OFAC and CAATSA), EU and UK sanctions lists, special regulations imposed by the Russian authorities and the appropriate controls are in place to ensure that all subsidiaries of the Group comply with applicable regulations.

Fiscal Risk from Evolving Legal and Tax Regimes

Description

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. Any increase in applicable tax rates, as well as introduction of new taxes in the countries where the Group is active, may reduce the profitability of the Group.

Controls and mitigating factors

The Group has controls in place, including highly qualified and experienced personnel, to monitor changes in legislation and determine the appropriate action needed to minimise the risk of a challenge to such treatments by the authorities. For complex matters, the Group engages and cooperates with external consultants and law firms.

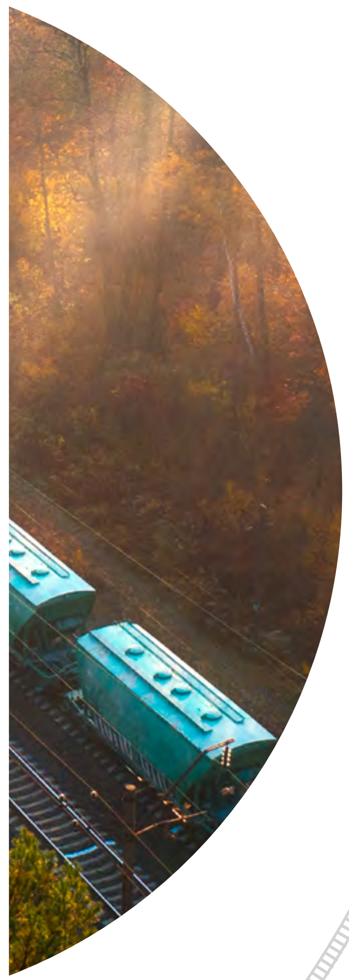
Impact of Brexit and Takeover Regulations

Description

From 1 January 2021, as a result of the end of the transitional period following the United Kingdom's exit from the European Union, as a company organised under the laws of Cyprus, the Takeover Panel no longer exercises shared jurisdiction over transactions involving the Company which would otherwise be subject to the Takeover Code, including takeover bids, merger transactions, or schemes of arrangement resulting the change or consolidation of control over the Company. In addition, from 1 January 2021, the LSE (where the Company's GDRs are admitted to trading) is no longer a regulated market as defined in Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments; as a result, the legislation in Cyprus regulating takeovers, including those requiring mandatory takeover offers in certain situations, no longer applies to the Company.

Controls and mitigating factors

The absence of Takeover regulations applicable to the Company allows existing significant shareholders, or persons acting in concert, to increase their holdings (or new significant shareholders, or persons acting in concert, to acquire more than 30% of the outstanding share capital of the Company) without being obliged to make a mandatory tender offer to other shareholders. The Group monitors developments in applicable regulations, making appropriate disclosures of any relevant new regulations and will make all required notifications of significant shareholdings (or changes in respect of such shareholdings) in the Company.



Risk Management

FINANCIAL: RISKS THAT INFLUENCE THE GROUP'S FINANCIAL PERFORMANCE

Currency Risks

Description

Currently, the Group has neither borrowings nor lease liabilities denominated in US dollars and therefore does not have formal arrangements for hedging foreign exchange risk with the exception of hedging foreign currency risk associated with dividend payments that are considered highly probable and the associated dividends payable that are declared in Russian roubles and paid in US dollars until their settlement. The Group may however keep bank balances in US dollars and other currencies. The Group therefore has limited exposure to the effects of currency fluctuations on bank balances between the US dollar and the Russian rouble.

Controls and mitigating factors

A large proportion of the Group's revenues and expenses are denominated and settled in Russian roubles. At present, the risks related to liabilities denominated in foreign currency are not material and are partly compensated for by assets and income denominated in foreign currency. The Group has refinanced all of its liabilities denominated in US dollars with long-term debt denominated in Russian roubles. Since 2008, the Group has taken action to mitigate currency risks and adjusted the profile of the borrowings in its credit portfolio. As of 31 December 2022, all of the Group's debt was denominated in Russian roubles.

Interest-rate Risks

Description

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. An increase in market interest rates in Russia may negatively influence the Group's profits.

Controls and mitigating factors

The Group enters into long-term borrowing and leases with financial institutions to finance purchases of rolling stock and acquisitions of subsidiaries. The Group borrows at current market interest rates and does not use any hedging instruments to manage the interest-rate risk. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable by ensuring that the Group has financial liabilities with both floating and fixed interest rates as appropriate. As of 31 December 2022, all of the Group's debt was at fixed interest rates. Management also considers alternative means of financing.

Credit Risk

Description

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 their affiliates and suppliers. Its top 10 clients accounted for about 79% of the Group's trade and other receivables as of 31 December 2022 and about 67% of the Group's Net Revenue from Operation of Rolling Stock in 2022.

Controls and mitigating factors

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Substantially all of the Group's bank balances are held with reputable banks. The Group also continues to explore opportunities to diversify its customer and supplier base.

Liquidity Risk

Description

The Group's business is capital-intensive. The current situation in Ukraine and the resulting increased and intensified sanctions imposed by the United States, the European Union, the United Kingdom and numerous other countries on Russia have had a negative impact on the Russian financial markets and have limited the Group's access to international sources of funding. Any lack of available funding and potential 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.

Controls and mitigating factors

The Group has a budgeting policy in place that allows management to control current liquidity based on expected cash flows. These include, among other things, operating cash flows, capital expenditure needs, funds borrowed from financial institutions and funds raised from listed debt instruments. Management continues to monitor the current environment and its potential impact on liquidity.

Sustainability Report

Sustainability

HIGHLIGHTS OF 2022

LTIFR[1] zero

(2021: 0)

1.4x

Increase in training hours

GPG[2] -1%

(2021: -3%)

88%

Overall employee engagement score

-9%

Decrease in total emissions (Scope 1 and Scope 2)

Green Office

Ongoing implementation of Initiative across the Group

Climate Disclosure

Further enhancement: analysis of climate-related risks and opportunities

OUR APPROACH

The Sustainability Report which is integrated into the 2022 Annual Report has been prepared in accordance with the sustainability reporting guidelines of the Global Reporting Initiative ("GRI"), Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations and in line with the non-financial and diversity disclosure information contained in the EU's 2014/95/EU Directive.

The overall aim is to achieve high standards in the areas of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards. The structure and content of this sustainability report reflect the relevant GRI Reporting Principles.

The details within this sustainability report cover the key results and activities of Globaltrans Investment PLC and its subsidiaries in the field of sustainable development for the year ended 31 December 2022.

ESG GOVERNANCE

Over the past few years, Globaltrans has improved its ESG governance structure to communicate and respond effectively to emerging ESG issues while proactively implementing sustainability commitments, initiatives and practices.

The ESG Committee has overall responsibility for the Group's sustainability strategy and is the Company's top unit in charge of its sustainable development issues. The Committee was created in January 2021 to support and direct the Group towards improving its sustainability-related practices and policies and its reporting and transparency. Its creation reflects the Group's conviction that behaving responsibly underpins our ability to deliver sustainable value for all our stakeholders. By assisting the Board with oversight of ESG-related issues, the Committee supports the development of a practical Group-wide approach to sustainability and disclosure. The Committee's efforts were bolstered by the adoption in January 2021 of a formal ESG policy that sets out formal ESG commitments and established lines of responsibility and accountability.

The ESG Committee consists of two Board members: Elia Nicolaou, Non-executive Director, who is the Chair, and John Carroll Colley, Independent Non-executive Director. In addition, Globaltrans CEO Valery Shpakov is actively engaged in all ESG-related matters, emphasising the importance the Group attaches to these issues.

[1] LTIFR (Loss Time Injury Frequency Rate) is the number of lost time injuries multiplied by 1,000,000, divided by the employee total hours worked in the reporting period.

[2] The Gender Pay Gap at non-managerial level is the difference between the average hourly earnings of a company's male and female employees who are below management level. Calculating the mean Gender Pay Gap involves adding the hourly rates for all male employees and then for all female employees in two groups and then dividing these totals by the number of male or female employees in each list. Then one needs to subtract the female hourly rate from the male hourly rate, divide the total by the male hourly rate, and multiply the figure by 100. This will give a percentage difference in pay.

Sustainability

MATERIALITY

Globaltrans identifies its material sustainability issues through a materiality analysis. Materiality is an important concept in the management of our sustainable development. It makes it possible to identify and consider the Group's key economic, environmental, social, and governance issues, as well as issues most likely to impact its stakeholders. Once identified, they are reviewed annually. The materiality assessment clearly demonstrates that external events such as COVID-19 or any potential change in Globaltrans' business activities can result in a revision of material issues. In 2022, social issues such as business resilience, employee wellbeing, support and development re-emerged as highly relevant issues for the Group.

How it works:

Step 1
Identification of material topics

We identified material topics relevant to the Group's business operation by carefully reviewing and analysing global sustainability trends, our sustainability performance, internal regulations and non-financial reports issued by peers.

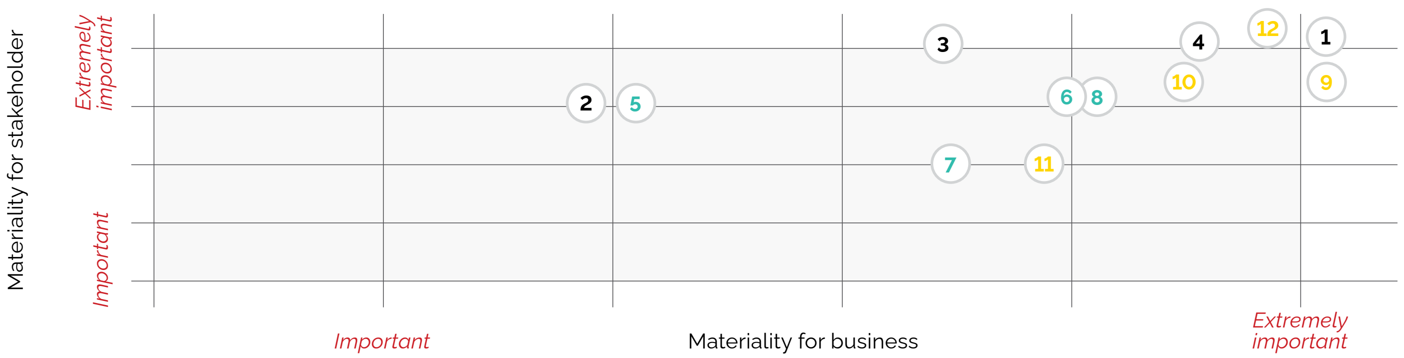
Step 2
Prioritisation of material topics

To develop a broader, deeper understanding of the materiality of the sustainability issues the Group faces, we sought input from a range of stakeholders (employees, shareholders, investors, clients, regulators and other authorities) on what mattered to them.

Step 3
Preparation of materiality matrix

We developed a materiality matrix to identify those topics that are deemed most important to the Group's system of sustainability reporting. A validity check was also conducted on identified material topics to ensure that all of them are disclosed in the Annual Report.

Materiality matrix



Economic impact

1 Economic performance
2 Socioeconomic development of regions
3 Business ethics, risk management and anti-corruption
4 Customer satisfaction

Environmental impact

5 Risks and opportunities posed by climate change
6 Management of carbon footprint
7 Reduction of energy consumption
8 Compliance with environmental laws and regulations

Social impact

9 Employee education and development
10 Employee motivation
11 Diversity and equal opportunity
12 Occupational health and safety

ESG COMMITTEE CHAIR'S MESSAGE

In 2022, as the world recovered from the COVID-19 pandemic, we faced another set of social and economic challenges and an unprecedented macro environment. Nevertheless, even during these highly uncertain times Globaltrans continued to operate efficiently, ethically and responsibly. We acted responsibly towards our employees, our clients and the community at large, and maintained our commitment to a wide range of sustainable practices.

In my two years serving on the ESG Committee, I have seen positive progress and a gradual transformation in Globaltrans' corporate culture, employee perceptions, internal procedures and decision-making mechanisms. In addition, we have taken further important steps to advance the governance of our ESG processes at all levels of the Group since this ensures a solid foundation for effective management and accountability.

The ESG Committee's responsibilities include not only managing and overseeing the Group's environmental, social, and governance initiatives but also ensuring that high-quality ESG information is provided to all of our stakeholders. And so I am pleased to share with you our fifth integrated Sustainability Report, which outlines our ongoing initiatives to integrate ESG standards more deeply into the organisation.

In terms of environmental responsibility, in 2022 we fully complied with all the relevant environmental rules, regulations and laws during the reporting period. Our total emissions (Scope 1 and Scope 2) decreased by 9% year on year.

As part of our ongoing commitment to lessen the Group's environmental footprint, we launched the Green Office Initiative and embarked on a small tree-planting project which we intend to expand over the next few years. In addition, recognising the vital importance of global action on climate change, we published our second climate-related disclosure in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"). In order to meet the standards set by TFCD, we sought to identify and evaluate the risks and opportunities for the business associated with climate change.

In terms of social issues, looking after our people is even more important during uncertain times. Therefore, in 2022 we remained committed to fulfilling our obligations to our employees. The fact that we could state that we had met our "zero harm" target in 2022 is evidence of the high priority Globatrans gives to workplace safety.

The Group invested considerable time and effort into strengthening its Human Resources practices. For example, we increased the total number of training hours in our educational programme by 1.4 times to better support our employees' development. In addition, the Group is committed to keeping lines of communication open with its employees through a range of engagement channels. In 2022, we conducted our first employee engagement survey, which provided important insights on staff engagement, staff development, well-being, and culture. We are encouraged by the positive employee engagement score of 88%. The Group always considers employee input and feedback when making decisions about organisational changes and improvements. For instance, improvements were made to the benefits package for employees, as a result of the findings of another pulse-survey conducted last year. As for the wider community, the Group continued its long-standing partnerships with and support for various charitable organisations throughout 2022.

In conclusion, I am pleased to note the improvements we made in 2022. Furthermore, I can assure you that Globaltrans will continue to uphold its commitment to sustainable business development, report on its progress and create value for its stakeholders.

Elia Nicolaou
Chair of the ESG Committee,
Non-executive Director

Sustainability

OUR ESG JOURNEY

The timeline shows some key highlights and progress we have made to date.

2018

- Publication of our first Sustainability Report in accordance with GRI standard
- First time reporting of Scope 1 emissions
- Privacy Policy introduced

2020

- Introduction of various social policies such as Human Rights, Corporate Diversity and Inclusion and Freedom of Association Policies
- Environmental & Energy Policy adopted
- Suppliers' Code of Conduct introduced
- Introduction of Group-wide LTIFR measure of employee health & safety
- Website relaunched with a separate Sustainability section

2021

- ESG Committee formed
- ESG Policy adopted
- First time reporting of Scope 2 emissions
- Publication of first climate-related report in accordance with TCFD recommendations
- Improvement in ESG ratings and ranking positions (Sustainalytics, Expert RA)

2022

- Health and Safety Policy adopted with LTIFR maintained at 0
- Strengthening of HR practices. Employee engagement survey held
- Green Office Initiative introduced

KEY ESG ACTIVITIES:

Corporate governance

The objective of corporate governance is to support the Board in its efforts to provide effective, transparent and ethical oversight of the Group. Our governance framework is in line with the highest international standards supporting the Board to make decisions that are in the best long-term interests of the Group and its communities that will create value for all its stakeholders.

Employees

Creating and sustaining a safe workplace is the key role of a responsible employer. Our goal is to enable people to work with dignity and respect, to provide opportunities for growth and development and to create a just and rewarding work culture. We also ensure that we operate in full compliance with all applicable employment legislation.

Environment

Employing more energy-efficient practices, reducing carbon emissions and promoting recycling are means by which we work to minimise the adverse impact of Globaltrans' activities on the environment.

Communities

We are very conscious of the role we play in supporting our communities. We do this through our employees' interactions, the opportunities our businesses create and the economic value that our Company generates. We also actively contribute to community initiatives and provide direct support to important community causes through charitable giving.

Globaltrans continuously strives to improve the way it controls, manages and mitigates the impact of non-financial risks, which include strategic, operational and compliance risks. This is not simply to satisfy regulatory obligations but also to meet the expectations of our stakeholders. Further details on Globaltrans' Risk Management are set out on pages 51 to 67.

Sustainability

STAKEHOLDER ENGAGEMENT

At Globaltrans, we believe that regular and consistent engagement is crucial for building effective long-term relationships with stakeholders. As a part of our commitment to being a responsible and trusted business, we have always strived to maintain an open, ongoing and two-way dialogue with our various stakeholders. It gives us a clear understanding of their needs, views and priorities and enables us to reflect them in our business, make better decisions, balance different interests and identify material issues, potential risks and opportunities. Through a year-round programme of active engagement using various channels and processes, we strive to improve transparency for our stakeholders and deepen their understanding of our strategy, performance and initiatives.

In terms of our day-to-day operations, Globaltrans' stakeholders include employees, customers, investors, government and regulators and our local communities. At the Group level, we maintain ongoing contact with investors, shareholders, credit rating agencies, financial institutions and the media.

In 2022, due to the challenging macro environment, demand for information and communication increased. The Group devoted considerable time and effort to maintaining close engagement with our stakeholders to address their concerns and respond quickly to information requests. We continued to be responsive, transparent and accountable in terms of our reporting. We continued to use digital means of communication in 2022 for a large number of client engagements, investor roadshows and conferences.

The corporate website is the main source of information on the Company: news releases, results presentations, webcasts, current and historical financial information, market statistics, and other important data can be found there. We have a separate section on Sustainability, in light of our increased commitment and reporting on this important issue.

STAKEHOLDER ENGAGEMENT MECHANISMS

Employees

Mechanisms of engagement

- Intranet
- Labour-management consultations
- Staff surveys
- Corporate booklets, information boards
- Regular, direct communication between managers, teams and individuals
- Career development, training and performance reviews

Outcomes in 2022

- Zero-harm target achieved with LTIFR maintained at 0
- Number of training hours up 1.4x due to expansion of training programmes and increased volume of safety training
- First employee engagement survey held
- Provision of social benefits and guarantees, including medical insurance
- Improvement of employee benefit packages as a result of pulse surveys

Shareholders and investors

Mechanisms of engagement

- Open, effective and transparent communication
- Investor Relations website
- Dedicated Investor Relations team
- Annual General Meetings
- Corporate reporting, webcasts
- Broker-hosted investor events and roadshows, conference calls, and Company-initiated roadshows
- Social media channels

Outcomes in 2022

- Information disclosure on a semi-annual basis
- Analyst and investor events and webcasts
- Virtual non-deal roadshows with institutional investors
- Series of investor meetings with retail investors
- Publication of Annual Report and integrated Sustainability Report along with the climate-related disclosure
- Completion of numerous ESG questionnaires received from investors, financial institutions and rating agencies
- Interaction with credit rating agencies

Customers and business partners

Mechanisms of engagement

- Regular meetings, presentations, and formal consultations
- Customer analytics, customer evaluation system
- Industry conferences and forums
- Customer satisfaction surveys
- Transparent supply chain

Outcomes in 2022

- Strong portfolio of Service Contracts maintained contributing about 59% of Net Revenue from Operation of Rolling Stock in 2022

Sustainability

STAKEHOLDER ENGAGEMENT MECHANISMS

Government, regulators and professional authorities

Mechanisms of engagement

- Regular communication with regulators/policy makers on industry issues
- Industry and regulatory forums

Outcomes in 2022

- Participation in industry associations including the Council of Railway Operators and the Russian Union of Transport Workers

Local communities

Mechanisms of engagement

- Corporate philanthropy and charitable contributions
- Community investment

Outcomes in 2022

- Assistance to support socioeconomic development of our communities
- Regular contributions to aid charitable projects (In 2022 the Group supported the Life Line Charity Fund, Doctor Liza's charity foundation and other organisations.)

Media

Mechanisms of engagement

- Communication with media representatives
- Transparent disclosure through various channels
- Dedicated media section on corporate website
- Dedicated media relations contacts
- Press conferences and exhibitions

Outcomes in 2022

- Distribution of news and information announcements
- Providing access to results webcasts with CEO & CFO
- Responding to media queries
- Interviews with senior management, ad hoc commentary on industry issues, and responding to journalists' questions

ETHICS AND BEHAVIOUR

A good reputation is an important asset for every business, as it testifies to the trustworthiness of our employees, business partners, investors and other stakeholders. At Globaltrans, we have always strived to maintain our good name by being a strong values-based company. We are committed to operating to the highest ethical and professional standards and to ensuring that all our business dealings are conducted openly and transparently. We have a number of Group policies that express the high standards we are committed to upholding. Each policy has been endorsed at the Board level.

Our ***Code of Ethics and Conduct*** defines the corporate values, the basic principles of business conduct, and the ethical commitments that the Group and its employees must put into practice on a daily basis. It describes the Group's principles with respect to confidential information, anti-bribery, conflicts of interest and reporting concerns. The Code is intended to help our employees become aware of the responsibilities that each one of them has and to understand what is expected of them to ensure compliance with our policies and all relevant laws and regulations.

We do not tolerate any violations of the Code. All employees are required to read and fully understand the Code and sign an acknowledgement to this effect.

We strongly believe that sustainability is about cooperation. Our partners are an integral part of our business, and how they behave also reflects on us. Therefore, they must understand and commit to upholding the same ethical standards as we set for ourselves. Accordingly, in 2020 the Group formally adopted a ***Supplier Code of Conduct***, based on the principles set out in the UN Global Compact, which describes what Globaltrans expects from its suppliers with regards to business ethics, human and labour rights, employee relations, health and safety and other related topics. By building on our shared values, Globaltrans and its suppliers can create stronger and more successful businesses. We are glad that nearly all our business partners adhere to the highest ESG standards, comply with all the environmental and social regulations and provide voluntary disclosures on sustainability matters.

Globaltrans has adopted a number of formal Group-wide policies that address human rights, freedom of association, data protection, diversity and inclusion, and supplier conduct. These documents are subject to ongoing review and monitoring to ensure their relevance and compliance with legal requirements. The Group requires all employees to acknowledge that they understand and accept the relevant policies. All the documents are publicly available and can be viewed on the Company's website.

The fundamental rights and freedoms of individuals are an important concern for Globaltrans in its relations with employees and partners. We are committed to maintaining strong human rights and labour practices not just in our own operations and business network, but within the broader community as well. We act to create a fair, equal, healthy, safe, and engaging work environment for all employees. That also means a commitment to respecting human rights.

Tolerance	Impartiality	Respect	Equality for all	Safety
Understanding and respecting diverse cultures and people with different views	Acting objectively and professionally	Acknowledging people's abilities, qualities and achievements and complying with all applicable labour laws	Creating opportunities and a working environment that excludes any form of discrimination	Compliance with required rules to create a safe and healthy workplace

Sustainability

ETHICS AND BEHAVIOUR

Our ***Human Rights Policy***, introduced in 2020, sets out the minimum human rights standards that everyone who works for and with Globaltrans must meet. To ensure that we are continually progressing on this front, we regularly review our conduct, policies and training and incorporate any required changes or learnings into our operations. Our approach is consistent with international human rights standards such as the UN Guiding Principles on Business and Human Rights. Our commitment to human rights is also clearly stated in our ***Code of Ethics and Conduct, Supplier Code of Conduct***, and in our ***Diversity and Inclusion Policy***.

A diverse and inclusive work environment is rewarding for our people and ultimately for our business. By treating everyone with dignity and respect, by providing equal opportunities regardless of ethnicity, gender, religious beliefs, nationality, age or any physical disability, we can create an environment where people can be themselves and excel in what they do. Our ***Diversity and Inclusion Policy*** details our commitment to creating an inclusive and welcoming environment. That commitment is supported at the highest levels within the Group and is reflected in our approach to new appointments and Board membership.

Alongside our commitment to inclusivity is our respect for all applicable labour laws and regulations and our recognition that it is a fundamental right of Globaltrans employees to form and join workers' organisations and to engage in collective bargaining. This is enshrined in our ***Freedom of Association Policy***, adopted in 2020, which reflects the Group's commitment to respecting employees' choices and maintaining a regular and constructive dialogue with them and their designated representatives[1].

Globaltrans has a zero-tolerance approach to bribery and corruption in all its forms. While this is detailed in our ***Anti-fraud Policy***, we have always endeavoured to act ethically, professionally, fairly and with integrity in all our business activities and relationships. We are very clear on the standards of conduct that all employees must adhere to, and we provide guidance on how to avoid and recognise unacceptable behaviour. Our approach is consistent with all applicable regulations and we have established rules and procedures to deal with any alleged violations. We ensure that each employee understands the types of violations that can occur within their area of responsibility and closely monitor for any signs of potential non-compliance.

To support this, the Group maintains a ***Whistleblowing Policy*** which encourages the investigation and reporting of improper activities, including non-compliance with our ***Code of Ethics and Conduct***, and helps fosters a culture based on honesty and good behaviour. We encourage employees to speak up and report any concerns that they may have. We provide confidential, safe and secure mechanisms for anonymous reporting of suspected violations, as well as safeguards and support for those who report such breaches.

Senior management meets regularly to discuss, inter alia, anti-fraud and anti-corruption measures. During 2022, no instances of alleged fraud, bribery or corruption were reported within the Group.

We are committed to protecting the personal data and respecting the privacy of our stakeholders. We comply with the EU General Data Protection Regulation (GDPR) which was adopted in April 2016. Data privacy and security are of the utmost importance to the Group and we have a dedicated ***Privacy Policy*** that can be accessed on the Group's website.

[1] At the end of 2022, 31% of BaltTransServis' ("BTS", a 100% subsidiary of Globaltrans) workforce was covered by collective agreements. There are no such agreements in other Group subsidiaries.

1,768
Total headcount

78,106
Total training hours

29%
Share of women in the workforce

88%
Overall employee engagement score

EMPLOYEES

Our people are our biggest strength and driving force. Their expertise, commitments and determination are crucial to the success of Globaltrans. We place great emphasis on the well-being of our employees and we are fully committed to creating a safe and supportive workplace, promoting equal opportunities and encouraging professional growth.

As an employer, we must foster a culture where employees can thrive and feel respected, listened to, and appreciated. This approach is in line with our culture and the fundamental values of the commitments, policies, and initiatives of the Group. We are dedicated to establishing the right conditions in which employees can work effectively and advance their careers. At Globaltrans, we offer fair remuneration that recognises individual performance. In doing so, we strive to encourage our people to realise their full potential by providing them with expertise, education and training opportunities.

We apply a zero-tolerance approach to all forms of discrimination, hostility, harassment or unprofessional behaviour.

We continue to prioritise our employees' safety. We have made a stronger commitment to health and safety issues in recent years. We have put in place the appropriate frameworks, health and safety policies and training programmes to ensure our employees can work safely. As a result of these actions, we have been able to enhance our overall safety performance.

At our Company, we strive to effectively manage people issues through our robust HR strategy and policies that define our philosophy and values. These policies are related to human rights, health and safety, workplace relations, performance and development processes and non-discrimination.

Our core policies and guidance include:

- Anti-fraud Policy;
- Code of Ethics and Conduct;
- Compensation and Benefits Policy;
- Diversity and Inclusion Policy;
- Freedom of Association Policy;
- Health and Safety Policy;
- Human Rights Policy;
- Internal Code of Labour Conduct;
- Regulations on Contractual Work;
- Regulations on Business Trips;
- Regulations on Protection; of Personal Data of Employees.

All these policies are intended to ensure compliance with the appropriate labour and social standards as well as all local laws and regulations relating to compensation and benefits, recruitment, working practices, equal opportunities, diversity and discrimination. We take immediate action to address and investigate any suspected violations or issues which are brought to our attention.

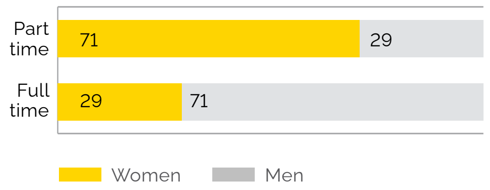
In 2022, we continued to improve our HR management procedures and activities at both the Group and subsidiary levels.

Sustainability

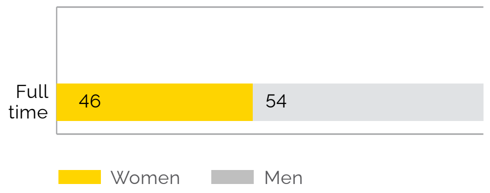
Workforce size and mix

In 2022, average employee headcount increased 2% year on year to 1,781 employees[1] (2021: 1,750). Overall headcount as at the year end declined 1% compared to 2021 to 1,768 employees (2021: 1,777). BTS continued to employ the most people within the Group as a result of the continuing shift to employing in-house locomotive crews. Our workforce comprises 29% of women and 71% of men. We have a young talent pool with more than 65% of our employees within the age group of 30–50 years.

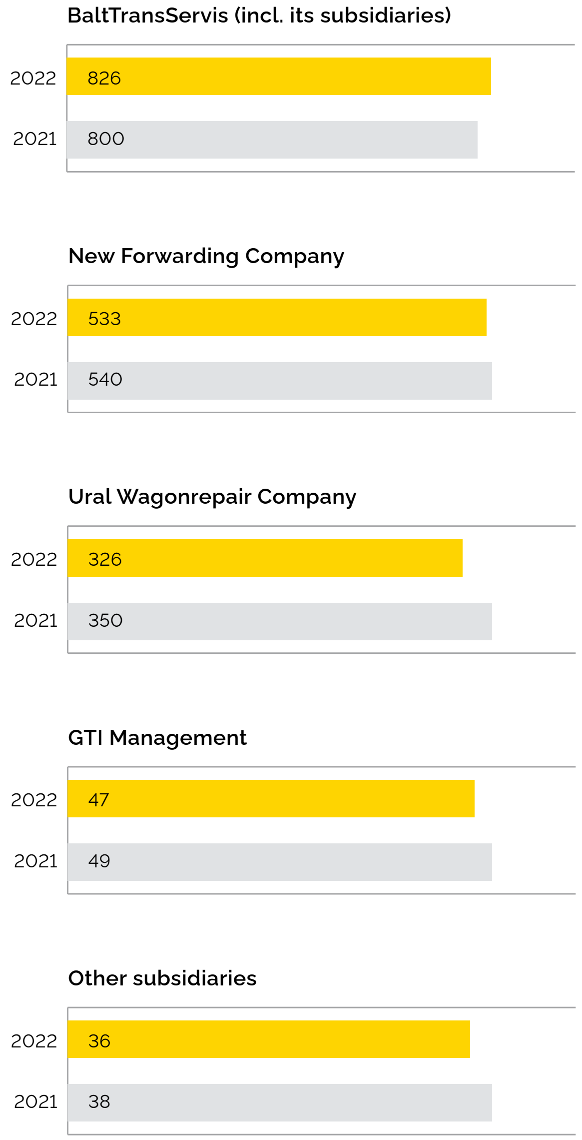
Permanent contract in 2022 (at year-end)



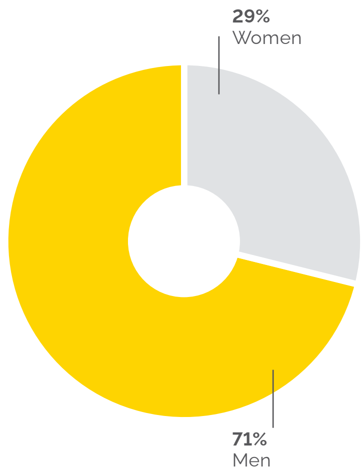
Temporary contract in 2022 (at year-end)



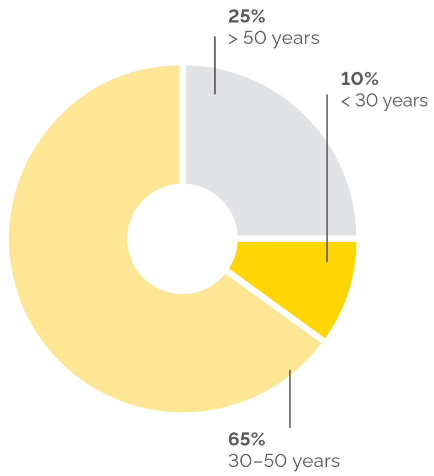
Headcount by companies in 2021–22 (at year-end)



Headcount by gender in 2022 (at year-end)



Headcount by age in 2022 (at year-end)



Source: Globaltrans

Diversity

Equality, inclusion and diversity are fundamental building blocks that must be seen by every company as a source of strength, and integrated into the culture and business strategy. We firmly believe that our different backgrounds and perspectives enable us find better business solutions, attract and retain the best people, and help make Globaltrans a better place to work.

At Globaltrans, we foster a culture of equal opportunities and rights between men and women, nationalities, religious affiliations, sexual orientation and people with or without physical disabilities. Our philosophy is to treat everyone with fairness and respect. We value and embrace our employees' individuality and respect them for their performance, talents, and contributions.

By offering equitable employment to all of our employees, we want to eliminate all forms of discrimination. The Group's **Diversity and Inclusion Policy** outlines this zero-tolerance approach to discrimination, and any violations are cause for disciplinary action. This approach seeks to ensure that no cases of discrimination occur.

At Globaltrans, our commitment to diversity extends to all aspects of our activities, including recruitment, employee retention, promotions, compensation and benefits, career development and training, working conditions, and Board appointments.

The Group has always sought to drive greater equity across the organisation and to provide equal pay opportunities for both women and men. To help increase the transparency of our diversity data, we analyse and publish our Gender Pay Gap[2] figures. The gender pay gap relates to differences in average pay between men and women within an organisation; it does not compare the wages paid to men and women for doing identical or similar jobs (known as equal pay). In 2022, the average Gender Pay Gap in our non-managerial workforce was –1% (2021: -3%), indicating that the average hourly wage of female employees is higher than that of male employees. This reflects the fact that there are proportionally more men in lower-skilled roles.

We are committed to building a more diverse workforce and a more inclusive workplace where everyone feels accepted, respected and empowered. Historically, the freight rail transportation sector has been male dominated. By concentrating on attracting more women into the workforce, we are progressively and successfully addressing the gender imbalance within our Group.

[1] The difference between the headcount and the average headcount is due to different calculation techniques. The headcount is presented as at the end of 2022, while the average headcount is calculated by summing up the number of employees on the list in each month of the reporting period and dividing this sum by the number of months.

[2] The Gender Pay Gap at non-managerial level is the difference between the average hourly earnings of a company's male and female employees who are below management level. Calculating the mean Gender Pay Gap involves adding the hourly rates for all male employees and then for all female employees in two groups and then dividing these totals by the number of male or female employees in each list. Then one needs to subtract the female hourly rate from the male hourly rate, divide the total by the male hourly rate, and multiply the figure by 100. This will give a percentage difference in pay.

Sustainability

As at year end 2022, women comprised 29% of our workforce. At the Board level, women comprised 14% of the Board of Directors (two Board members).

The second priority of how we manage diversity is the inclusion of employees with disabilities. We believe it is important not only to hire people with disabilities, but to create an environment where people with disabilities can easily work. There are currently 25 employees with disabilities whose daily contributions help the Group meet its business goals and achieve success.

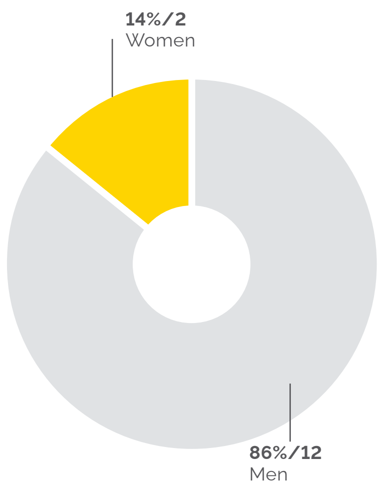
Training and education

Developing talent and improving employee performance are essential to a business' long-term competitiveness and success. We strive to retain our people and their knowledge and enable them to grow professionally by providing them with the experience and skills they need. To better understand the exact capabilities our employees need, we look at identifying the training needs of each employee in our organisation.

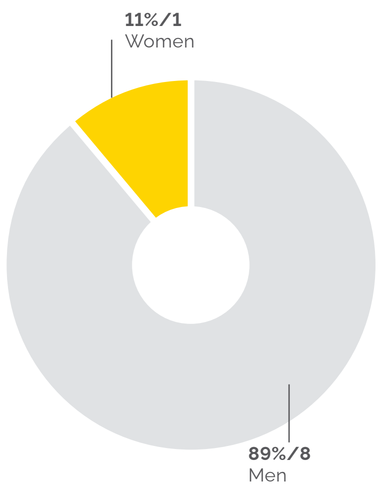
To help our people improve their skills, contribute more effectively, and become more future-ready, we regularly host training events, seminars and skills workshops tailored to individual work requirements. Many of the training and development courses we offer, including those that cover sustainability, social, strategic and personal development issues are available online through our intranet.

Diversity matrix in 2022 (at year-end)

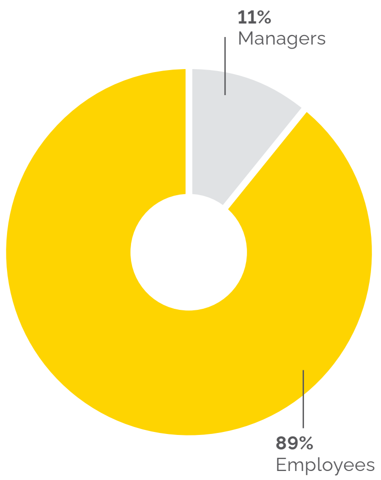
Percentage of Board members



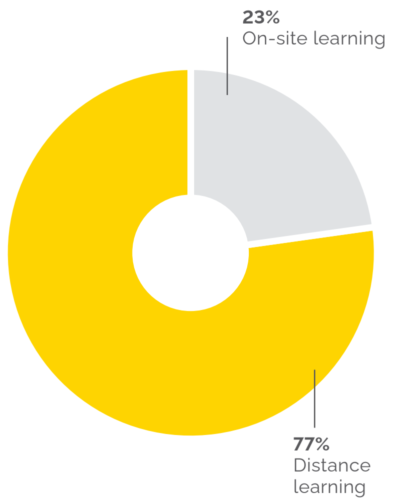
Percentage of Executive management



Distribution of training among employees by employee categories in 2022

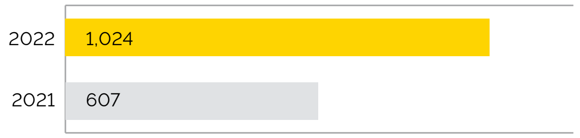


Main types of training formats in 2022



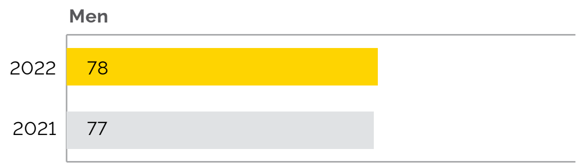
Source: Globaltrans

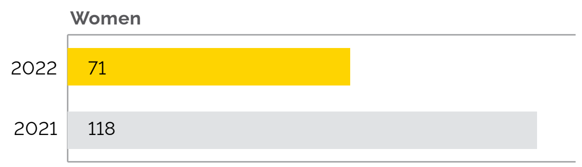
Number of employees participating in training



Average training hours per employee (participating in training)

Average training hours by gender





By offering an array of training and development tools, we keep our employees engaged in their jobs and with the Company.

Over the course of 2022, the Group increased the number of training hours by 1.4 times, devoting 78,106 hours to learning and development activities (2021: 55,780 hours).

Those areas where training was provided included health and safety, accounting, business administration, environmental safety, information technology, financial management and marketing, as well as the development of technical and soft skills.

In 2022, the majority of learning activities remained digital, with 77% of all training and development happening online. The COVID-19 pandemic has accelerated our digital transformation, especially in two key areas: deepening digital literacy for all our employees and advancing the digitisation of processes.

Motivation

We strongly believe that sustainable success can only be achieved with employees who are satisfied and committed. Therefore, good human resources practices aimed at empowering our employees are extremely important for the development of our business. Globaltrans is taking proactive steps to achieve continual improvement by trying to provide the best possible employee experience. Our goal is to inspire and motivate our people and provide them with a safe, creative and collaborative workplace and culture. We are determined to keeping in close touch with our colleagues and meeting their needs. We can best serve our people by listening carefully, collaborating together and adapting. We help them monitor their performance and achievements through ongoing feedback.

We are committed to maintaining a motivated and productive workforce that values being part of Globaltrans. To retain talent within the organisation, we must continually improve working conditions, provide career development opportunities and offer attractive compensation and benefits as well as rewarding work and opportunities for learning and development. Our staff reward packages can vary for every subsidiary and include but are not limited to:

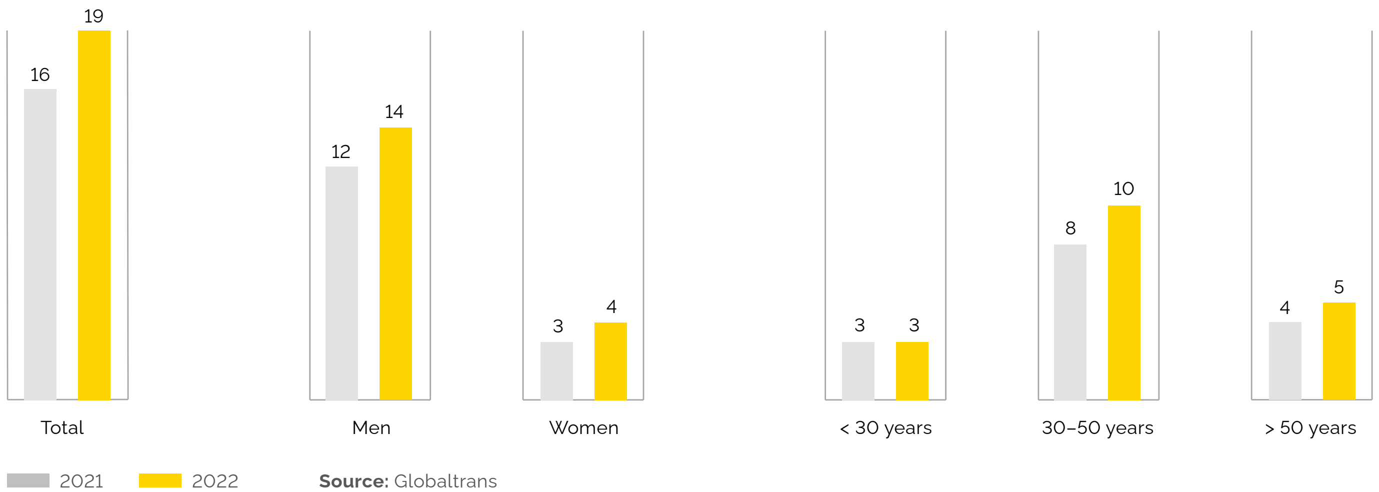
- Social insurance (compensation and paid leave in case of pregnancy, childbirth, and childcare);
- Medical coverage for employees and their closed ones;
- Reimbursement of home-to-work transportation costs and fuel expenses for personal travel;
- Gym membership;
- Education of employees' children and grandchildren.

In addition, the Group reviews different types of requests and provides financial assistance in challenging circumstances and on special occasions. Eligible employees can participate in various incentive schemes operated by the Group.

In 2022, our overall staff turnover rate increased to 19% (14% for men and 4% for women) (2021: 16%). The majority of leavers were from Uralwagon Repair Company and BTS, two subsidiaries with a bigger number of technical staff. The Group intends to work to reduce the level of employee-related terminations. The HR function of each subsidiary conducts exit interviews to analyse the reasons and to help improve retention practices and loyalty among our employees.

Sustainability

Employee Turnover Rate based on gender and age, 2021–22, %



Source: Globaltrans

Corporate culture and internal communications

Globaltrans strives to be a people company. Respect, mutual appreciation, transparency and collaboration form the basis of our corporate culture. We believe that these values contribute to sound business decisions, foster a trustworthy and supportive workplace, and help to achieve better outcomes in everything we do.

At Globaltrans, we listen to every employee's voice. For us, it is a powerful way of helping our business grow and progress. That is why we prioritise, promote and practice open communication with our people.

All employees are encouraged to raise any issues and concerns and provide input and feedback to improve the business. Our communication channels enable everyone to learn more about our performance, major events and projects, and to connect with senior management. To understand our employees' needs and improve their experience, we conduct various surveys and some Group subsidiaries also have employee intranet and helplines.

In 2022, we conducted our first staff engagement survey, which we consider a key indicator of how effective our HR management is. It gave us an opportunity to learn from our people about their experiences of working at Globaltrans. Overall employee engagement score stood at 88%. The findings revealed that employees support the Company's objectives and have confidence in the Group's strategy and future success. This feedback is invaluable in helping to refine our HR approach to key issues like compensation, professional development, staff communications, and topics around work-life balance, wellbeing and job satisfaction. The survey findings also help to improve dialogue between managers and employees.

For example, colleagues expressed a desire for more perks as part of the employee benefits package and for greater learning and development opportunities to help progress their careers. As a result, the Group took the necessary steps to address these issues.

To boost employee engagement, engender a sense of unity and promote better teamwork, we also regularly host sports, cultural and recreational events for our employees and their families.

Health and safety

As a proactive and responsible employer, Globaltrans places the highest priority on health and safety and wellbeing of its employees. The Group is committed to maintaining high standards of occupational safety and to complying with all health and safety regulations and legislation. This approach has been firmly embedded in our culture for many years.

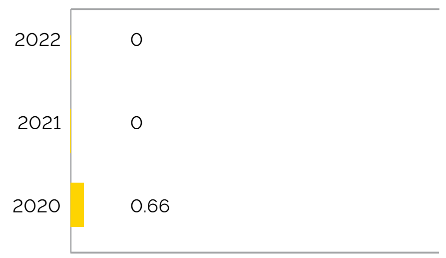
Our ***Code of Ethics and Conduct and Human Rights Policy*** sets out our commitment to act in a socially responsible manner that protects our people, suppliers and partners, all of whom we expect to share that commitment. Globaltrans has health and safety procedures, practices and policies which are being continuously reviewed. We strive to ensure that all levels of the Group conform to the rules. Our Group companies are implementing the following policies:

- Fire-safety instructions;
- Instruction for carrying out health and safety briefings;
- Instruction on pre-medical first aid;
- Occupational safety regulations;
- Workplace safety guidance for PC users.

Following the COVID-19 pandemic and the tragic accident in 2020, that claimed the life of one of our colleagues, the Group took the decision to reconsider and reinforce all aspects of its safety culture in order to take it to the next level. Our vision for occupational health and safety is zero harm. For us, this means taking every precaution to reduce each potential risk to zero. In 2022, we formulated and shared our philosophy on occupational safety in the Group's ***Health and Safety Policy*** in order to strengthen our workplace safety programme. It is intended to provide guidance on safety-complaint conduct and to help us improve and promote our culture of zero harm and risk awareness among our people, thereby reducing the number of work-related incidents. Whilst we have a positive occupational health and safety track record because most of our employees work in a low risk environment, we remain focused on our ultimate target of zero incidents.

Safety is always a team effort. We encourage our employees to adopt good health and safety practices and to make the right decisions about their everyday wellbeing. As a responsible employer, we provide appropriate information and training opportunities to all employees to prevent future workplace incidents. General safety awareness and training is undertaken by all employees. We also have job specific training applicable to the area of work. Over the last few years, the number of training sessions on safety increased significantly.

Loss Time Injury Frequency Rate (LTIFR), 2020–22



Our HR department and safety experts collaborate closely with our employees, employing a systematic approach to managing the work environment, that involves analysing work-related risks, evaluating how applicable rules and policies are implemented, and identifying where there is scope for further optimisation. We conduct regular safety spot-checks to ensure that they continue to meet high standards. In 2022, we increased the number of workplace safety audits to 526 visits (2021: 173 visits).

In 2022, thanks to the efforts of our employees, Globaltrans reported zero work-related incidents for the second year in a row. Our continued focus on implementing best practices has meant we have made significant progress enhancing employee safety over recent years. We again achieved the target of a zero LTIFR in 2022.

We are pleased that Globaltrans is making progress, that our policies and procedures are working, and that the safety training programmes we offer are making a positive difference. Nevertheless, going forward, our approach to health and safety will continue to be proactive and preventative. We will intensify our efforts to build a safety-focused culture across the whole Group.

Sustainability

COMMUNITIES

Rail is essential in today's society as it promotes economic growth, lowers greenhouse gas emissions and provides an important source of employment. Globaltrans is aware of its socio-economic and environmental impact. The Group has always been committed to being a good corporate citizen and a good neighbour. As an employer and business partner, we have a responsibility to the communities where we operate and the people around us. We work hard to be a positive force in society by creating shared value for all our stakeholders through our continued focus on sustainability.

Our social commitments are embedded in our culture, business operations, client relationships, community involvement and charitable efforts.

We add value through our business operations in various ways: direct and indirect employment, tax payments and social activities, and through the provision of internships and educational support. Our employees welcome the opportunity to engage with interns or take part in our pro bono social programmes to develop their capabilities and contribute more to society. Having a close relationship with our local communities means we can determine what support — skills, time or financial assistance — will help deliver the best outcomes.

It is through our business success that we can provide this support and create opportunities for both current and future employees. It also means we are contributing directly to the broader economy through local and national taxes, licence payments and other fees and by using third-party services and suppliers.

We want our people and those we work with to feel valued and supported, to know that they work in a safe, fair and respectful environment where they can prosper, where diversity is valued and, where, as a result, they feel they can fully contribute to the success of their communities and of Globaltrans. By providing childcare support and health insurance, or offering employees the option of working part-time, we show our employees that they are valued and we improve the quality of life for them and their families.

Our long-term goal of giving back to communities through a range of social initiatives is a priority for the Group. In the past, we have invested in good causes that are consistent with our own culture and values. We contribute directly to charitable organisations in the areas of health, welfare, culture and education. Our focus on diversity and inclusion demonstrates the Group's commitment to support the vulnerable — children, seniors, disadvantaged families and the disabled.

In 2022, we continued to support our longstanding partner, **the Life Line Fund**, which provides vital assistance to children with life-threatening conditions. In the reporting period, the Group also began working with **the Doctor Liza Charity Fund**, which helps socially disadvantaged individuals, the homeless, and families and children in difficult circumstances.

We also encourage our employees to play an active role in the communities where they work, for example by supporting participation in local volunteering activities.

In 2022, Globaltrans also contributed to the society by launching a small environmental project aimed at minimising our carbon footprint by planting trees. We believe that this scheme benefits not only for the local ecology, but also for restoring biodiversity.

Going forward, the Group will continue to increase its positive social impact and improve the daily lives of its people and broader communities through sustainable, inclusive and responsible practices and initiatives.

The following table illustrates how our Company creates financial value for its stakeholders.

Direct economic value generated, distributed and retained[1]

	2022 RUB mln
Direct economic value generated[2]	**94,474**
Economic value distributed	**71,860**
Total cost of sales (excluding employee benefit expense)	51,082
Total selling, marketing and administrative expenses (community investments and excluding employee benefit expense and taxes (other than income tax and value added tax)	951
Employee benefit expense	6,781
Payments to the providers of capital[3]	4,567
Payments to the government[4]	8,479
Economic value retained	**22,614**

1 Information in the table is derived from the Consolidated Management Report and Consolidated Financial Statements for the year ended 31 December 2022.
2 Direct economic value generated includes "revenue".
3 Payments to providers of capital include "dividends paid to owners of the Company", "dividends paid to non-controlling interests in subsidiaries", "interest paid on bank borrowings and non-convertible unsecured bonds", "interest paid on other lease liabilities" and "purchase of treasury shares".
4 Payments to government include "tax paid" and "taxes (other than income tax and value added taxes)". The Company also pays Russian Value Added Tax ("VAT"). VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability.

Sustainability

ENVIRONMENT

Protecting the environment is an ongoing challenge for all businesses in all industries, all over the world. As one of the greenest and most efficient modes of transport on land, rail has a unique position in contributing to a more sustainable economy and the decarbonisation of the overall transportation sector. Due to its lower greenhouse gas emissions[1] and low rates of energy consumption, freight rail transportation can play an important future role in mitigating climate change.

Globaltrans has always been committed to conducting business in an environmentally responsible manner. We recognise the potential for our operations to impact the environment, particularly in the form of greenhouse gas emissions. The Group is committed to minimising the environmental impact of its activities, recognising its responsibility to protect the environment for the communities it serves, its stakeholders and society as a whole. To this end, we focus not just on controlling emissions but also on issues like energy efficiency, water management, and waste recycling.

The Group is fully compliant with all applicable environmental laws, industry regulations and requirements, and we continually seek to improve our environmental performance in order to stay compliant. Our overall environmental management approach is underpinned by the Group's formal **ESG** and **Environmental and Energy Policies** and **Green Office Initiative**. These policies define our commitment to conduct our activities in an environmentally responsible way. We ensure that all of our employees understand and act in a manner consistent with our policies. In accordance with these policies, we are constantly investigating ways to improve our subsidiaries' environmental management and reporting systems to better monitor, measure and assess the environmental aspects of our activities.

We are also promoting environmental awareness among our employees and suppliers and improving transparency for our investors. For this purpose, we disclose the Group's environmental performance on a number of metrics consistent with external reporting frameworks such as the Global Reporting Initiative ("GRI"). Annual data and information on monitoring and progress are included in our integrated sustainability reports, which are publicly available on the Group's website.

Our 2022 results are set out below. There were no recorded violations of environmental legislation or regulations during the reporting period.

Energy usage

Managing our energy consumption is a priority for Globaltrans. We acknowledge that energy use and climate change are interconnected, and we are determined to use energy prudently and be climate conscious. By managing our energy consumption efficiently, we are in a position to reduce our greenhouse gas (GHG) emissions[1]. This goal is something that we are working to promote and improve at all levels of the organisation. The Group's operations use different forms of energy, including diesel and electricity. Most of the energy we use is electricity in our offices, which is needed for lighting, air conditioning and the electrical power for computers and communications devices.

In 2022, the Group's energy consumption performance was somewhat mixed due to a number of factors. There was a 1% year-on-year increase in electricity use, primarily attributable to the partial return of employees to the offices after the COVID-19 pandemic and colder winter temperatures compared to the previous year. On the other hand, diesel consumption was down 9% year on year as the result of improved fuel efficiency thanks to fuel efficiency of 10 modern locomotives in BTS' fleet together with lower utilisation among NFC's locomotives. Lower use of the Group's vehicles contributed to the 29% decrease in petroleum consumption.

Energy consumption is regularly monitored, and, together with our environmental experts, we are constantly looking for ways to improve energy efficiency and reduce our carbon footprint.

Use of water

Water consumption management is another important part of our commitment to environmental protection and resource conservation. While Globaltrans is not a major user of water, we recognise that it is a vital resource for society and we are committed to using it responsibly. Our internal management systems and practices ensure effective monitoring of water use in our everyday activities.

Since 2018, we have been steadily improving the monitoring, collection and processing of water usage data across the Group's subsidiaries. In 2020, we released our first annual water consumption results. In 2022, water consumption increased by 2% year-on-year to 16,654 m³ (2021: 16,279 m³)[2] due to the return of many employees to the office. Globaltrans continues to look for ways to improve water use and adopt practices to help its employees manage and use water more efficiently.

Total consumption of energy resources by type, 2021–22

Electricity (KWh)

Diesel (litres)

Petroleum (litres)

Petrol consumption per employee, 2021–22

Diesel consumption per employee, 2021–22

Source: Globaltrans

[1] Greenhouse gas (GHG) emissions are the emission into the Earth's atmosphere of any of various gases, especially carbon dioxide, that contribute to the greenhouse effect.

[2] This excludes data from Spacecom and BTS (except for data from the BTS railcar repair depot in Ivanovo which is included).

[3] The data for petroleum consumption in 2021 has been restated.

[4] The data for petroleum consumption per employee in 2021 has been restated.

Sustainability

Paper recycling

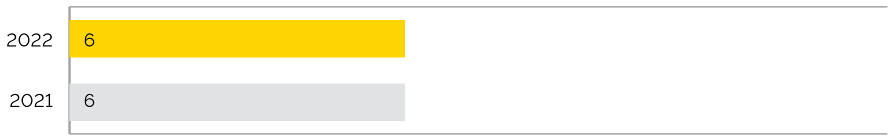
Paper is part of our everyday life and we should use it wisely. The environmental impact of paper is significant, as its production, use and disposal require a great deal of energy and raw materials. Therefore, we actively promote the value of a green work environment and encourage employees to reduce the frequency and volume of printing. In recent years, our focus has been on digitising business processes and employing electronic documentation, and the COVID-19 pandemic has served to accelerate these trends.

In 2022, employee paper consumption slightly increased by 3% year on year due to the return of many employees to the office.

Green Office Initiative

In addition to minimising our environmental footprint through various corporate sustainability initiatives, Globaltrans is also proactive in taking action in our daily office life to make all of our processes and day-to-day activities more efficient. In 2022, we introduced our Green Office Initiative which is designed to promote the adoption of the green office best practices across the Group and educate employees to become more climate-aware, given the importance of their contribution in helping transition us to a greener world. We also strongly believe that our focus on environmental best practice is not only the right thing to do, it can also deliver cost savings and help build strong stakeholder relationships.

Paper consumption (kg per employee), 2021–22



Source: Globaltrans

We are committed to reducing energy and natural resource consumption and waste generation by improving the environmental efficiency of our offices. With respect to energy savings, we have started replacing lighting containing mercury with energy-efficient LED lighting and plan to optimise the efficiency of our facilities' heating and cooling systems. Waste management measures include paperless communication methods, reduced use of plastic and environmentally friendly waste collection and recycling. Wherever possible, our focus is on reducing, reusing and recycling.

As part of the Green Office Initiative, we are encouraging our employees to participate and take responsibility for their day-to-day actions, as these will significantly influence the success of the project. Moreover, we hope that in future years this initiative will enable us to increase transparency and better manage and report on how efficiently the Group manages its waste. We are currently working to harmonise waste management data for all Group companies.

Greenhouse gas management

Rail is the most efficient, safe and sustainable mode of land-based freight transportation. Our industry is among the greenest and least polluting from an energy and emissions perspective. Nevertheless, our business activities do generate greenhouse gases, and their reduction is a priority for Globaltrans as we seek to minimise our environmental impact and mitigate the effects of climate change.

From a strategic perspective, Globaltrans' main operational and environmental objectives align perfectly: delivering efficient logistics and carefully managing assets are our top priorities. Since its inception, Globaltrans has focused on operational efficiency, in particular on reducing the number of empty railcars transported as part of the Group's logistics movements. This not only helps us achieve solid financial and business results, it also helps us improve our environmental performance. We have led the industry for many years in terms of efficiency, consistently delivering one of the sector's lowest gondola Empty Run Ratios, which speaks to our commitment.

In the freight rail industry, GHG emissions are directly linked to fuel consumption and, as such, the primary source of emissions is from locomotives. RZD retains a monopoly in the provision of rail infrastructure, and is by far the largest provider of locomotive traction services. Globaltrans runs one of Russia's largest privately-owned locomotive fleets, providing a specialised service for its clients primarily in the oil products and oil segment. Consequently, we only measure, report and record emissions (Scope 1) that are directly attributable to our fleet of 71 mainline locomotives. Operating a modern and well-maintained fleet also helps reduce our environmental footprint. Of our locomotive fleet, 14% consists of fuel-efficient and cleaner diesel locomotives.

Since 2018, we have made significant progress in measuring, managing and disclosing direct GHG emissions[1] information in our operations, and this process is ongoing. In 2022, our direct GHG emissions decreased by 9% to 140,352 tonnes of CO_2 equivalent[1] due to the fuel efficiency of 10 modern locomotives in BTS' fleet and lower utilisation of NFC's locomotives in 2022 (2021: 153,871 tonnes of CO_2 equivalent[2]).

We are constantly working to improve the quality and consistency of our data. In recent years, we have been working toward a better understanding of our carbon footprint. In 2021 for the first time, we calculated the indirect GHG emissions generated by our energy purchases (Scope 2) using Scope 2 GHG Protocol guidelines. In 2022, the Group's indirect emissions totalled 1,560 tonnes of CO_2 equivalent (2021: 1,551 tonnes of CO_2 equivalent[3]). In total, the Group was responsible for 141,912 tonnes of CO_2 equivalent, 9% less than in 2021. While our path to reducing emissions is not always linear, the trend line over the past five years reflects the Group's ongoing commitment in this area. Between 2018 and 2022, we achieved a 16% decrease in our total GHG emissions. This timeline enables our stakeholders to track and quantify the efforts of Globaltrans to reduce its emissions.

As a part of the Group's commitment to mitigating climate change and minimising its environmental impact, in the reporting year BTS, which operates the bulk of our locomotive fleet, invested in a small tree-planting project. This initiative is about helping us reduce our carbon footprint and make a positive impact on our communities and biodiversity.

In 2023, operational and environmental efficiency will remain our priority. We will continue our efforts in the areas of emissions reduction, resource efficiency, climate change mitigation and protection of the environment. The Group will also continue to report on our activities in the field of sustainability.

GHG emissions, 2018–22

	2018	2019	2020	2021	**2022**
Direct GHG emissions (Scope 1, tonnes of CO_2 equivalent)	166,129	161,299	138,198	153,871[2]	140,352
Indirect GHG emissions from purchased electricity (Scope 2, tonnes of CO_2 equivalent)	2,589	1,690	1,474	1,551[3]	1,560
Total GHG emissions (Scope 1 + Scope 2)	**168,718**	**162,989**	**139,672**	**155,422**	**141,912**

[1] The Group's greenhouse gas emissions were calculated per IPCC Guidelines for National Greenhouse Gas Inventories (2006).
[2] The data for Scope 1 emissions in 2021 has been restated.
[3] The data for Scope 2 emissions in 2021 has been restated.

Climate-related Financial Disclosure ("TCFD")

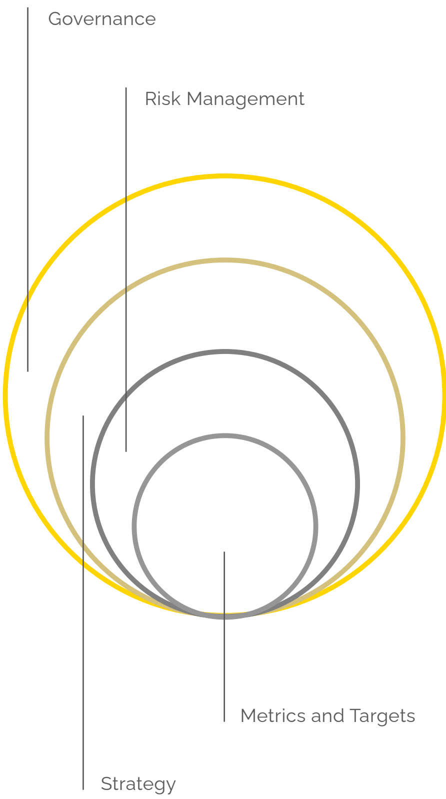
THE GROUP'S EFFORTS TO RESPOND TO CLIMATE CHANGE — IMPLEMENTING THE RECOMMENDATIONS OF THE TCFD

Globaltrans has long identified climate change as a material issue, and we incorporate the most relevant climate-related risks in the Group's risk management process. However, we understand that companies are increasingly expected to take more proactive measures to combat climate change. Therefore, in 2021 Globaltrans voluntarily committed to aligning its climate disclosure with the Taskforce on Climate-related Financial Disclosures ("TCFD") framework in order to ensure consistency, relevance and comparability for all our stakeholders within and outside our industry.

We believe that assessing climate risks and opportunities is an evolving process. This year, as disclosure of climate-related information becomes mandatory, we will continue to deepen our understanding of potential climate-related risks and opportunities, embed responses to them into our strategy, planning and internal processes, and increase the level of climate-related disclosure. In line with the TCFD recommendations, this Report addresses the four key areas: governance, strategy, risk management and metrics and targets.

As we move forward, we will continue to develop our climate analytics capabilities, further strengthen our climate resilience and be transparent about our progress on climate change issues. At some point in the future we intend to cooperate with industry experts to conduct a high-level quantitative scenario analysis that will provide our stakeholders with a better understanding of the potential financial impacts of climate change on our business and rail infrastructure in general.

Core elements of recommended climate-related financial disclosures



Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Risk Management
The processes used by the organisation to identify, assess, and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

GOVERNANCE

The Board of Directors, through the work of its Audit and ESG committees, is accountable for the overall management of all risks, including climate-related risks. The ESG Committee ensures that all appropriate policies, mechanisms and processes are in place to allow the Board to effectively manage sustainability matters and address stakeholder needs. Furthermore, the Board has delegated responsibility for the efficient implementation and maintenance of the risk management system to the Group's CEO. The CEO is actively involved in all sustainability-related matters, including climate change, and closely monitors the Group's overall ecological performance. He receives updates from the Group's subsidiaries on their performance and planned initiatives. This careful monitoring of the Group's environmental activities allows the CEO to set the right tone and guide the development of Globaltrans' sustainability strategy.

Management of climate-related issues

Responsibilities of the Board include:

- Overseeing the management of climate-related issues, risks and opportunities;
- Monitoring and reviewing the effectiveness of the management approach (review of the policies, initiatives, metrics and action plans);
- Overseeing the climate-related disclosures.

Responsibilities of the management team include:

- Monitoring, managing and assessing climate-related issues, risk and opportunities;
- Providing analyses, recommendations and updates for the Board or Board committees;
- Maintaining effective data collection, including environmental and climate-related data;
- Determining the allocation of costs and resources, such as personnel, and coordinating within the Group to identify, manage and mitigate environmental and climate-related issues.

Climate-related Financial Disclosure (TCFD)

STRATEGY

Globaltrans' material climate-related risks

Globaltrans' fleet, operations and financial results could be adversely affected by climate change and regulatory and legislative responses to climate change. Following the TCFD's methodology, we identify and consider both the transitional risks (those associated with the transition to a low-carbon society) and the physical risks of climate change. It is expected that the most significant effects of climate change are likely to emerge over the long term. Nevertheless, we consider both the short, medium and long-term time horizons when assessing climate-related risks (short-term: 0–5 years, medium-term: 5–10 years, long-term: 10 years and above).

Physical

Acute and chronic physical risks
Time horizon: long-term

Description

Natural disasters, severe weather events and extreme temperatures pose a material risk to rail infrastructure in Russia and other countries and, therefore, to the Group's operations and rolling stock.

Delays, disruptions, derailments, infrastructure damage and other events may result in significant interruption to, or disruption of, the Group's business operations and damage to its rolling stock, which may negatively affect the Group's operations and performance. Moreover, disruptions to our clients' operations may also impact demand for the Group's services and affect its business and performance. Although the Group's rolling stock is fully insured, replacing damaged rolling stock may take a considerable amount of time.

Controls and mitigating factors

In addition to implementing its business continuity policy, the Group plans to refine its analysis of potential physical risks and mitigation plans. The Group intends to conduct future climate assessments with potential involvement of external industry experts and adopt strategies to enhance its business resilience.

Transition

Policy/regulation
Time horizon: medium to long-term

Description

As a fuel-intensive industry, the rail freight sector is exposed to the risk of increased regulation related to carbon emissions and the use of fossil fuels (higher carbon prices) which may lead to:

- Increased fuel and energy costs, as well as spare parts and rolling stock due higher prices for iron and steel;
- Problems operating diesel locomotives if one is unable to address increased regulations;
- Increases in the cost of cleaner, more fuel-efficient locomotives;
- Higher costs related to the introduction of carbon taxes and increased carbon offset costs and carbon footprint reduction solutions;
- Early asset write-downs/ impairment due to new and stricter energy standards.

Controls and mitigating factors

In response to these types of transitional risks, the Group will continue to improve its operational efficiency and reduce its energy consumption and environmental footprint. Furthermore, Globaltrans will continue to proactively monitor the carbon emissions associated with the operation of the Group's locomotive fleet to identify and evaluate operational and technological improvements in fuel efficiency. We believe that annual emissions testing will help us better prepare for future changes to the regulatory environment.

Market
Time horizon: medium to long-term

Description

Market risks include potential declines in demand for certain types of freight transported by rail due to increased climate change regulations and shifts in consumer preferences (for example, coal demand is affected by energy policy and GHG emission regulations). This may negatively impact demand for the Group's services, cause increased competition and affect the Group's operations and performance.

Controls and mitigating factors

The Group has always focused on maintaining a balanced fleet that better positions its operations to face the consequences of increased regulation and evolving market demand. By operating a fleet balanced between universal gondola cars that can carry various different bulk cargoes, and tank cars that just transport oil-related cargoes, the Group reduces its dependence on any one cargo flow. It also means it can adjust quickly to changing market conditions.

Reputation
Time horizon: short to long-term

Description

Increased expectations among stakeholders of more aggressive environmental measures and climate change actions may lead to greater scrutiny from investors and other stakeholders. If this happens and the Group fails to meet these expectations and/or it fails to mitigate changes in climate change regulations, it may lead to a fall in investment, rising funding costs and a potential loss of clients.

Controls and mitigating factors

The Group will continue to engage with stakeholders and improve transparency around all ESG topics material to our business, including climate change, to meet stakeholder expectations.

Globaltrans' climate-related opportunities

The TCFD framework recognises that climate change and the transition to a net zero economy may also present opportunities for businesses. Due to the nature of our business, Globaltrans considers the following climate-related opportunities:

Market
Time horizon: medium to long-term

Globaltrans regards transition climate risks, together with increased environmental awareness and further decarbonisation of the economy, as an opportunity to further promote the environmental benefits of freight rail transportation. As carbon pricing regulation will sooner or later come into force globally and demand for lower carbon transport will continue to grow, we may face a potential increase in our business operations, financial results and expansion of our client base over the medium and long term.

Resource efficiency
Time horizon: medium to long-term

Transition risks can also be regarded as an opportunity to promote and improve the Group's energy efficiency and enhance its environmental performance. Thus, efficient use of resources (energy, water) may reduce the Group's environmental footprint and operating costs. The Group will also continue to investigate and steadily implement fuel-saving measures.

Reputation
Time horizon: short to long-term

Globaltrans believes there is a potential opportunity to enhance its competitiveness and reputation by improving its environmental performance, further developing our climate awareness and resilience and ensuring high quality climate reporting for all stakeholders.

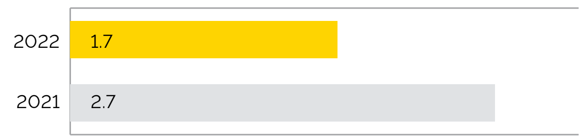
Climate-related Financial Disclosure (TCFD)

Scope 1 GHG emissions, tonnes of CO_2 equivalent

Total GHG emissions (Scope 1 + Scope 2), tonnes of CO_2 equivalent

Scope 2 GHG emissions, tonnes of CO_2 equivalent

Carbon intensity[1]



RISK MANAGEMENT

Responsible decision-making, risk management and early action have always been part of what we do as they ensure the successful longevity of our business. From the outset, Globaltrans established a system to monitor and control the uncertainties and risks it faces. This system is overseen by a dedicated risk management function responsible for systematically identifying, assessing and managing opportunities and risks, including those related to climate change. Many elements, such as extreme weather, have long been recognised as a material issue and captured within the Group's existing risk framework. However, the TCFD recommendations and our willingness to contribute to positive climate action have led us to add both physical and transition risks to our risk watchlist. We also recognise that climate-related risks are interconnected and can trigger other types of risks (operational, financial and reputational). Nevertheless, each group of risks requires a tailored management approach.

With regard to climate risk management, we are continuously working on building our expertise and enhancing the methodology and tools to better assess climate-related risks and opportunities. Globaltrans is currently in the early stages of conducting climate scenario analyses to help quantify the potential financial impacts and assess the resilience of the business.

To mitigate the effects of climate change, the Group is committed to a variety of environmentally responsible practices. We constantly monitor changes in the external environment and review laws and regulations. We also prepare and conduct a detailed analysis of the Group's energy consumption and emissions on a semi-annual basis.

For more information on our processes for identifying and assessing risks and opportunities, please see the Risk Management section of this Annual Report on pages 51 to 67.

METRICS AND TARGETS

Globaltrans is committed to openness and transparency. Since 2018, we have reported annually on our key environmental performance metrics. We measure, monitor and report on our carbon emissions relating to the operations of our locomotive fleet, energy usage, and water consumption. We have for some time disclosed our Scope 1 GHG emissions that the Group makes directly. In 2021, for the first time we also provided data on our Scope 2 GHG indirect emissions.

At this stage, Globaltrans is not yet ready to set emission reduction targets. Nevertheless, over the recent years we have focused on driving our carbon reduction initiatives and enhancing our operational efficiency. As a result, our Empty Run Ratio for gondolas has continued to improve despite the challenging operational context and is one of the lowest in the industry.

A few years ago, we purchased 10 new, cleaner and more fuel-efficient locomotives. In 2022, Globaltrans launched a small environmental project that may potentially expand in the coming years. It aims to offset the Group's environmental footprint through planting trees. Last year, we also took steps to further promote green policies in day-to-day office activities by introducing the Green Office Initiative in all Group companies with the aim of improving energy efficiency and reducing the overall waste levels.

Going forward, the Group will work to demonstrate its progress in addressing climate change through our sustainability reports. We will continue to identify mitigation measures to minimise climate-related risks and improve reporting transparency.

[1] Carbon intensity is calculated as the sum of Scope 1 and Scope 2 emissions for the current baseline year, expressed in tonnes of CO_2 equivalent per Adjusted Revenue for the same baseline year.

Governance

Board of Directors

14 members

of the Board of Directors

The Board of Globaltrans is responsible for providing effective leadership for the Group, establishing its values and culture, overseeing its governance, and promoting the success of the Group for the benefit of all stakeholders. The Board is comprised of highly experienced directors with the diverse skills, expertise and commercial experience required to lead the Group effectively and provide support for, and constructive challenge to, the executive management.

SERGEY V. MALTSEV

Chairman of the Board, Executive Director, Chief Strategy Officer, co-founder and shareholder of Globaltrans

Appointed: *April 2018, Chairman; August 2017, Chief Strategy Officer.*

Skills and experience: Mr. Maltsev was instrumental in the development of the freight rail market in Russia and has worked in the industry for over 30 years. He co-founded Globaltrans and served as Chief Executive Officer from 2008 until 2015. He rejoined Globaltrans as Chief Strategy Officer in 2017 before becoming Chairman the following year. Mr. Maltsev was a founding member and Chairman of the non-profit partnership "Council of Railway Operators". In recognition of his services to the rail industry, Mr. Maltsev received the "Honoured Railwayman of Russia" award. He has a degree in railway engineering.

JOHN CARROLL COLLEY

Independent Non-executive Director

Appointed: *April 2013.*

Committee memberships:
A N R E

Skills and experience: Mr. Colley has extensive experience in international trade and risk management both in the public and private sectors. From 2007 to 2010, Mr. Colley served as country manager for Russia at Noble Resources SA. Prior to that, he held various positions in the public sector, including at the office of the US Trade Representative and the US Department of Commerce in Washington, DC. He worked for Linkful Ltd and Noble Resources SA in Moscow from 1992 to 1999. Mr. Colley, a fluent Russian speaker, holds an MA in History and a BA in International Affairs and Russian Studies from the University of Virginia.

Other appointments: Mr. Colley is currently the principal of Highgate Consulting LLC, a global advisory consulting company.

VASILIS HADJIVASSILIOU

Independent Non-executive Director

Appointed: *September 2019.*

Committee memberships:
A

Skills and experience: Mr. Hadjivassiliou was a partner in Assurance and Advisory services at PricewaterhouseCoopers (PwC), Cyprus, from 1990 until 2018 when he retired. During this time, he held various leadership positions with PwC including as an elected member of the Executive Board, Head of the Limassol office and several other offices in Cyprus and was a leading figure in business development. He has extensive experience in auditing, International Financial Reporting Standards and business advisory services having advised major local and international groups including companies publicly listed on the London Stock Exchange as well as in Cyprus. Mr. Hadjivassiliou is a graduate of The University of Manchester and a Fellow of the Institute of Chartered Accountants of England and Wales.

Other appointments: Mr. Hadjivassiliou holds directorships in several companies affiliated with his family and is also a Board member of a number of other private companies.

GEORGE PAPAIOANNOU

Independent Non-executive Director

Appointed: *April 2013.*

Committee memberships:
A N R

Skills and experience: Mr. Papaioannou has more than 20 years in financial reporting, risk management, auditing, financial performance analysis and taxation. In 2004, he founded G.Papaioannou Auditors Ltd, which provides accounting, audit, tax and consulting services. From 2002 to 2004, he worked at Grant Thornton in Cyprus and before that for PricewaterhouseCoopers in Cyprus. Mr. Papaioannou holds a degree in Accounting and Financial Management from the University of Essex. He is a qualified chartered accountant and a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments: Mr. Papaioannou holds directorships in several family-owned companies and other private companies.

Committee memberships

Chairman
Member
A Audit Committee
N Nomination Committee
R Remuneration Committee
E ESG Committee

Board of Directors

ALEXANDER ELISEEV

Non-executive Director, co-founder of Globaltrans

Appointed: *March 2008.*

Skills and experience: Mr. Eliseev co-founded Globaltrans in 2004 and has played a leading role in introducing market-based reforms to the Russian freight rail transportation market. He has spent more than 17 years in senior management positions, mostly within the rail sector. Mr. Eliseev is a graduate of the Russian State Medical University where he studied biophysics.

Other appointments: Mr. Eliseev is Chairman of the Board of Globaltruck, a leading freight trucking operator in Russia, listed on the Moscow Exchange.

SERGEY FOLIFOROV

Non-executive Director

Appointed: *in June 2022.*

Skills and experience: Mr. Foliforov has served on Globaltrans' subsidiary boards since 2018, including at New Forwarding Company, BaltTransServis, GTI Management and Ural Wagonrepair Company. Sergey Foliforov has more than 18 years of management experience working at different companies focusing on financial management and analysis. He graduated from Lomonosov Moscow State University and has a Master of Science degree in Physics. He also holds an MBA from the MIRBIS Business School in Moscow.

ANDREY GOMON

Non-executive Director

Appointed: *April 2017.*

Skills and experience: Mr. Gomon has over 13 years management experience in the railway industry. From 2006 to 2012 he was CEO of Transoil, one of Russia's largest oil rail transportation companies, having previously served as CFO between 2003 and 2006. He sits on the boards of two Globaltrans subsidiaries — New Forwarding Company and BaltTransServis. Mr. Gomon studied economics at St Petersburg State University and holds an MBA from INSEAD.

ELIA NICOLAOU

Non-executive Director, Company Secretary, Secretary to the Board

Appointed: *March 2008.*

Committee memberships:

E

Skills and experience: Ms. Nicolaou has extensive experience in commercial, corporate and funds law. She is currently the Managing Director of Amicorp (Cyprus) Ltd. Previously, she was head of the Corporate Legal department at Polakis Sarris LLC and also worked at C. Patsalides LLC. Ms. Nicolaou is a member of the Board of CIFA and WICCI, the Chair of CyprusSouth East Asia Business Association, participates in various associations of the Cyprus Chamber of Commerce and sits on the boards of other listed and private companies. Ms. Nicolaou graduated with an LLB in Law from the University of Nottingham and holds an LLM in Commercial and Corporate Law from University College London. She has an advanced diploma in Business Administration from the Cyprus International Institute of Management. She was admitted to the Bar in Cyprus in 2003.

MELINA PYRGOU

Non-executive Director

Appointed: *April 2013.*

Skills and experience: Ms. Pyrgou is a barrister and registered insolvency practitioner and has practised corporate law for over 25 years. She is Managing Director of Pyrgou Vakis Law Firm, a Cyprus-based corporate and commercial law practice. Previously she was Director of Legal Services at PricewaterhouseCoopers in Cyprus. Ms. Pyrgou served as the Chairman of EuropeFides Association, a European network of accounting, audit, tax and legal firms, from 2015 to 2016 and is a member of various business associations. Ms. Pyrgou graduated from the University of Keele with a degree in Law and Sociology and holds a diploma in Environmental Law from the University of Geneva. She was called to the bar in Cyprus in 1992 and in London (Grays Inn) in 1995.

Other appointments: Ms. Pyrgou currently serves as a member of the Cyprus Investments Promotion Agency (CIPA). She also sits on the Disciplinary Committee of the Institute of Certified Public Accountants of Cyprus (ICPAC). Ms. Pyrgou is also a Board member of the Health Insurance Organisation.

3 independent

Non-executive Directors

Board of Directors

KONSTANTIN SHIROKOV
Executive Director,
Head of Internal Audit

Appointed: *March 2008.*

Skills and experience: Mr. Shirokov has over 12 years of senior international management experience. Prior to joining Globaltrans, he worked in senior finance roles at Mechel and as an economist at Glencore International. He served as a non-executive member on the Board of Global Ports Investments PLC between 2008 and April 2018, where he was a member of the Audit and Risk Committee. Mr. Shirokov graduated from the Financial University under the Government of the Russian Federation and studied business management at Oxford Brookes University.

ALEXANDER STOROZHEV
Executive Director,
Chief Procurement Officer

Appointed: *April 2013.*

Skills and experience: Mr. Storozhev has held senior management roles throughout a 20-year career in the rail industry and has been with Globaltrans since it was established. He is chairman of the boards of two Globaltrans subsidiaries — GTI Management and BaltTransServis and serves on the boards of other Group's subsidiaries including New Forwarding Company and Ural Wagonrepair Company. Since February 2015, he has been Director of Investments and Business Development at New Forwarding Company. Mr. Storozhev is a recipient of the "Honoured Transport Worker of CIS" Award. He graduated from the Kiev Military Academy of Aviation and Engineering in 1990 with a degree in Engineering. He holds a diploma from the Mirbis Business School in Moscow and a Master's degree in Business Administration and Finance.

MICHAEL THOMAIDES
Non-executive Director

Appointed: *April 2014.*

Skills and experience: Mr. Thomaides served as a director at Globaltrans from 2004 to 2008 and sat on the Board of Global Ports Investments PLC, Russia's leading container port operator. He has been a director at Leverret Holding Ltd (Cyprus) since 2007. Mr. Thomaides graduated from London Southbank University with a BSc degree in Consumer Product Management.

MARIOS TOFAROS
Non-executive Director

Appointed: *April 2013.*

Skills and experience: Mr. Tofaros is a director of the Client Accounting department at Amicorp (Cyprus) Ltd. He was a financial accountant at Depfa Investment Bank Ltd from 2004 to 2008 and a finance officer at Louis Catering Ltd from 2003 to 2004. He has held various positions in the Audit department at KPMG Cyprus. Mr. Tofaros has a degree in Accounting, Finance and Economics and a Master's degree in Business Studies, both from the University of Kent. He holds a chartered certified accountant (FCCA) diploma and is a member of the Institute of Certified Public Accountants of Cyprus.

SERGEY V. TOLMACHEV
Executive Director,
Managing Director

Appointed: *Non-executive Director in April 2013 and Executive Director in October 2013.*

Skills and experience: Mr. Tolmachev became the Group's Managing Director in October 2013. He joined N-Trans Group in 2001 and has held various management positions focused on corporate finance and treasury. He has extensive experience in financial analysis and modelling. Mr. Tolmachev graduated from Lomonosov Moscow State University with a degree in Mechanics and Applied Mathematics.

Executive Management

The executive leadership has responsibility for managing the Group's day-to-day business operations and support functions. The senior management team comprises the executive directors along with the heads of key subsidiaries and Group functions. Senior management is, in turn, supported by a team of highly skilled and competent line managers.

VALERY SHPAKOV

Chief Executive Officer

Mr. Shpakov became CEO in March 2016, having served as interim CEO since November 2015. He joined New Forwarding Company, a Globaltrans subsidiary, 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 a recipient of the "Honoured Railwayman of Russia" award.

SERGEY V. MALTSEV

Chief Strategy Officer, Chairman of the Board, Executive Director, co-founder and shareholder

Mr. Maltsev was instrumental in the development of the freight rail market in Russia and has worked in the industry for over 30 years. He co-founded Globaltrans and served as Chief Executive Officer from 2008 until 2015. He rejoined Globaltrans as Chief Strategy Officer in 2017 before becoming Chairman the following year. Mr. Maltsev was a founding member and Chairman of the non-profit partnership "Council of Railway Operators". In recognition of his services to the rail industry, Mr. Maltsev received the "Honoured Railwayman of Russia" award. He has a degree in railway engineering.

ALEXANDER SHENETS

Chief Financial Officer

Mr. Shenets has been CFO of Globaltrans since the Group's establishment and has more than 16 years of experience in senior finance positions, mostly in the rail sector. He holds an MBA from Lomonosov Moscow State University.

VYACHESLAV STANISLAVSKY

Deputy Chief Executive Officer, Head of Operations

Mr. Stanislavsky joined New Forwarding Company, a Globaltrans subsidiary, as Deputy General Director for Operations and Commerce in March 2010 and became First Deputy General Director in April 2011. He has more than 30 years of experience in the rail industry and is a recipient of the "Honoured Railwayman of Russia" award.

Executive Management

ALEXANDER STOROZHEV

Chief Procurement Officer, member of the Board, Executive Director

Mr. Storozhev joined the Board as an Executive Director in April 2013. He has held a series of senior management roles over a 20-year career in the rail industry. He has been with Globaltrans since the Company was established and chairs the boards of two Globaltrans subsidiaries — GTI Management and BaltTransServis. He also serves on the boards of two other Group subsidiaries — New Forwarding Company and Ural Wagonrepair Company. Mr. Storozhev is a recipient of the "Honoured Transport Worker of CIS" award. He graduated from the Kiev Military Academy of Aviation and Engineering in 1990 with a degree in Engineering. He also holds a diploma from the Mirbis Business School in Moscow and a Master's degree in Business Administration and Finance.

KIRILL PROKOFIEV

CEO of BaltTransServis

Mr. Prokofiev was appointed CEO of BaltTransServis, a Globaltrans subsidiary, in February 2017. Prior to his appointment, he spent more than seven years working in senior executive roles in the rail sector. He graduated from Saint Petersburg State University of Economics where he majored in economics. He also holds an MBA in Strategic Management from Moscow's Higher School of Economics.

ROMAN GONCHAROV

Head of Treasury

Mr. Goncharov has served as CFO of New Forwarding Company, a Globaltrans subsidiary, since 2005 and has over 15 years of management experience. He has an MBA from the Moscow International School of Business.

SVETLANA BROKAR

Government Relations Officer

Ms. Brokar joined as Government Relations Officer in December 2018. She is an attorney with significant expertise in civil, tax, commercial, corporate, finance and railway transport matters. She has worked with government departments including the Russian Transport, Finance and Railway Ministries. From 2009 to 2013, Ms. Brokar was a member of the Board of New Forwarding Company, a Globaltrans subsidiary, and since 2014 has acted as its in-house legal counsel or provided it with legal services. She also previously worked with the non-profit partnership "Council of Railway Operators". Ms. Brokar graduated with a law degree from Kaliningrad State University.

ARTEM GABESTRO

General Counsel, Corporate Governance Advisor to CEO

Artem Gabestro joined the Group in 2007 as a lawyer before becoming general counsel of Globaltrans two years later. He is a member of the Audit Committee of Globaltrans subsidiary New Forwarding Company and in January 2020 was appointed as an advisor to Globaltrans' CEO on issues of corporate governance. Mr. Gabestro is a graduate of Moscow State University of International Affairs and holds a Master's degree in law.

Corporate Governance Report

CORPORATE GOVERNANCE POLICIES

Globaltrans' corporate governance policies and practices are designed to ensure that the Group upholds its responsibilities to shareholders and other stakeholders. The Group promotes and applies this principle across all levels of its organisation, supported by clear and effective governance structures. To that end, Globaltrans' Board of Directors has adopted and updated the Company's Code of Corporate Governance (based on the principles of the UK Corporate Governance Code), guaranteeing that the interests of all shareholders are given due consideration.

Globatrans' policies include, inter alia:

Corporate documents and policies

- Articles of Association
- Appointment Policy for the Board of Directors and committees
- Audit Committee — terms of reference
- Board of Directors — terms of reference
- Dividend Policy
- ESG (Environmental, Social and Governance) Committee — terms of reference
- Nomination Committee — terms of reference
- Policy on Assessment of Independence and Objectivity
- of External Auditor
- Remuneration Committee — terms of reference

Business ethics

- Anti-Fraud Policy
- Business Continuity Policy
- Code of Ethics and Conduct
- Corporate Diversity and Inclusion Policy
- Environmental and Energy Policy
- ESG Policy
- Freedom of Association Policy
- Health and Safety Policy
- Human Rights Policy
- Policy on Reporting and Investigating Allegations of Suspected Improper Activities (Whistleblowing Policy)
- Supplier Code of Conduct

Disclosure, transparency and market abuse regulation

- Continuing Obligations Policy
- Corporate Policy on the Treatment of the Rights of Minority Shareholders
- Disclosure Policy
- Internal control rules for insider information
- List of Insider Information
- Securities Dealing Code and the PDMR Securities Dealing Code

Privacy

- Privacy Policy

For the Group's corporate governance documents and policies, please visit our corporate website at: https://www.globaltrans.com/governance/corporate-documents

BOARD RESPONSIBILITIES AND ACTIVITIES

Globaltrans' Board of Directors is accountable to the Company's shareholders for standards of governance across the Group's activities. The Board is committed to providing effective, transparent and ethical oversight of the Group so that it can take decisions which it believes benefit all its stakeholders and communities and create value for the Group.

Responsibilities

- Providing leadership, setting the overall strategy and ensuring that the necessary components are in place for the Group to meet its objectives
- Setting Group values and standards, and ensuring that obligations to all stakeholders are understood and met
- Monitoring and reviewing the performance of the Group and its management
- Maintaining an effective system of internal control and risk management to safeguard shareholders' rights and interests and the Group's assets
- Ensuring an effective governance framework and compliance with relevant regulations
- Assessing from time to time whether the Independent Non-executive Directors continue to demonstrate independence

Membership

The Nomination Committee leads the process for Board appointments and members of the Board are elected at the General Meeting. Board members are nominated based on their industry knowledge, expertise and experience in areas such as accounting, finance, business management and strategic planning. In selecting candidates for the Board, the Group seeks to create an effective and complementary Board whose capability is appropriate for the business' scale, complexity and strategic positioning. Non-executive Directors are drawn from a wide range of industries and backgrounds including infrastructure, transport, audit and financial services, and have appropriate experience working with and for large international organisations. In addition, the Group selects Independent Directors intending to ensure that the views of the free-float shareholders are represented and that the interests of all stakeholders are taken into account.

The Board comprises 14 members, ten of whom are Non-executive Directors. Three of the Non-executive Directors are independent.

Globaltrans separates the positions of Chairman and CEO to ensure appropriate segregation of roles and a clear division of responsibilities. As of 31 December 2022, members of the Board of Directors held 14,555,939 shares and GDRs in Globaltrans.

Diversity

The Board does not operate a formal diversity policy concerning age, gender or educational and professional backgrounds. However, in line with best practice, the Board does take into account these aspects when making new Board appointments and considering the composition of the Board. There are two female members on the Board, equivalent to about 14% of the Board. The average age of the Board is 52 years and ranges in age from 40 to over 60 years old. Board members have experience across the following areas: the transportation and ports industry, audit, accounting, economics, finance and banking, legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management.

Corporate Governance Report

Induction and professional development

The Chair is responsible for ensuring that the induction process for new directors joining the Board is well constructed and timely. Directors have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities.

Performance evaluation

The Board's performance is assessed annually and the evaluation process is conducted through a combination of self-assessment and annual appraisals. The Chairman's performance is evaluated by the Non-executive Directors.

Activities

The Board meets at least four times a year. Fixed meetings are scheduled at the end of each quarter, while ad hoc meetings are called whenever the Board needs to discuss pressing matters in between the scheduled meetings.

The Board met 18 times during 2022 and considered 70 items including the following:

Regular meetings

- Review of the Group's financial and operational performance
- 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 Annual General Meeting agenda, including dividend proposals and Board reappointments
- Approval of appointments to the Board of Directors of subsidiaries
- Approval of the interim dividend of the Company

Ad hoc meetings

- Approval of material borrowings and pledges by the Company and its subsidiaries
- Approval of the contracts of the Company
- Approval of the remuneration of key management and executive directors
- Appointment of the key management of the Group.
- Approval of dividend distribution by subsidiaries
- Review and consideration of various business development opportunities and major transactions
- Approval of the prolongation of the buy-back of the Company's GDRs from the market
- Consideration of M&A transactions

18
times

The Board met in 2022

The Board and the Board Committees meetings in 2022 and the attendance of Directors

	Board of Directors		Nomination Committee		Remuneration Committee		Audit Committee		ESG Committee	
	E	A	E	A	E	A	E	A	E	A
Sergey V. Maltsev (Chairman)	18	18								
John Carroll Colley	18	17	2	2	5	5	8	8	2	2
Dr. Johann Franz Durrer[1]	12	11	2	2	5	5				
Alexander Eliseev	18	18								
Andrey Gomon	18	18								
Vasilis Hadjivassiliou	18	18					8	8		
Elia Nicolaou	18	18							2	2
George Papaioannou	18	18					8	8		
Melina Pyrgou	18	18								
Konstantin Shirokov	18	18								
Alexander Storozhev	18	18								
Alexander Tarasov[2]	6	5								
Michael Thomaides	18	18								
Marios Tofaros	18	18								
Sergey Foliforov[3]	10	10								
Sergey V. Tolmachev	18	18								

E – Eligible
A – Attended

Remuneration of the Board and management

Directors serve on the Board under letters of appointment which specify their terms of appointment and remuneration. Appointments are effective until the following Annual General Meeting. Remuneration levels for Non-executive Directors reflect their expertise, time commitment, responsibilities and membership of any Board Committees. Directors are also reimbursed for expenses associated with the discharge of their duties.

Non-executive Directors are not eligible for bonuses, retirement benefits or participation in any incentive plans operated by the Group. The Group's shareholders approved the remuneration of Board members for 2022 at the Annual General Meeting held on 26 April 2022.

For details of the remuneration paid to the Board and key executives in 2022, please refer to Note 35a of the Group's Consolidated Management Report and Consolidated Financial Statements included in the Financial Statements section of this Annual Report.

[1] Passed away in September 2022.
[2] Resigned in May 2022.
[3] Appointed in June 2022.

Corporate Governance Report

BOARD COMMITTEES

Globaltrans has four principal committees that advise the Board: the Audit Committee, the Nomination Committee, the Remuneration Committee and the ESG Committee. These committees oversee, review and monitor key areas on behalf of the Board and while they have the authority to make recommendations, ultimate decision-making responsibility for all matters lies with the full Board. Each committee has written terms of reference, approved by the Board, that summarise the committee's role and responsibilities.

4 Board committees

Audit Committee

The role of the Audit Committee is to ensure the integrity of the Group's published financial information and the effectiveness of the internal audit function and the systems for internal control and risk management, as well as the external audit process.

Number of members	Members as at 31 December 2022	Minimum meetings a year	Number of meetings in 2022
3 members; all independent	***John Carroll Colley***, Independent Non-executive Director (Chairman) ***Vasilis Hadjivassiliou***, Independent Non-executive Director ***George Papaioannou***, Independent Non-executive Director	4	8

Responsibilities

- Integrity of the Group's financial statements
- Effectiveness of the Group's internal control and risk management systems
- Relationship with the Group's external auditors, including the audit process and reports
- Terms of the auditor's appointment and remuneration
- Implementation of codes of conduct
- Assessment of the Chairman of the Board's performance

The Audit Committee meetings in 2022

	Eligible	Attended
John Carroll Colley	8	8
George Papaioannou	8	8
Vasilis Hadjivassiliou	8	8

Issues considered in 2022

- Review of the Group's Consolidated Financial Statements for 2021 and interim financial results for the six months ended 30 June 2022
- Review of the external auditor's report to the Audit Committee following its full-year audit for 2021 and review for the six months ended 30 June 2022
- Review of the Group's external auditor and terms of reappointment for 2022
- The Committee recommended reappointment of the external auditors to the Board which, in turn, proposed their reappointment at the Annual General Meeting of the Group held on 26 April 2022
- Appointment of the new external auditors of the Company
- Review of the report of the external auditor on the audit strategy for 2022
- Review of regulatory announcements by the Group
- Review of internal controls and risk management processes
- Approval of non-audit services to be provided to the Group by the external auditor
- Review of the internal audit function and reports on its activities, and on the internal audit model and plan

Nomination Committee

The role of the Nomination Committee is to monitor and review the size, composition and balance of the Board and its committees to ensure Globaltrans has the right structure, skills and diversity for the effective management of the Group.

Number of members	Members as at 31 December 2021	Members as at 30 September 2022 and as at 31 December 2022	Minimum meetings a year	Number of meetings in 2022
2 members; all independent	***Johann Franz Durrer***, Senior Independent Non-executive Director (Chairman) ***John Carroll Colley***, Independent Non-executive Director	***John Carroll Colley***, Independent Non-executive Director (Chairman) ***George Papaioannou***, Independent Non-executive Director	1	2

Responsibilities

- Preparation of selection criteria and appointment procedures for Board members
- Regular review of the Board's structure, size and composition
- Future Board appointments.
- Recommendations regarding the membership of the Audit and Remuneration committees

Issues considered in 2022

- Advice to the Annual General Meeting on the appointment of Board members
- Recommendation on appointment of Directors to the Committees of the Board

The Nomination Committee meetings until September 2022

	Eligible	Attended
Dr. Johann Franz Durrer	2	2
John Carroll Colley	2	2

The Nomination Committee meetings after September 2022

	Eligible	Attended
John Carroll Colley	0	0
George Papaioannou	0	0

Corporate Governance Report

Remuneration Committee

The role of the Remuneration Committee is to ensure that executive remuneration aligns appropriately with the business strategy and that the remuneration policy remains appropriate.

Number of members	Members as at 31 December 2021	Members as at 30 September 2022 and as at 31 December 2022	Minimum meetings a year	Number of meetings in 2022
2 members; all independent	***Johann Franz Durrer***, Senior Independent Non-executive Director (Chairman) ***John Carroll Colley***, Independent Non-executive Director	***John Carroll Colley***, Independent Non-executive Director (Chairman) ***George Papaioannou***, Independent Non-executive Director	1	5

Responsibilities

- Remuneration of Executive Directors (Chairman and Executive Directors determine the remuneration for independent members)
- Review of the Group's remuneration policies

Issues considered in 2022

- Approval of bonuses to the Chief Strategy Officer, Chief Financial Officer and Managing Director

The Remuneration Committee meetings until September 2022

	Eligible	Attended
John Carroll Colley	5	5
Dr. Johann Franz Durrer	5	5

The Remuneration Committee meetings after September 2022

	Eligible	Attended
John Carroll Colley	0	0
George Papaioannou	0	0

ESG Committee

The role of the ESG Committee is to monitor the development of the Group's sustainability strategy, review and recommend ESG disclosures for Board approval and approve the Group's sustainability reports.

Number of members	Members as at 31 December 2022	Minimum meetings a year	Number of meetings in 2022
2 members; 1 independent	***Elia Nicolaou***, Non-executive Director (Chairman) ***John Carroll Colley***, Independent Non-executive Director	2	2

Responsibilities

- Monitoring of the development of the Group's sustainability strategy (issues, policies, initiatives related to ESG)
- Oversight of ESG disclosures
- Approval of annual integrated sustainability reports
- Review of the ESG activities of the Group
- Review of key performance indicators

Issues considered in 2022

- Review of the Group's ESG activities and key performance indicators in 2021 covered in the annual integrated sustainability report
- Approval of the annual integrated sustainability report for 2021
- Approval of the 2022 meetings/work plan of the ESG Committee
- Review of latest sustainability trends, the Group's ESG activities, and investor feedback during the H1 2022 non-deal roadshow
- Review of the Group's ESG plan, key activities and ESG performance in H1 2022
- Review and approval of the ESG work plan for H2 2022

The ESG Committee meetings in 2022

	Eligible	Attended
Elia Nicolaou	2	2
John Carroll Colley	2	2

Corporate Governance Report

SHAREHOLDER ENGAGEMENT

The Board places great importance on its relationships with the Company's shareholders. It continually strives to provide high levels of transparency and build trust, recognising that engaging with shareholders is key to creating long-term, sustainable shareholder value. The Board engages with shareholders in a variety of ways. Management undertakes a regular schedule of meetings, presentations, conference calls and webcasts with investors and sell-side analysts. The Group has a dedicated Investor Relations team that acts as the primary point of contact with the investor community.

INTERNAL CONTROL AND AUDIT

The Board is primarily responsible for establishing a framework of prudent and effective internal controls and risk management in relation to the financial reporting process for the undertakings included in the Group consolidation that enables risks to be assessed and managed and financial reports to be prepared. The Audit Committee reviews and assesses the Group's internal control and risk management processes. 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. At Globaltrans, the body responsible for internal audit is the Internal Audit Service (IAS).

It tests the Group's systems of risk management, internal control and corporate governance to obtain 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 comply with the Group's policies, standards and procedures and applicable laws;
- Resources are procured reasonably and used efficiently and their safekeeping is fully guaranteed; and
- Group companies conduct their business in compliance with applicable laws.

Every year, the Audit Committee approves an internal audit plan, which 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 planned audits. If any material internal control deficiencies are identified, they are immediately communicated to the Audit Committee and consequently to the Board.

EXTERNAL AUDITOR

The Audit Committee manages the relationship with the external auditor on behalf of the Board. Each year it considers the reappointment of the external auditor, reviews requirements on the rotation of the audit partner and the audit firm when applicable, as well as its remuneration and other terms of engagement, and makes a recommendation to the Board. Shareholders are then asked to approve the appointment at the Annual General Meeting. The Group has a formal policy for assessing the independence and objectivity of the external auditor. It 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 periodically (at least annually) provide written confirmation to the Audit Committee 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.

The Audit Committee recommended the reappointment of PricewaterhouseCoopers as the Group's external auditor for 2022 and 2023. The appointment for 2022 was approved by the Group's shareholders at the Annual General Meeting on 26 April 2022. In August 2022, PricewaterhouseCoopers terminated the audit engagement with the Company as a result of which Company's Board of Directors appointed GAC Auditors Ltd for the provision of audit (review) services for the first six months of 2022 and the year of 2022. GAC Auditors Ltd were appointment by the Group's shareholders at the Annual General Meeting on 21 April 2023 for the provision of audit/review services for 2023.

Share Capital

Globaltrans was formed in 2004 when a group of like-minded entrepreneurs brought their freight rail businesses together to form the Company, giving it the scale, governance and focus to become one of the leading players in the region. These founders remain shareholders with a total stake of about 43%, and their entrepreneurial spirit remains at the heart of our culture and approach today. In addition, other directors and officers of Globaltrans are shareholders of the Company, representing about 0.1% of the issued share capital.

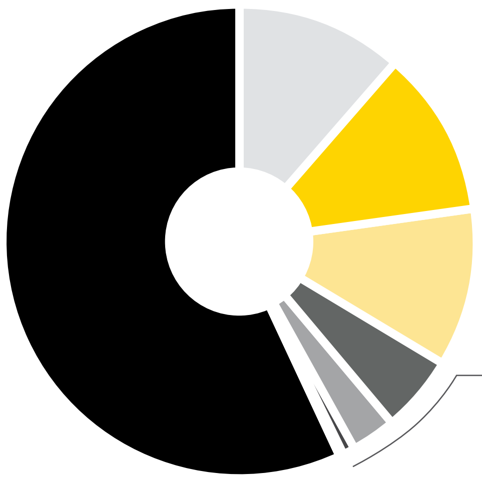
In 2008, Globaltrans' founders recognised the benefits of an international listing and undertook an Initial Public Offering on the LSE, becoming the first freight rail company serving Russian cargo flows to be listed internationally. In 2020, Globaltrans' GDRs were admitted to trading on MOEX.

Today, the majority of the Company's shares are in public hands with Globaltrans' free float amounting to about 56.8% of the issued share capital.

The issued share capital of Globaltrans consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of GDRs. The GDRs represent one ordinary share each and have been traded on the Main Market of the LSE (ticker symbol: GLTR) since May 2008 (although have been subject to a suspension since 3 March 2022) and on the Level One quotation list of MOEX (ticker symbol: GLTR) since October 2020. Citibank N.A. is the depositary bank for the GDR programme of Globaltrans.

As of 31 December 2022, the total number of the GRDs held in treasury represented 0.2% of the Company's share capital[1].

Ownership structure
as of 31 December 2022



- 11.5% Marigold Investments Ltd[2]
- 11.5% Onyx Investments Ltd[2]
- 10.8% Maple Valley Investments Ltd[2]
- 5.1% Litten Investments Ltd[3]
- 3.1% Goldriver Resources Ltd[4]
- 0.9% Transportation Investments Management Ltd[5]
- 0.2% Treasury shares
- 0.1% Directors and management
- 56.8% Free float[6]

[1] The cancellation of 422,657 shares (representing 0.2% of the Company's share capital) purchased in the form of GDRs under the buyback programmes and held in treasury was approved by the Board of Directors. Following the cancellation of these shares, the total number of shares in issue (including GDRs) of the Company will be 178,318,259 with no shares/GDRs held in treasury. An announcement will be released once the cancellation has been completed.

[2] Andrey Filatov, Nikita Mishin and Konstantin Nikolaev are co-founders of Globaltrans and are beneficiaries with regard to 11.5%, 11.5% and 10.8% respectively of Globaltrans' ordinary share capital each through their respective SPVs (Marigold Investments Ltd, Onyx Investments Ltd and Maple Valley Investments Ltd).

[3] Beneficially owned by Alexander Eliseev, Non-executive Director and co-founder of Globaltrans.

[4] Beneficially owned by Sergey Maltsev, Chairman of the Board of Directors, Chief Strategy Officer and co-founder of Globaltrans.

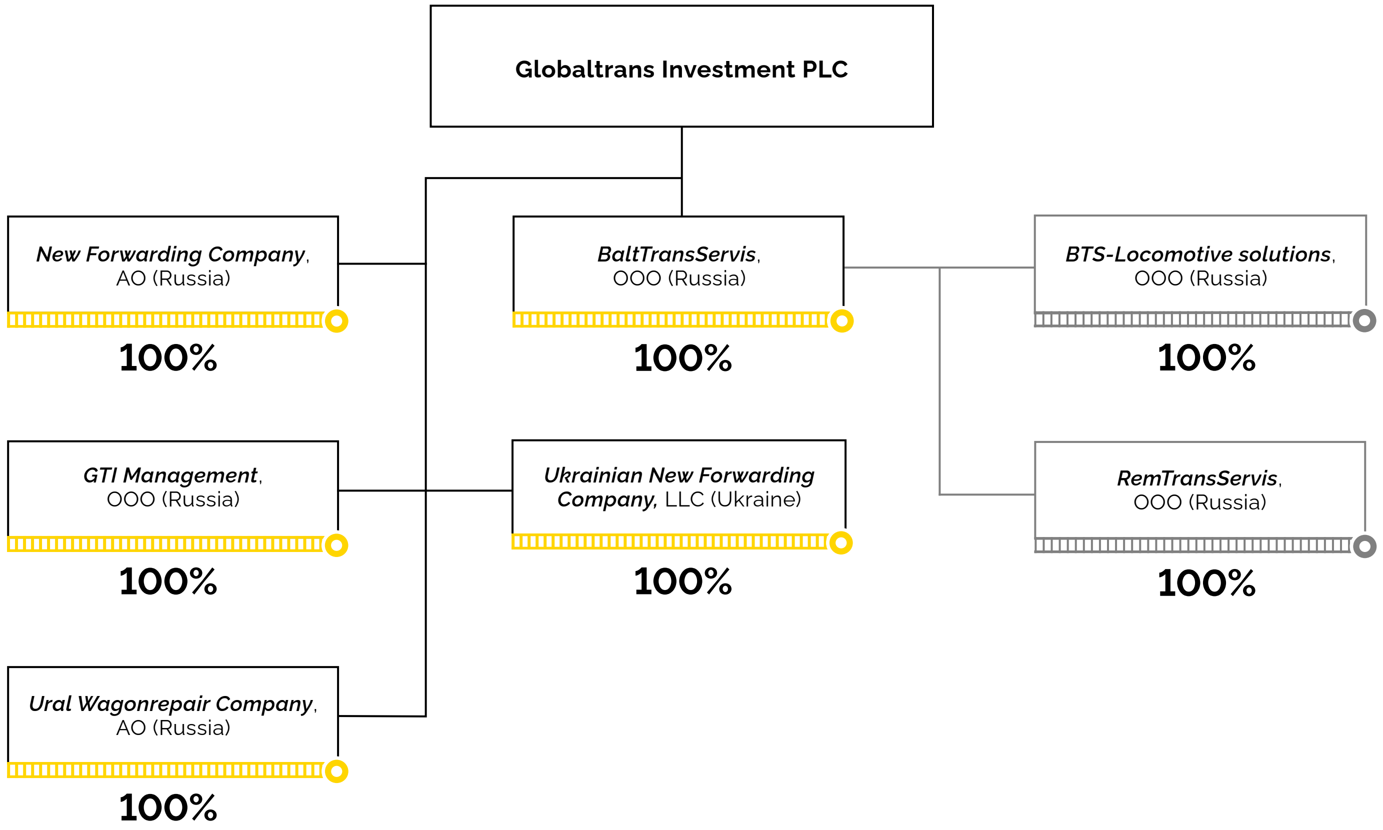
[5] Beneficially owned by Andrey Filatov, Nikita Mishin and Konstantin Nikolaev, co-founders of Globaltrans.

[6] For these purposes, the free float consists of the ordinary shares and GDRs held by investors not affiliated or associated with Globaltrans.

Corporate Structure

Globaltrans provides freight rail transportation, railcar leasing and other ancillary services to clients through its 100% owned subsidiaries: New Forwarding Company, BaltTransServis, GTI Management, Ural Wagonrepair Company and Ukrainian New Forwarding Company.

The Group's corporate structure ensures effective asset management and operational control while creating logical business segments.



Group structure as of 1 February 2023.

Source: Globaltrans

Financial Statements

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2022

Board of Directors and other officers

Board of Directors

Mr. Vasilis Hadjivassiliou
Independent Non-Executive Director
Member of the Audit Committee (since January 2021)

Mr. John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee
Chairman of Remuneration Committee
Chairman of Nomination Committee
Member of ESG Committee (since January 2021)

Mr. George Papaioannou
Independent Non-Executive Director
Member of the Audit Committee
Member of Remuneration Committee (since September 2022)
Member of Nomination Committee (since September 2022)

Ms. Elia Nicolaou
Non-executive Director
Chairwoman of the ESG Committee (since January 2021)
Member of the Audit Committee (until January 2021)
Company Secretary
Secretary of the Board
Alternate Director: Mr. Marios Tofaros

Mr. Michalakis Thomaides
Non-Executive Director

Ms. Melina Pyrgou
Non-executive Director

Mr. Marios Tofaros
Non-executive Director

Mr. Sergey Maltsev
Chairman of the Board of Directors
Executive Director
Alternate director: Mr. Yuri Isaev

Mr. Sergey Tolmachev
Executive Director

Mr. Alexander Storozhev
Executive Director
Alternate Director: Ms. Elia Nicolaou

Mr. Konstantin Shirokov
Executive Director

Mr. Alexander Eliseev
Non-executive Director
Alternate Director: Ms Ekaterina Golubeva

Mr. Andrey Gomon
Non-executive Director
Alternate Director: Ms. Melina Pyrgou

Mr. Alexander Tarasov
Non-executive Director
Resigned in May 2022

Mr. Sergey Foliforov
Non-executive Director
Appointed in June 2022

Dr. Johann Franz Durrer
Passed away on 3 September 2022
Dr. Durrer was senior Independent Non-Executive Director
Chairman of the Remuneration Committee
Chairman of the Nomination Committee

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

Consolidated Management Report

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2022. 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 activities of the Group, which are unchanged from last year, are the provision of railway transportation services, using own and leased rolling stock and fleet engaged from third party rail operators, as well as the operating lease of rolling stock.

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

Globaltrans reported strong financial results in 2022 with growth achieved across all key metrics. The performance of Russia's freight rail transportation sector was negatively impacted by the challenging operating environment that persisted for most of 2022, and which resulted in widespread transformation of freight flows and logistics, as well as pressure on cargo volumes and intensified cost pressures. The Group also improved its operational efficiency with service contracts remaining intact. Robust financial profile was maintained with further deleveraging. Globaltrans sizably increased its investments into fleet expansion and M&A in 2022.

IFRS financial information
Management considers amongst others the following IFRS measures in analysing the performance of the Group.

The Group's Total revenue increased 29% year on year to RUB 94,474,032 thousand in 2022 (2021: RUB 73,151,013 thousand). Operating profit increased 59% year on year to RUB 34,301,602 thousand in 2022 (2021: RUB 21,627,259 thousand). The profit for the year ended 31 December 2022 increased 65% year on year to RUB 24,919,886 thousand (2021: RUB 15,099,559 thousand).

On 31 December 2022 the total assets of the Group were RUB 110,154,102 thousand (2021: RUB 108,284,996 thousand) and net assets were RUB 67,462,195 thousand (2021: RUB 56,505,223 thousand).

On 31 December 2022 the total debt of the Group was RUB 20,648,650 thousand which decreased by 34% as compared to end of 2021 which amounted to RUB 31,318,470 thousand. Total cash and cash equivalents on 31 December 2022 increased by 25% and amounted to RUB 16,052,345 thousand (31 December 2021: 12,854,707 thousand).

Non-IFRS financial information
Amongst others, management analyses the following key non-IFRS measures. These non-IFRS measures are marked with capital letters and their definitions are provided at the end of this section in alphabetical order.

Adjusted Revenue increased 40% year on year to RUB 81,609,908 thousand (2021: RUB 58,492,364 thousand) reflecting the recovery in both the gondola and tank car segments' revenue streams largely supported by a recovery in gondola market pricing in first half 2022 from the depressed levels of first half 2021. A subsequent decline in gondola market pricing over the second half of 2022 resulted in a 9% decrease in Adjusted Revenue in second half 2022 compared to first half 2022. Total Operating Cash Costs were up 8.81% year on year to RUB 32,373,079 thousand (2021: RUB 29,750,883 thousand).

Adjusted EBITDA increased 69% year on year to RUB 49,216,294 thousand (2021: RUB 29,044,127 thousand) with the Adjusted EBITDA Margin rose to 60% (2021: 50%), mainly impacted by growing Adjusted revenue by 40% while Total Operating Cash Costs rose 9% year on year.

The Group had a strong balance sheet with Net Debt to Adjusted EBITDA decreasing to 0.09x (2021 end: 0.64x). Net Debt reduced by 75% to RUB 4,596,305 thousand (2021 end: 18,463,763 thousand). As at 31 December 2022 and 31 December 2021 100% of the Group's debt was denominated in Russian roubles.

Free Cash Flow of RUB 14,824,581 thousand decreased 8% year on year (RUB 16,130,930 thousand for 2021) as the 47% year on year rise in Net cash from operating activities was offset by a 35% year on year increase in Total CAPEX to RUB 11,423,671 thousand (2021: RUB 8,439,159 thousand) following purchases of 1,341 units of rolling stock (including 541 rail tanks and 800 gondolas) and the cash outflow related to the acquisition of the outstanding 40% shareholding in BaltTransServis bringing the Group's shareholding to 100%.

Operational information
In 2022, Freight Rail Turnover (excluding Engaged Fleet) decreased by 8% year on year and the Group's Transportation Volume (excluding Engaged Fleet) decreased by 9%. The Freight Rail Turnover amounted to 134.9 billion tonnes-km (2021: 146.8 billion tonnes-km) and the Group's Transportation Volume was 77.0 million tones in 2022 (2021: 85.1 million tones).

The Average Number of Loaded Trips per Railcar decreased by 9% year on year and the Average Distance of Loaded Trips increased by 1% year on year, mainly reflecting changed logistics.

Average Price per Trip increased by 57% year on year to RUB 64,553 (2021: RUB 41,075) reflecting largely the recovery in the gondola market rates in the first half from the depressed levels of H1 2021 followed by a decline in the second half of 2022. Rail tank market rates remained robust over the reporting year.

The decrease in the Empty Run Ratio for gondola cars to 41% (2021: 44%) following successfully adjusted Group's logistics whereas the Total Empty Run Ratio remains stable at the level of 50% (2021: 51%).

Total Fleet decreased by 4% to 66,115 units (2021 end: 69,106 units) primarily reflecting impairment of about 3.8k units of rolling stock (mostly gondola cars) blocked in Ukraine and the expansion CAPEX.

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

Consolidated Management Report

Definitions to Non-IFRS financial measures

Adjusted EBITDA represents EBITDA excluding "Net foreign exchange transaction (losses)/gains from financing activities", "Share of loss of associate", "Other gains - net", "Net (gain)/loss on sale of property, plant and equipment", "Reversal of impairment/(impairment) of property, plant and equipment", "Loss on derecognition arising on capital repairs" and "Reversal of impairment of intangible assets".

Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Adjusted Revenue 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 the total number of loaded trips during the relevant period in the respective currency. Net Revenue from Operation of Rolling Stock 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.

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, Engaged Fleet, flat cars and tank containers used in petrochemical business).

EBITDA represents "Profit for the year" before "Income tax expense", "Finance costs - net" (excluding "Net foreign exchange transaction (losses)/gains on financing activities"), "Depreciation of property, plant and equipment", "Amortisation of intangible assets" and "Depreciation of right-of-use assets".

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, engaged fleet, platforms and tank containers used in petrochemical business).

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.

Free Cash Flow is calculated as "Cash generated from operations" (after "Changes in working capital") less "Tax paid", "Purchases of property, plant and equipment", "Purchases of intangible assets", "Acquisition of subsidiary undertakings - net of cash acquired", "Acquisition of non-controlling interest", "Interest paid on lease liabilities", "Interest paid on bank borrowings and non-convertible unsecured bonds" "Interest paid on leases with financial institutions", "Principal elements of lease payments for other lease liabilities" plus "Cash inflow from disposal of subsidiary undertakings - net of cash disposed of".

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 and excludes performance of petrochemical tank container segment.

Net Debt is defined as the sum of total borrowings (including interest accrued) less "Cash and cash equivalents".

Net revenue from engaged fleet 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 OAO "Russian Railways" (included in "Infrastructure and locomotive tariffs: loaded trips") less the cost of attracting fleet from third-party operators (included in "Services provided by other transportation organisations").

Owned Fleet is defined as the fleet owned and leased in under finance lease as at the end of the reporting period. It includes railcars, locomotives and containers, unless otherwise stated, and excludes Engaged Fleet.

Total CAPEX calculated on a cash basis as the sum of "Purchases of property, plant and equipment", "Purchases of intangible assets", "Acquisition of subsidiary undertakings – net of cash acquired".

Total Empty Run Ratio is calculated as total kilometres travelled empty divided by the total kilometres travelled loaded by the rolling stock 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, Engaged Fleet, platforms and tank containers used in petrochemical business) in the relevant period.

Total Fleet is defined as the fleet owned and leased in under finance and operating leases as at the end of reporting period. It includes railcars, locomotives and petrochemical tank containers, unless otherwise stated, and excludes engaged fleet.

Total Operating Cash Costs 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", "Depreciation of right-of-use assets", "Loss on derecognition arising on capital repairs", "Net impairment losses on trade and other receivables", "Reversal of impairment/(impairment) of property, plant and equipment" and "Net gain/(loss) on sale of property, plant and equipment".

Transportation Volume is a measure of freight carriage activity over a particular period, measuring weight of cargo carried in million tonnes. It excludes volumes transported by Engaged Fleet and the performance of petrochemical tank container segment.

Consolidated Management Report

Changes in group structure

There were no changes in the Group structure of the Company during the year ended 31 December 2022, apart from acquisition in February 2022 of a 40% non-controlling interest in BaltTransServis, OOO (Note 20). For the principal subsidiaries of the Company, refer to Note 20 of the consolidated financial statements.

Environmental matters

Rail is one of the most environmentally friendly modes of transport. Nonetheless, any commercial activity has an environmental impact and Globaltrans strives to minimise those from its operations where possible. To this end, the Group ensures that its activities fully comply with local environmental regulations. It also aims to help business and nature co-exist by focusing on applying modern technology in its operations and using natural resources rationally.

In January 2021, the Board established the ESG Committee to analyse and oversee risks related to the environmental, social and governance issues.

Human resources

Globaltrans considers the wellbeing of employees central to its success and strives to maintain exemplary working standards, ensure job satisfaction and create opportunities for professional growth. The Group's personnel policy focuses on creating a positive atmosphere at all offices and facilities to maximise productivity. As part of this, it offers medical insurance, support for education, opportunities to obtain additional qualifications and training, and financial aid in particularly difficult times.

The Group's future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team. 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 employees and key managers and remuneration is linked to the Group's financial results. The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate.

Principal risks and uncertainties

The Group faces a number of diverse potential and actual risks to its business. The Board has adopted a formal process to identify, evaluate and manage principal risks and uncertainties faced by the Group.

To identify, evaluate and mitigate these, the Group has established an in-house system to monitor and control uncertainties and threats throughout its activities. This is overseen by a dedicated Risk Management function, which works directly with the Board of Directors in this area.

The escalation of the conflict in Ukraine and the associated sanctions imposed by the US, European Union and a number of other countries on some of the biggest Russian industrial groups, as described in Note 33 to the consolidated financial statements, may adversely affect the business environment and prospects of the Company and its subsidiaries and create significant new risks, which did not exist as at the balance sheet date.

The Group has grouped the risks that it considers to be significant into key categories – strategic, operational, compliance and financial – and they are presented below.

Strategic risks

The strategic risks faced by the Group that pose risks that influence the Group's ability to achieve its strategy include the general economic situation and operating environment in Russia, Kazakhstan, Ukraine and CIS in which the Group operates; the regulatory risk relating to the operation of the Russian railway transportation market, including railway tariff regulation and technical requirements for fleet maintenance; the highly competitive Russian rail transportation market with unregulated operator's services tariffs; the significant concentration of the Group's customer base with the top 10 customers (including their affiliates and suppliers) accounting for around 68% of the Group's Net Revenue from the operation of rolling stock in 2022; cost of borrowing and/or deterioration in market conditions with potential impacts on the profitability and recoverability of investments; and reliance on RZD for issuing permits allowing the Group to operate locomotives.

The Group operates mainly in Russia and other emerging markets. Emerging markets, such as Russia, Kazakhstan and Ukraine, are subject to greater risks than more developed markets, including significant economic, political, social, legal and legislative uncertainties. Moreover, the Group's business depends on the demand in the Russian freight rail transportation market, which in turn depends on certain key commodity sectors and, accordingly, on economic conditions in Russia, Europe and elsewhere. A decrease in production and 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 a technological shift, economic downturn, political crisis or other event in Russia or another relevant country, negatively impacts the Group's business and growth prospects.

The management of the Group constantly monitors the developments in the operating environment and regulatory regime of the railway transportation market in the countries in which the Group operates. The Group's business model is to maintain a balanced fleet between universal gondola cars, adaptable to the demand for transportation of various bulk cargoes and rail tank cars, which are used for the transportation of oil products and oil. Further, the Group has long-term, established relationships with its key customers and their affiliates and suppliers and in some cases, the Group becomes an integrated part of its customers' operations. Around 59% of the Group's Net Revenue from the Operation of Rolling Stock in 2022 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding 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.

Consolidated Management Report

The sanctions imposed on the Russian Central Bank, its restrictions for capital movements outside Russian Federation, the sanctions imposed by US, European Union and number of other countries on the biggest Russian industrial groups adversely affect the business environment and prospects of the Group and create significant new risks, which didn't exist as at the reporting date. The restrictions on the export of certain types of Russian commodities or changes in directions of supply for Russian commodities may have a negative impact on the freight rail transportation market and the Group's business.

The situation is still evolving and further sanctions and limitations on business activity of companies operating in the region, as well as consequences on the Russian economy in general, may arise but the full nature and possible effects of these are unknown. It is not possible for management to predict with any degree of certainty the impact of this uncertainty on the future operations of the Group and estimate the financial effect on the Group. Management is closely monitoring the situation and is ready to act depending on the developments.

In addition to the human impact, the spread of Coronavirus (COVID-19) continues to affect global businesses and cause uncertainty. The freight rail market may experience reduced demand stemming from the effects of COVID-19. The Group cannot predict the full impact of COVID-19 on its markets, business or prospects although they may be materially adversely impacted by the evolving situation. In addition, the appearance of new pandemics or other dangerous illnesses could seriously affect the global and local business environment and lead to negative consequences for Group's business. Significant levels of COVID-19 illness in the Group or its key clients could interfere with stability of Group's operations.

Management is closely monitoring the implications of the global outbreak of COVID-19 and acts depending on the development of the situation. The Group constantly evaluates and implements options for distant work for its workforce to mitigate risks of spreading and catching COVID-19 illness.

Operational risks

The operational risks faced by the Group that could influence the Group's operational efficiency include the physical state of the Russian, Ukrainian and CIS railway infrastructure which may negatively impact the condition of the Group's rolling stock, ability of relocation of rolling stock between different countries and the performance of the Group; the impact of inflation in Russia on the Group's costs with limited opportunities to increase tariffs to customers; the competition for personnel with relevant expertise and experience in Russia and the impact on the Group's ability to continue to attract, retain and motivate key employees and qualified personnel; reliance on RZD for locomotive traction and infrastructure usage and the impact of this on the quality of the Group's freight transportation services and therefore customer satisfaction; IT availability and continuity considerations due to reliance on specialised trail transport and logistics software for ensuring efficient and effective logistics, dispatching and rolling stock tracking services; and risks of terrorist attacks, natural disasters or other catastrophic events beyond the Group's control.

The Group is managing operational risk by ensuring that practically all of the Group's rolling stock is insured against damage. Further, the Group monitors its rolling stock through the Group's dispatch centre on a 24/7 basis and plans routes accordingly to minimise the risks of disruption. The Group monitors FAS initiatives with the aim of detecting possible changes in tariff-setting methodology and tries to reflect respective changes in contracts with customers. Among the Group's key objectives are to increase operational efficiency and to focus on control and reduction of costs. The Group continuously monitors its costs to maintain efficiency. The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate. Customer satisfaction is one of the key metrics that the Group's management monitors, with customer feedback being analysed and appropriate follow-up actions being taken. Due to recent sanctions imposed by US, European Union and number of other countries a number of IT solutions will no longer be maintained by US and European Union suppliers. Local IT specialists have introduced alternative solutions to maintain the availability of IT services, the continuity of business processes and ensure their recovery in case of disruption. The IT function and Internal Audit function monitor all IT-related activities and performance for compliance with IT policies and procedures. Further the Group permanently monitors any disruptive events and applies a Business Continuity Policy to ensure the safety of employees and human life; maintain continuity of time-critical services; minimise disruptions to clients and partners; and minimise operational, financial and reputational impact.

Compliance risks

The Group is also subject to compliance risk, being the risks that influence the Group's adherence to relevant laws and regulations, including the regulations of the London Stock Exchange ("LSE") and the Moscow Exchange ("MOEX"), where Company's GDR are admitted to trading. The Group is involved in legal actions from time to time. Some of it may have an adverse effect on the Group. The ambiguity of the law in Russia and CIS countries creates regulatory uncertainty and might result in claims from different government authorities. Local tax, currency, sanctions 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 runs its operations in compliance with tax, currency, labour, sanctions, customs, antimonopoly and other applicable legislation and constantly monitors any changes in the regulatory environment as well as 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 rigorous review by all of the Group functions concerned and a formal approval process prior to execution. The Group has controls in place, including highly qualified and experienced personnel, to monitor changes in legislation and determine the appropriate action needed to minimise the risk of a challenge to such treatments by the authorities. For complex matters, the Group retains external consultants.

Consolidated Management Report

Financial risks

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 program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results.

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.

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 having the Russian Rouble as their functional currency; (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 of the Group which has the Ukrainian Hryvnia as its functional currency. The Group does not have formal arrangements for hedging foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

Cash flow and fair value interest rate risk
The Group's income and operating cash flows are exposed to changes in market interest rates. The Group obtains borrowings at current market interest rates and does not use any hedging instruments to manage interest rate risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, trade receivables, loans and other receivables as well as finance lease receivables.

Liquidity risk
The Group has an excess of current assets over current liabilities of RUB 4,946,447 thousand as at 31 December 2022.

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.

Further details on the Group's exposure to financial risks are presented in Note 6 to the consolidated financial statements.

Contingencies

The Group's contingencies are disclosed in Note 33 to the consolidated financial statements.

Future developments

The Group's strategic objective is to strengthen its position as a leading freight rail transportation group in Russia. The future development of the Group may be affected by the escalation of the conflict in Ukraine in the period after the balance sheet date. It is not possible for the Board of Directors to predict with any degree of certainty the impact of this uncertainty on the future operations of the Group and estimate the financial effect on the Group.

Results

The Group's results for the year are set out on pages 22 and 23. On the date of this report, the Board of Directors, having considered the profitability and liquidity position of the Group as well as all the risks and recent developments, does not recommend the payment of a final 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 declare dividends in Russian Roubles and pay such dividends in US Dollars. If dividends are not paid in US Dollars and if the conversion from the currency of payment to US Dollars is possible for the Depositary, 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 and limitations on capital movement, if applicable. 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.

In April 2021, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2020 in the amount of 28.00 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 5,004,746 thousand, including final dividend for 2020 in the amount of RUB 2,931,351 thousand or RUB 16.40 per ordinary share/GDR and a special final dividend in the amount of RUB 2,073,395 thousand or RUB 11.60 per ordinary share/GDR (US Dollar equivalent of US$ 66,190 thousand).

Consolidated Management Report

On 27 August 2021, the Board of Directors of the Company approved payment of total dividend in the amount of 22.50 Russian Roubles per ordinary share, amounting to a total dividend of RUB 4,021,671 thousand, including interim dividend in the amount of RUB 1,635,480 thousand or RUB 9.15 per ordinary share/GDR and a special interim dividend in the amount of RUB 2,386,191 thousand or RUB 13.35 per ordinary share/GDR (US Dollar equivalent of US$ 54,457 thousand).

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group as well as all the risks and recent developments, does not recommend a payment of final dividends.

Share capital

As at 31 December 2022 the issued share capital of the Company which remains unchanged from the prior year, comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

Treasury shares

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company's Global Depositary Receipts ("GDRs) and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2021 and May 2021. The total number of purchased GDRs shall not exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). The shareholders of the Company at the Annual General Meeting which took place on 29 April 2021 approved the prolongation of the term of the buyback program until the earlier of the close of the Annual General Meeting of the Company to be held in 2022 or 12 months from the date of the approval.

During the year 2020, the Company purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand). No further acquisitions took place within the year 2021.

During the first six months of 2022, the Company purchased a total of 345,780 GDRs, which are held in treasury for a total consideration of 832 thousand US Dollars (equivalent to RUB 114,497 thousand). No further acquisitions took place within the last six months of 2022.

As of 30 June 2022, the Company had purchased a total of 422,657 GDRs / (31 December 2021 76,877 GDRs) which are held in treasury for a total consideration of 1.254 thousand US Dollars (equivalent to RUB 145,993 thousand).

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years. In June 2022 the Board of Directors approved the cancellation of all purchased GDRs. As of 31 December 2022 the cancellation of GDRs was in progress.

Research and development activities

The Group has not undertaken any research and development activities during the year ended 31 December 2022.

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 36 to the consolidated financial statements.

Branches

The Group operates through branches and representative offices, maintaining seven branches and eight representative offices during 2022 (eight branches and eight representative offices during 2021).

Going concern

The 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 2022, including cash flows and borrowing facilities, and taking into account the developments after the reporting date impacting the economic and business environment in which the Group operates, as set out in Note 33 to the consolidated financial statements, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

The previous Independent Auditor, PricewaterhouseCoopers Limited resigned, there has been no disagreement between previous auditors and management related to the last audit. GAC Auditors Ltd was appointed as Independent Auditor and has 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.

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.

Consolidated Management Report

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 https://globaltrans.com/governance/corporate-documents.

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

As at 31 December 2022 and at the date of this report, the Board comprises of 14 members (2021: 15 members), 10 (2021: 11 members) of whom are non-executive directors. Three (2021: 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 they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2022 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2022 except Dr. Johann Franz Durrer who passed away on 3 September 2022, Mr. Sergey Foliforov, who was appointed as Non-executive director in June 2022 and Alexander Tarasov who resigned from the Board of Directors in May 2022.

There were no significant changes in the assignment of responsibilities of the Board of Directors, with the exception of Dr. Johann Franz Durrer who passed away on 3 September 2022.

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 gross remuneration of the members of the Board of Directors incurred by the Group in 2022 amounted to RUB 776,827 thousand (2021: RUB 604,062 thousand) (Note 35).

Board performance

The Board held 18 meetings in 2022. The Directors' attendance is presented in the table below.

	Eligible	Attended
Johann Franz Durrer	12	11
John Carroll Colley	18	17
George Papaioannou	18	18
Alexander Eliseev	18	18
Melina Pyrgou	18	18
Konstantin Shirokov	18	18
Alexander Storozhev	18	18
Marios Tofaros	18	18
Elia Nicolaou	18	18
Sergey Tolmachev	18	18
Sergey Maltsev (Chairman)	18	18
Andrey Gomon	18	18
Alexander Tarasov	6	5
Sergey Foliforov	10	10
Vasilis Hadjivassiliou	18	18
Michalakis Thomaides	18	18

Consolidated Management Report

The Board Committees

During 2022 the Board had four committees: the Audit Committee, the Nomination Committee, the Remuneration Committee and the ESG Committee, which was established by the Board of Directors in January 2021. A brief description of the terms of reference of the committees is set out below.

Audit Committee
The Audit Committee comprises of three Directors and meets at least four times each year. As of 31 December 2022 the members of the Audit Committee were independent and the Audit Committee was chaired by Mr. Colley and was also attended by Mr. Papaioannou and Mr. Hadjivassiliou. In January 2021 Mr. Hadjivassiliou became a member of the Audit Committee and Ms. Nicolaou resigned from the Audit Committee and was appointed to the ESG Committee. 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 of two Independent Directors and meets at least once a year. As of 31 December 2022 the Nomination Committee was chaired by Carroll Colley and George Papaioannou was 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 of two Independent Directors and meets at least once a year. As of 31 December 2022 the Remuneration Committee was chaired by Carroll Colley and George Papaioannou was 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.

ESG Committee
In January 2021 the Board of Directors established an ESG Committee to lead its thinking on ESG matters and ensure that ESG issues are integrated into the Group's long-term strategy. The ESG Committee also monitors the development of the Group's sustainability strategy, reviews and recommends ESG disclosures for Board approval and approves the Group's sustainability reports. The ESG Committee is comprised of two Board members: Elia Nicolaou, Non-executive Director, who serves as the Chair, and Carroll Colley, Independent Non-executive Director. The ESG Committee meets at least two times a year.

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 26 April 2022.

Refer to Note 35 of the consolidated financial statements for details of remuneration of directors and other key management personnel.

Consolidated Management Report

Diversity policy

The Company does not have a formal Board diversity policy to aspects such as age, gender or educational and professional backgrounds, but, following best practice, while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.

As of the date of publication of these financial statements the Board has 2 females representing approximately 14% from the total number of directors. The age of the members of the Board of Directors starts from over 40 years, with the average age of directors being 52 years. The Board members have the following educational backgrounds: transportation and ports industry, accounting, economics and financial, banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management. The Board has a necessary balance of skills and expertise to run the Company and the Group.

Further details of the corporate governance regime of the Company can be found on the website: https://globaltrans.com/governance/corporate-documents

Regulations with regards to the amendment of the article of association

The Articles of Association of the Company may be amended from time to time by special resolution at the General Meeting of the Shareholders.

Company's internal control and risk management systems in relation to the financial reporting process

The Board of Directors is responsible for the preparation of the 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.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The Board is primarily responsible for establishing a framework of prudent and effective controls that enables risks to be assessed and managed.

The Audit Committee assists the Board in this task by reviewing and assessing the Group's internal control and risk management processes in relation to Group's financial reporting 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.

At Globaltrans, the body responsible for internal audit is the Internal Audit Service (IAS). It tests the Group's systems of risk management, internal control and corporate governance to obtain 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 and used efficiently and their safekeeping is fully guaranteed; and Group companies conduct their business in compliance with applicable laws.

Each year, the Audit Committee approves an internal audit plan, which 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 planned audits. If any material internal control deficiencies are identified, they are communicated to the Audit Committee, and consequently to the Board, at once.

Consolidated Management Report

Significant direct or indirect holdings (including indirect shareholding though structures or cross shareholdings)

The issued share capital of the Company consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of Global Depositary Receipts (GDRs). The GDRs represent one ordinary share each and are listed on the Main Market of the London Stock Exchange and in the Moscow Exchange, under the ticker GLTR. The free float of Globaltrans amounts to approximately 56.8%1 of the issued share capital. The Company's depositary bank for the GDR programme is Citibank N.A.

The shareholder structure of the Company as at 31 December 2022 was as follows:

Onyx Investments Ltd[2]	11.5%
Marigold Investments Ltd[2]	11.5%
Maple Valley Investments Ltd[2]	10.8%
Litten Investments Ltd[3]	5.1%
Goldriver Resources Ltd[4]	3.1%
Transportation Investments Management Ltd[5]	0.9%
Treasury shares	0.2%
Controlled by Directors and management of Globaltrans	0.1%
Free float[1]	56.8%

1 For these purposes, the free float consists of the ordinary shares and GDRs held by investors not affiliated or associated with the Company.
2 Nikita Mishin, Andrey Filatov and Konstantin Nikolaev are co-founders of the Company and beneficiaries with regard to 11.5%, 11.5% and 10.8% respectively of Globaltrans' ordinary share capital each through their respective SPVs (Onyx Investments Ltd, Marigold Investments Ltd and Maple Valley Investments Ltd).
3 Beneficially owned by Alexander Eliseev, Non-Executive Director and co-founder of the Company.
4 Beneficially owned by Sergey Maltsev, Chairman of the Board, Executive Director, Chief strategy officer and co-founder of the Company.
5 Beneficially owned by Andrey Filatov, Nikita Mishin and Konstantin Nikolaev, co-founders of Globaltrans.

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 of the Company as at 31 December 2022 and 31 December 2021 are shown below:

Name	Type of holding	2022	2021
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	9,065,790
Sergey Maltsev	Indirect holding of GDRs	5,490,149	5,490,149
Johann Franz Durrer	Holding of GDRs	n/a	160,606

The holders of special titles that provide special control rights and description of such rights

The Company does not have any titles with special rights.

Any restrictions in exercising of voting rights of shares

There are no restrictions in the exercising of voting rights of shares issued by the Company.

By Order of the Board

Sergey Tolmachev
Director

Limassol, 24 March 2023

Directors' responsibility

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 is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

This responsibility includes selecting appropriate accounting policies and applying them consistently; and making accounting estimates and judgements that are reasonable in the circumstances.

In preparing the consolidated financial statements, the Board of Directors is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Directors' confirmations

Each of the directors, whose names and functions are listed in page 1 confirms that, to the best of his or her knowledge:

a. the consolidated financial statements, which are presented on pages 19 to 76, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
b. the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces/they face.

Further, each of the Directors confirms that, to the best of their knowledge:

I. adequate accounting records have been maintained which disclose with reasonable accuracy the financial position of the Group and explain its transactions;
II. all information of which they are aware that is relevant to the preparation of the consolidated financial statements, such as accounting records and all other relevant records and documentation, has been made available to the Company's auditors;
III. the consolidated financial statements disclose the information required by the Cyprus Companies Law, Cap.113 in the manner so required; and.
IV. the Consolidated Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the consolidated financial statements.

By Order of the Board

Sergey Tolmachev
Director

Limassol, 24 March 2023

Independent Auditor's Report

GAC auditors ltd
AUDIT | TAX | ADVISORY

To the Members of Globaltrans Investment PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the parent company Globaltrans Investment PLC (the ''Company''), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the parent company Globaltrans Investment PLC as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the ''Auditor's Responsibilities for the Audit of the Consolidated Financial Statements'' section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the operating environment of the consolidated financial statements, which describes the impact of conflict between Russia and Ukraine. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

We have determined that there are no Key Audit Matters to communicate in our report.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors 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.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

GAC auditors ltd
AUDIT | TAX | ADVISORY

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Other Matters

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 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.

Comparative figures

The consolidated financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 March 2022.

Michalis Lambrianides
Certified Public Accountant and Registered Auditor
for and on behalf of
GAC Auditors Ltd
Certified Public Accountants and Registered Auditors

48 Inomenon Ethnon, Guricon House 1st floor, 6042

Larnaca, 24 March 2023

Consolidated income statement

for the year ended 31 December 2022

	Note	2022 RUB'000	2021 RUB'000
Revenue	10	94,474,032	73,151,013
Cost of sales	11	(53,929,494)	(48,334,442)
Gross profit		40,544,538	24,816,571
Selling and marketing costs	11	(282,458)	(249,390)
Administrative expenses	11	(4,625,577)	(4,046,220)
Other income		-	310,381
Other (losses)/gains – net	12	(1,334,901)	795,917
Operating profit		34,301,602	21,627,259
Finance income	14	811,588	326,962
Finance costs	14	(2,602,339)	(2,506,627)
Net foreign exchange transaction gains/(losses) on financing activities	14	641,196	(9,559)
Finance costs – net	14	(1,149,555)	(2,189,224)
Profit before income tax		33,152,047	19,438,035
Income tax expense	15	(8,232,161)	(4,338,476)
Profit for the year		24,919,886	15,099,559
Profit attributable to:			
Owners of the Company		25,193,420	12,987,020
Non-controlling interest		(273,534)	2,112,539
		24,919,886	15,099,559
Weighted average number of ordinary shares outstanding (thousand)	32	178,382	178,664
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share)[1]	32	141.23	72.69

[1] 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 outstanding during the year.

The notes on pages 164 to 249 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	2022 RUB'000	2021 RUB'000
Profit for the year	24,919,886	15,099,559
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(1,546,414)	(564,312)
Losses on cash flow hedge reserve	-	(86,158)
Reclassification to the income statement	-	86,158
Items that will not be reclassified to profit or loss		
Currency translation differences attributable to non-controlling interest	(442,197)	(311,762)
Other comprehensive income for the year, net of tax	(1,988,611)	(876,074)
Total comprehensive income for the year	22,931,275	14,223,485
Total comprehensive income for the year attributable to:		
- owners of the Company	23,647,006	12,422,708
- non-controlling interest	(715,731)	1,800,777
	22,931,275	14,223,485

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 164 to 249 are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 December 2022

	Note	**31 December 2022 RUB'000**	31 December 2021 RUB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	77,606,926	81,101,184
Right-of-use assets	18	3,838,027	5,606,845
Intangible assets	19	1,760	85
Other assets	23	1,011,970	1,146,917
Loans and other receivables	22	-	237,680
Total non-current assets		82,458,683	88,092,711
Current assets			
Inventories	24	798,621	680,363
Other assets	23	6,047,171	2,681,218
Loans and other receivables	22	433,091	30,358
Trade receivables	22	3,750,433	3,638,450
Current income tax assets		613,758	307,189
Cash and cash equivalents	25	16,052,345	12,854,707
Total current assets		27,695,419	20,192,285
TOTAL ASSETS		110,154,102	108,284,996
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	26	516,957	516,957
Share premium	26	27,929,478	27,929,478
Treasury shares		(145,993)	(31,496)
Common control transaction reserve		(10,429,876)	(10,429,876)
Translation reserve		3,332,461	4,878,875
Capital contribution		2,694,851	2,694,851
Retained earnings		43,579,823	24,688,577
Total equity attributable to the owners of the Company		67,477,701	50,247,366

	Note	**31 December 2022 RUB'000**	31 December 2021 RUB'000
Non-controlling interest		(15,506)	6,257,857
Total equity		67,462,195	56,505,223
Non-current liabilities			
Borrowings	28	9,052,778	17,650,210
Other lease liabilities	29	1,794,464	3,928,163
Trade and other payables	31	-	9,225
Contract liabilities	10	14,454	14,019
Deferred tax liabilities	30	9,081,239	9,752,314
Total non-current liabilities		19,942,935	31,353,931
Current liabilities			
Borrowings	28	11,595,872	13,668,260
Other lease liabilities	29	2,400,332	1,913,410
Trade and other payables	31	6,384,348	2,721,027
Contract liabilities	10	813,406	1,371,024
Current tax liabilities		1,555,014	752,121
Total current liabilities		22,748,972	20,425,842
TOTAL LIABILITIES		42,691,907	51,779,773
TOTAL EQUITY AND LIABILITIES		110,154,102	108,284,996

On 24 March 2023, the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

By Order of the Board

Sergey Tolmachev
Director

Limassol, 24 March 2023

By Order of the Board

Konstantin Shirokov
Director

Limassol, 24 March 2023

The notes on pages 164 to 249 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Note	Attributable to the owners of the Company										
		Share capital	Share premium	Treasury shares	Common control transaction reserve	Cash flow hedge reserve	Translation reserve	Capital contribution	Retained earnings	Total	Non-controlling interest	Total
		RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Balance at 1 January 2021		516,957	27,929,478	(31,496)	(10,429,876)	-	5,443,187	2,694,851	20,724,107	46,847,208	5,926,605	52,773,813
Comprehensive income												
Profit for the year		-	-	-	-	-	-	-	12,987,020	12,987,020	2,112,539	15,099,559
Other comprehensive income												
Currency translation differences		-	-	-	-	-	(564,312)	-	-	(564,312)	(311,762)	(876,074)
Losses on cash flow hedge reserve		-	-	-	-	(86,158)	-	-	-	(86,158)	-	(86,158)
Reclassification to the income statement		-	-	-	-	86,158	-	-	-	86,158	-	86,158
Total comprehensive income for 2021		-	-	-	-	-	(564,312)	-	12,987,020	12,422,708	1,800,777	14,223,485
Disposed through disposals of subsidiaries	20	-	-	-	-	-	-	-	-	-	(251,009)	(251,009)
Transactions with owners												
Dividends to owners of the Company	27	-	-	-	-	-	-	-	(9,022,550)	(9,022,550)	-	(9,022,550)
Dividends to non-controlling interest	27	-	-	-	-	-	-	-	-	-	(1,218,516)	(1,218,516)
Total transactions with owners		-	-	-	-	-	-	-	(9,022,550)	(9,022,550)	(1,218,516)	(10,241,066)
Balance at 31 December 2021		516,957	27,929,478	(31,496)	(10,429,876)	-	4,878,875	2,694,851	24,688,577	50,247,366	6,257,857	56,505,223

Consolidated statement of changes in equity

for the year ended 31 December 2022

		Attributable to the owners of the Company										
	Note	Share capital	Share premium	Treasury shares	Common control transaction reserve	Cash flow hedge reserve	Translation reserve	Capital contribution	Retained earnings	Total	Non-controlling interest	Total
		RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Balance at 1 January 2022		516,957	27,929,478	(31,496)	(10,429,876)	-	4,878,875	2,694,851	24,688,577	50,247,366	6,257,857	56,505,223
Comprehensive income												
Profit for the year		-	-	-	-	-	-	-	25,193,420	25,193,420	(273,534)	24,919,886
Other comprehensive income												
Currency translation differences		-	-	-	-	-	(1,546,414)	-	-	(1,546,414)	(442,197)	(1,988,611)
Total comprehensive income for 2022		-	-	-	-	-	(1,546,414)	-	25,193,420	23,647,006	(715,731)	22,931,275
Transactions with owners												
Dividends to owners of the Company	27	-	-	-	-	-	-	-	-	-	-	-
Dividends to non-controlling interest	27	-	-	-	-	-	-	-	-	-	(2,759,806)	(2,759,806)
Acquisition of NCI		-	-	-	-	-	-	-	(6,302,174)	(6,302,174)	(2,797,826)	(9,100,000)
Purchase of treasury shares	26	-	-	(114,497)	-	-	-	-		(114,497)	-	(114,497)
Total transactions with owners		-	-	-	-	-	-	-	(6,302,174)	(6,416,671)	(5,557,632)	(11,974,303)
Balance at 31 December 2022		516,957	27,929,478	(145,993)	(10,429,876)	-	3,332,461	2,694,851	43,579,823	67,477,701	(15,506)	67,462,195

The notes on pages 164 to 249 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2022

	Note	2022 RUB'000	2021 RUB'000
Cash flows from operating activities			
Profit before tax		33,152,047	19,438,035
Adjustments for:			
Depreciation of property, plant and equipment	17	6,752,811	6,642,505
Depreciation of right-of-use assets	18	2,596,568	1,127,459
Amortisation of intangible assets	19	325	675
Gain on sale of property, plant and equipment	17	(12,624)	(41,501)
Loss on derecognition arising on capital repairs	17	309,878	483,647
Impairment (credit)/charge on property, plant and equipment	11	3,932,833	-
Other impairment	12	19,237	-
Profit on sale of subsidiaries	12	-	(751,487)
Net impairment losses on trade and other receivables	11	20,535	7,735
Interest income	14	(779,268)	(326,140)
Interest expense and other finance costs	14	2,602,339	2,506,627
Net foreign exchange transaction losses/(gains) on financing activities	14	(641,196)	9,559
Other losses		9,768	6,731
		47,963,253	29,103,845
Changes in working capital:			
Inventories		547,813	619,532
Trade receivables		(86,363)	(139,090)
Other assets		(1,285,225)	(487,942)
Other receivables		388,690	23,294
Trade and other payables		1,659,908	523,879
Contract liabilities		(557,133)	414,084
Cash generated from operations		48,630,943	30,057,602
Tax paid		(8,455,068)	(2,807,806)
Net cash from operating activities		40,175,875	27,249,796

	Note	2022 RUB'000	2021 RUB'000
Cash flows from investing activities			
Acquisition of non-controlling interest	23	(8,800,000)	(300,000)
Cash inflow from disposal of subsidiary undertakings - net of cash disposed of	20	-	1,110,051
Loans granted to related parties		(800,000)	-
Loans granted to third parties		-	(75,000)
Loan repayments received from related parties		400,000	-
Loans repayments received from third parties		-	78,803
Purchases of property, plant and equipment		(11,421,671)	(8,439,159)
Purchases of intangible assets		(2,000)	-
Proceeds from sale of property, plant and equipment	17	238,377	77,932
Interest received		761,235	326,140
Receipts from finance lease - related parties		9,261	-
Receipts from finance lease - third parties		28,163	108,327
Other		(64,972)	(41,418)
Net cash used in investing activities		(19,651,607)	(7,154,324)
Cash flows from financing activities			
Proceeds from bank borrowings	28	2,750,000	18,058,000
Repayments of borrowings	28	(9,549,396)	(15,286,973)
Repayments of Non-convertible unsecured bonds	28	(3,750,000)	(1,250,000)
Principal elements of lease payments for other lease liabilities	28	(2,402,700)	(1,067,922)
Interest paid on bank borrowings and non-convertible unsecured bonds	28	(1,938,619)	(2,238,779)
Interest paid on other lease liabilities	28	(786,304)	(183,057)
Dividends paid to the owners of the Company	27	-	(9,022,550)
Dividends paid to non-controlling interests in subsidiaries	27	(1,728,073)	(1,225,275)
Purchase of treasury shares	26	(114,497)	-
Net cash used in financing activities		(17,519,589)	(12,216,556)
Net increase in cash and cash equivalents		3,004,679	7,878,916
Exchange (losses)/gains on cash and cash equivalents		192,959	(2,531)
Cash and cash equivalents at beginning of year		12,854,707	4,978,322
Cash and cash equivalents at end of year	25	16,052,345	12,854,707

Principal non-cash investing and financing transactions

The principal non-cash investing and financing transactions consist of finance leases with the Group acting as a lessor (Note 23) and leases with the Group acting as the lessee (Notes 28 and 29).

The notes on pages 164 to 249 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Country of incorporation
Globaltrans Investment Plc ("the Company") is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 and converted into a public company on 15 April 2008. The address of its registered office is 20 Omirou Street, CY-3095 Limassol, Cyprus. The Group's principal place of business is at Nizhnyaya Krasnoselskaya st. 39, bld. 1, Moscow, Russia.

Approval of the consolidated financial statements
These consolidated financial statements were authorised for issue by the Board of Directors on 24 March 2023.

Global Depositary Receipts
Global Depositary Receipts, each representing one ordinary share of the Company, are listed on the London Stock Exchange International Main Market and on the Moscow Exchange. Furthermore, Russian Rouble denominated bonds, issued by the Company's subsidiary New Forwarding Company, AO, for a total amount of RUB 10 billion, out of a RUB 100 billion registered program, are listed on the Moscow Exchange.

Principal activities
The principal activities of the Group, which are unchanged from last year, are the provision of railway transportation services, using own and leased rolling stock and fleet engaged from third party rail operators, as well as the operating lease of rolling stock.

2. 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 requirements of the Cyprus Companies Law Cap. 113.

As of the date of the authorization of these financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are relevant to the Group's operations and are effective as at 1 January 2022 have been adopted by the EU through the endorsement procedure established by the European Commission.

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 7.

3. Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and amended standards that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022. None of these had a significant impact on these financial statements.

4. 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 the years presented, unless otherwise stated.

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 the income statement.

Notes to the consolidated financial statements

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 IFRS 9 in the income statement. 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 attributable to owners of the Company. Gains or losses on disposals to non-controlling interests are also recorded in equity attributable to the owners of the Company.

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 the income statement. 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.

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

Recognition and measurement. Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. Revenue is recognised net off discounts and estimates for rebates that are in accordance with the contracts entered into with the customers. The Group includes in the transaction price an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Group's experience with similar contracts and forecasted sales to the customer.

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers, 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. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the income statement in the period in which the circumstances that give rise to the revision become known by management.

Notes to the consolidated financial statements

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

Revenue from railway transportation services - using own, leased or engaged rolling stock

Operator's services
The Group organises transportation services for clients using its own, leased or engaged rolling stock. There are four types of operator's services contracts:

- 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 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 and recharged to the customer as a reimbursement but the Group bears the variability in tariffs. 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 revenue 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 for all of the above types of contracts is recognised over time while the Group satisfies its performance obligation by transferring control over the promised services to the customer in the accounting period in which the services are rendered. In particular, revenue is recognised in accordance with the stage of completion of the transaction, determined based on the actual trip days lapsed against the total estimated number of trip days for the entire trip, since the customer receives and consumes the benefits from the services simultaneously.

Customers are invoiced on a regular basis and in accordance with pre-agreed payment terms with credit periods not exceeding one year. If the services rendered by the Group exceed the payment and the Group does not have the unconditional right to consideration for the services rendered, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Identification of performance obligations. The Group assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a good or service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is, the good or service is capable of being distinct) and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the promise to transfer the good or service is distinct within the context of the contract).

In assessing whether two or more promises to transfer goods and/or services to a customer are separate performance obligations, the Group considers, amongst others, whether it provides a significant service of integrating the good or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted (that is, the Group is using the goods or services as inputs to produce or deliver the combined output or outputs specified by the customer), whether one or more of the goods and/or services significantly modifies or customises, or is significantly modified or customised by, one or more of the other goods or services promised in the contract or whether the good or services are highly interdependent or highly interrelated. The Group considers that all of the above operator's services contracts contain a single performance obligation.

Financing component. In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing. In these circumstances, the contract contains a significant financing element.

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group elected to use the practical expedient provided by IFRS 15 and does not adjust any of the transaction prices for the effect of the financing component for the time value of money.

Contract assets and contract liabilities. In case the goods transferred or services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the goods transferred or services rendered, a contract asset is recognised. If the payments made by a customer exceed the goods transferred or services rendered under the relevant contract, a contract liability is recognised. The Group recognises any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required before the payment is due.

The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires lifetime expected credit losses to be recognised from initial recognition of the contract asset. Impairments of contract assets are measured, presented and disclosed on the same basis as as for trade receivables. Contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due.

Costs to obtain or fulfil contracts with customers. To the extent that these are recoverable, incremental costs incurred by the Group to obtain a contract and incremental costs incurred to fulfil a contract are capitalised and amortised on a straight-line basis over the term of the specific contract – consistent with the pattern of the transfer of the goods and/or services to which they relate to – and assessed for impairment. Incremental costs of obtaining contracts are those costs that the Group incurs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

Notes to the consolidated financial statements

The Group does not have any contracts where the period of transfer of the goods and/or provision of the services (that is, the period between the start and completion of a trip) exceeds one year. Accordingly, the Group recognises the incremental costs of obtaining a contract as an expense when incurred since the amortization period of the asset that it would otherwise have recognised is less than one year.

Foreign currency translation

a. *Functional and presentation currency*
Items included in the financial statements of each entity of the Group 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 of the majority of its 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.

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, with the exception of foreign exchange differences that relate to qualifying cash flow hedges which are deferred in equity.

Net foreign exchange differences arising from borrowings and other liabilities and from cash and cash equivalents and other monetary assets are presented on the face of the income statement in the line "net foreign transaction (losses)/gains on financing activities", with the appropriate disclosure of the split between the two in the note "Finance income and costs".
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 yearly 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. On a partial disposal of a foreign operation, the proportionate share of the cumulative amount of the exchange differences recorded in equity relating to the amount disposed is reclassified in the income statement. The Group assesses whether there is a partial disposal of a foreign operation on the basis of the change in the Group's proportionate ownership interest in the foreign operation.

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.

Hedging activities
The Group is exposed to foreign exchange risk arising from dividends declared in Russian Roubles and paid in US Dollar at the rate set at the date of the declaration. The Group uses foreign currency cash deposits denominated in US Dollars to hedge this foreign exchange risk exposure.

In particular, the US Dollar denominated cash deposits are designated by the Group as hedging instruments in hedging the foreign exchange risk associated with the highly probable dividend payment and the resulting payable. At inception of the hedge relationship, the Group documents, amongst others, the economic relationship between the hedging instrument and hedged item, including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of the hedged item.
The Group documents its risk management objective and strategy for undertaking its hedge transactions.

As a result of the application of hedge accounting, the foreign exchange difference on the hedging instrument is recognised in other comprehensive income in the "Cash flow hedge reserve" within equity. Amounts recognised in equity are reclassified to the income statement, within "Finance income and costs", in the same period or periods during which the hedged item impacts the income statement, being once foreign exchange differences are recognised on the hedged item.

Accordingly, in the cash flow statement "Dividends paid to the owners of the Company" are disclosed net-off foreign exchange differences on the relevant cash deposits (i.e. at the amounts declared) and the "Exchange (losses)/gains on cash and cash equivalents" do not include the impact from the relevant cash deposits used for hedging. In the income statement the amounts included in "Finance income and costs" (Note 14) within "Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets" and "Net foreign exchange transaction gains/(losses) on borrowings and other liabilities" are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging).

Notes to the consolidated financial statements

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 begins when it is available for use and 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)	
Gondola cars	22
Rail tank cars	32
Rail tank cars (specialised types)	30-40
Hoppers	15-26
Flat cars	20-32
Tank containers	20
Locomotives	9-45
Mounted wheels	7
Motor vehicles and other property, plant and equipment	3 to 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.

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.

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.

Rolling stock repair and maintenance costs
Repair and maintenance costs relating to periodical capital repairs of locomotives and other rolling stock and periodical middle repairs of locomotives constitute major repairs that result in enhancement of the economic benefits of the rolling stock and as such are capitalised by the Group.

In particular, the cost of each major periodic capital repair is recognised in the carrying amount of the relevant item of rolling stock repaired and separately depreciated over the expected period until the next periodic capital repair or until the end of the useful economic life of the item of rolling stock, if earlier. Significant components replaced as part of periodic major capital repairs are capitalised and depreciated separately over their useful economic life. Simultaneously with the capitalisation of the costs of the new periodic major capital repair, the carrying amount of the repaired rolling stock that is attributable to the previous periodic capital repair and/or significant component replaced, if any, is derecognised and debited in 'cost of sales' in the income statement as 'loss on derecognition arising on capital repairs'.

If it is not practicable for the Group to determine the carrying amount of the repaired rolling stock that is attributable to the previous periodic capital repair and/or significant component replaced to be derecognised, the Group uses the cost of the current periodic major capital repair or replaced part as an indication of what the cost of the replaced part was at the time the rolling stock was acquired.

Other types of repairs of rolling stock, such as current repairs and depot repairs, are viewed by the Group as routine repairs and maintenance and thus their cost is charged in the Group's income statement as and when incurred.

Upon initial recognition of rolling stock, the Group's accounting policy is not to separately identify and depreciate the element of its cost that is reflecting the maintenance element of the periodic major capital repair of the rolling stock on initial recognition. The cost attributed to significant components, such as wheel pairs, is separately identified and depreciated over their useful economic life.

Intangible assets

a. *Customer relationships*
   Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. 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 their estimated useful life. The useful lives of the customer relationships are reviewed, and adjusted if appropriate, at the end of each reporting period.

b. *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.

Notes to the consolidated financial statements

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. **The Group is the lessee**

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, with limited exceptions as set out below. Each lease payment is allocated between the liability and finance cost. 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option, if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Contracts may contain both lease and non-lease components. The Group accounts for each lease component within such contracts as a lease separately from the non-lease components. The consideration in the contract is allocated to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components. The consideration for non-lease components relating to services is recognised as an expense in the income statement.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

The Group is exposed to potential future increases in variable lease payments based on an index or a rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right-of-use asset. The adjustment can be positive or negative.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Right-of-use assets are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an expense on a straight-line basis in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet, except for right-of-use assets and associated lease liabilities arising from leases with financial institutions that include purchase options that are reasonably certain to be exercised due to the exercise price being a nominal amount compared to the fair value of the leased asset on the exercise date. The latter are presented within the same line item as the corresponding underlying assets would be presented if they were owned and within borrowings, respectively. Management believes that this presentation best reflects the substance of the leases with financial institutions, being similar to that of purchases via collateralised borrowings.

Security deposits paid by the Group at the commencement of a lease contract that are held by the lessor throughout the term of the lease and are refunded to the Group at the end of the lease term if the Group has fully performed and observed all of the conditions set out in the contract are accounted for as financial assets.

Notes to the consolidated financial statements

Sale and leaseback
A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset.

The accounting of a sale and leaseback transaction depends on whether the transfer of the asset qualifies as a sale. In making this assessment, the Group assesses whether the buyer-lessor obtained control of the underlying asset.

If the transfer qualifies as a sale of the asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the fair value of the consideration for the sale of the asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group accounts for any below-market terms as a prepayment of lease payments; and any above-market terms as additional financing provided by the buyer-lessor to the Group. This is measured on the basis of the more readily determinable of the difference between the fair value of the consideration for the sale and the fair value of the asset; and the difference between the present value of the contractual payments for the lease and the present value of payments for the lease at market rates.

If the transfer does not qualify as a sale, the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds.

b. The Group is the lessor
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.

Impairment of lease receivables
The Group recognises credit loss allowance on lease receivables in accordance with IFRS 9 using the simplified approach permitted by the standard, which requires expected credit losses to be recognised from initial recognition of the lease receivable at an amount equal to lifetime ECL. The ECL is determined in the same way as for trade receivables and is recognised through an allowance account to write down the lease receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Operating leases
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.

Revenues from operating leasing
Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Financial instruments
a. Financial assets
Recognition and derecognition. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade-date; being the date on which the Group commits to purchase or sell the asset. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

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 the risks and rewards of ownership. Any gain or loss arising upon their derecognition is recognised directly in the income statement.

Classification. The classification depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets. Management determines the classification of financial assets at initial recognition.

The Group classifies its financial assets at amortised cost. Financial assets at amortised cost are held for collection of contractual cash flows and their cash flows represent solely payments of principal and interest. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's financial assets at amortised cost comprise of trade receivables, loans and other receivables and cash and cash equivalents on the balance sheet.

Reclassification. Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Measurement. At initial recognition, the Group measures financial assets classified at amortised cost at their fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently, these are measured at amortised cost.

Notes to the consolidated financial statements

Interest income. Interest income on financial assets at amortised cost is recognised using the effective interest rate method and is included within "finance income" in the income statement. In particular, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset; that is after deduction of the loss allowance. The Group's definition of credit-impaired assets is explained in Note 6, Credit risk section.

Impairment. The Group assesses on each reporting date and on a forward looking basis the expected credit losses ("ECL") associated with its debt financial assets carried at amortised cost. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money, and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. The carrying amount of the financial assets 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". Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

The impairment methodology applied by the Group for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Group applies the simplified approach permitted by IFRS 9 for calculating expected credit losses, which requires lifetime expected losses to be recognised from initial recognition of the financial assets. The assessment is done on an individual basis.
- For all its other debt financial assets carried at amortised cost, the Group applies the general approach. In particular, the Group applies the three stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition. A financial instrument that is not credit -impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. Refer to Note 6, Credit risk section for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

Write-off. Financial assets are written-off, in whole or in part, when the Group has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

Classification as trade receivables. Trade receivables are amounts due from customers for services performed 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 the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value.

The Group holds its trade receivables with the objective to collect the contractual cash flows and their contractual cash flows represent solely payments of principal and interest and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

Classification as loans and other receivables. These amounts generally arise from transactions outside the usual operating activities of the Group. These are held with the objective to collect their contractual cash flows and their contractual cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Loans and other receivables are classified as current assets if they are 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 assets.

Classification as cash and cash equivalents. In the cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturity of three months or less, less bank overdrafts, if any. Cash and cash equivalents are carried at amortised cost using the effective interest method, less provision for impairment. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

Notes to the consolidated financial statements

b. Financial liabilities

Classification. The Group's financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost.

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statement as other income or finance costs. 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 the income statement within finance costs.

Modifications. An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

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 twelve months after the balance sheet date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other income or finance costs.

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.

Trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other 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.

Inventories

Group entities usually maintain a store of spare parts and servicing equipment. These are carried as inventory and recognised in the income statement as consumed, unless they meet the definition of property, plant and equipment in which case they are classified as such. Major spare parts are also recognised within property, plant and equipment when they meet the definition of property, plant and equipment. Spare parts in inventory as well as other 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 and takes into account, amongst others, evidence of damage or obsolescence.

Cash flow statement

Cash flow statement is prepared under the indirect method. Purchases of property, plant and equipment, including prepayments for property, plant and equipment, are included within cash flows from investing activities and finance lease payments 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 arrangement which constitutes collateralised borrowing, the proceeds received are included within cash flows from financing activities. Receipts from finance lease receivables are included within cash flows from investing activities.

Notes to the consolidated financial statements

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.

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.

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. In accounting for the tax effects of on-balance sheet leases, the Group considers the right-of-use asset and lease liability separately and recognises deferred tax on the net temporary difference.

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.

Notes to the consolidated financial statements

Uncertain tax positions
The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, respectively.

Russian Value Added Tax (VAT)
Russian 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 balance sheet 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 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.

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Share based payment transactions
The Group operates a cash-settled share-based compensation plan. In accordance with compensation plan, key management personnel and selected employees of the Group are entitled to receive cash compensations based on the weighted average market quotations of the fixed number of global depository receipts ("GDR") of the Company. The fair value of the employee services received in exchange for the grant of the equivalent GDR instruments is recognised as an expense over the vesting period.

At each balance sheet date, if required by the terms of the compensation plan, the Group revises its estimates of the monetary equivalent of GDRs that are expected to vest. It recognises the impact of the revision of original estimates, including number of instruments expected to vest and fair values, in profit or loss, with a corresponding adjustment to share-based payment liability.

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.

Prepayments
Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Other income
Other income generally represents amounts received from transactions that are outside the Group's principal activities. This is recognised in the income statement over the period it relates to, based on the terms of the arrangement. Other income that it is not linked to the Group's future performance and/or satisfaction of any future obligations is recognised in the period in which the Group is entitled to receive it.

Notes to the consolidated financial statements

5. New accounting pronouncements

The new standards, interpretations, and amendments to the existing standards effective for annual accounting periods commencing on 1 January 2022 are as follows:

- Amendment to IFRS3 – (issued on 14 May 2020 and are effective for business combinations for annual periods beginning on or after 1 January 2022). The IASB published Reference to the Conceptual Framework (Amendments to IFRS 3) with amendments to IFRS 3, Business Combinations that update an outdated reference in IFRS 3 without significantly changing its requirements. IFRS 3, Business Combinations specifies how an entity should account for the assets and liabilities it acquires when it obtains control of a business. IFRS 3 requires an entity to refer to the Conceptual Framework for Financial Reporting (Conceptual Framework) to determine what constitutes an asset or a liability.
- Amendment to IAS16 – Property, Plant and Equipment – Proceeds before intended use (issued in June 2017 and has now finalized the amendments and are effective for annual periods beginning on or after 1 January 2022). Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendment to IAS37 – Onerous contracts – Cost of fulfilling a contract (proposed clarifications in December 2018 and has now finalized the amendments and are effective for annual periods beginning on or after 1 January 2022). The changes in Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

We understand that, based on management's assessment, none of the above new standards, interpretations and amendments to existing standards had any material effect on the Group/Company. Management's assessment will be considered during our audit.

Developments in auditing

ISA 315 (Revised 2019) – Identifying and Assessing the Risks of Material Misstatement (effective for audits of financial statements for periods beginning on or after 15 December 2021) The International Audit and Assurance Standards Board (IAASB) approved major changes to ISA 315 in September 2019. The effects of the revisions will be far-reaching and will require firms of all sizes to revise their approach to risk assessments. The following are the main areas of the revisions:

- The introduction of five new inherent risk factors to aid in risk assessment; subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud
- A new spectrum of risk, at the higher end of which lie significant risks
- Requiring "sufficient, appropriate" evidence to be obtained from risk assessment procedures as the basis for the risk assessment
- A great deal more on IT, particularly IT general controls
- More on controls relevant to the audit and on the design and implementation work required for these controls
- Removal of considerations specific to smaller entities as a separate category of paragraph and inclusion of that material within the main body of the text and the addition of new material

The revisions aim to drive better quality and more consistent risk assessments, as well as promote the exercise of professional skepticism.

None of the new standards, amendments to existing standards or interpretations is expected to have a significant effect on the consolidated financial statements.

Notes to the consolidated financial statements

6. 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 program 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.

As of 31 December 2022, 100% of the Group's long-term borrowings are denominated in Russian Rouble. Further, a large proportion of the Group's expenses and revenues are denominated and settled in Russian Roubles. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency.

As of the end of December 2022 the Russian Rouble has increased against the US Dollar from 74.2926 as of 31 December 2021 to 70.3375 Russian Roubles (5.4% increase) and against the Euro from 84.0695 as of 31 December 2021 to 75.6553 Russia Roubles (10.0% increase).

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 having the Russian Rouble as their functional currency; (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 of the Group which has the Ukrainian Hryvnia as its functional currency.

The carrying amounts of monetary assets and liabilities denominated in US Dollars as at 31 December 2022 and 31 December 2021 are as follows:

	2022 RUB'000	2021 RUB'000
Assets	1,046,653	410,316
Liabilities	29,070	198,078

Had US Dollar exchange rate strengthened/weakened by 20% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2022, would have increased/decreased by RUB 158,706 thousand (2021: 20% change, effect RUB 32,074 thousand) and equity would have increased/decreased by RUB 491,067 thousand (2021: 20% change, effect RUB 503,185 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of cash and cash equivalents and accounts payable denominated in US Dollars for the Group entities with Russian Rouble being their functional currency. The impact on equity is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

Had Euro exchange rate strengthened/weakened by 30% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2022, would have increased /decreased by RUB 32,836 thousand (2021: 30% change, effect RUB 13,143 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of payable balances and cash and cash equivalents and accounts receivable denominated in US Dollars for the Estonian subsidiaries of the Group.

The Group does not have formal arrangements for hedging foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

The impact of application of hedge accounting has been to disclose in the cash flow statement "Dividends paid to the owners of the Company" net-off RUB NIL thousand (2021: RUB 86,158 thousand) foreign exchange losses and the "Exchange (losses)/gains on cash and cash equivalents" does not include the equivalent impact from the relevant cash deposits used for hedging. Furthermore, in the income statement the amounts included in "Finance income and costs" within "Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets" and "Net foreign exchange transaction gains/(losses) on borrowings and other liabilities" are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging of RUB NIL thousand (2021: RUB 86,158 thousand)).

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 borrowings. In addition, the Group is exposed to fair value interest rate risk through market value fluctuations of borrowings 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.

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, issues of bonds and 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 maximizing the estimated future profit.

Notes to the consolidated financial statements

As at 31 December 2022 and 31 December 2021, the Group did not have any credit facilities at floating interest rates, therefore any reasonably possible change in market interest rates would not have any significant impact on the post-tax profit or equity of the Group.

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.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, trade receivables, loans and other receivables as well as finance lease receivables.

i. Risk management

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Management assesses the credit quality of the Group's customers, taking into account their financial position, past experience and other factors. These policies allow the Group to reduce its credit risk. However, the Group's business is heavily dependent on a few large key customers, with the top ten customers accounting for 78.83% of the Group's trade receivables as at 31 December 2022 (2021: 75.74%).

For banks and financial institutions, the Group has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of 'Ba2'. These policies enable the Group to reduce its credit risk significantly.

ii. Impairment of financial assets

The Group has four types of assets that are subject to the expected credit loss model:

- trade receivables;
- finance lease receivables;
- loans and other receivables; and cash and cash equivalents.

The impairment methodology applied by the Group for calculating expected credit losses depends on the type of assets assessed for impairment. All assets are assessed for impairment on an individual basis. Specifically:

- For trade receivables and finance lease receivables the Group applies the simplified approach permitted by IFRS 9 for calculating expected credit losses, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.
- For loans and other receivables and cash and cash equivalents, the Group applies the general approach. In particular, the Group applies the three-stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Significant increase in credit risk. The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable balances. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Default and credit-impaired. A default on a financial asset is when the financial asset meets one or more of the following criteria: (i) the borrower is more than 90 days past due on its contractual payments, (ii) the borrower is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due, (iii) the Group, for economic or contractual reasons relating to the borrower's financial difficulty, granted to the borrower a concession(s) that it would not otherwise consider. The Group considers defaulted assets to be credit-impaired so that Stage 3 represents all debt financial assets which are considered defaulted.

Write-off. Assets are written-off, in whole or in part, when the Group has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

Notes to the consolidated financial statements

The Group does not have any material debt financial assets that are subject to the impairment requirements of IFRS 9 and their contractual cash flows have been modified.

The Group's exposure to credit risk for each class of asset subject to the expected credit loss model is set out below:

Trade receivables and finance lease receivables
The Group assesses, on an individual basis, its exposure to credit risk arising from trade receivables and finance lease receivables. This assessment is based on the credit history of the customers with the Group as well as the period the trade receivable or finance lease receivable is past due (in days).

The following table contains an analysis of the gross carrying amount of the Group's trade receivables and finance lease receivables by reference to the days past due. This basis is aligned with the Group's internal credit risk grades for these assets.

	Trade receivables RUB'000	Finance lease receivables RUB'000
As at 31 December 2022		
Current (not past due)	3,134,198	149,746
1-30 days past due	589,065	-
31-90 days past due	26,111	-
more than 90 days past due	11,402	-
Total	3,760,776	149,746

	Trade receivables RUB'000	Finance lease receivables RUB'000
As at 31 December 2021		
Current (not past due)	2,786,170	196,557
1-30 days past due	782,791	-
31-90 days past due	67,298	-
more than 90 days past due	101,146	-
Total	3,737,405	196,557

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2022 and as at 31 December 2021 without taking into account any collateral held. The Group does not hold any collateral as security for any trade receivable balances. Finance lease receivables are effectively secured as the rights to the leased asset revert to the Group in the event of default.

The movement in the credit loss allowance for trade receivables during the years 2022 and 2021 is presented in the table below:

	Trade receivables	
	2022 RUB'000	2021 RUB'000
Opening balance as at 1 January	(98,955)	(135,124)
New assets originated or purchased	-	(603)
Net loss allowance of financial assets at the start of the year	(2,736)	(1,277)
Assets written off during the year as uncollectible	23,874	37,310
Unused amounts reversed	66,606	-
Recoveries	868	-
Other	-	739
Closing balance as at 31 December	(10,343)	(98,955)

The estimated expected credit loss allowance on finance lease receivables as at 31 December 2022 and as at 31 December 2021 was immaterial. This assessment takes into consideration the presence of the leased asset, which acts as a collateral for the finance lease receivable.

Loans and other receivables
The Group assesses, on an individual basis, its exposure to credit risk arising from loans and other receivables. This assessment takes into account, amongst others, the period the loan receivable or other receivable balance is past due (in days) and history of defaults in the past, adjusted for forward looking information.

The following table contains an analysis of the credit risk exposure other receivables on the basis of the Group's internal credit risk rating grades. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2022 and 2021:

Internal credit risk rating grade	Company definition of category	2022 RUB'000	2021 RUB'000
Performing	*Stage 1* - Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	22,155	260,896
Under-performing	*Stage 2* - Customers for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	9,762	7,122
Non-performing or Credit-impaired	*Stage 3* - Interest and/or principal repayments are more than 90 days past due	4,602	14,868

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2022 and as at 31 December 2021 without taking into account any collateral held. The Group does not hold any collateral as security for any loans receivable or other receivable balances.

Notes to the consolidated financial statements

The movement in the credit loss allowance for other receivables during the years 2022 and 2021 is presented in the table below:

	Non-performing	
	2022	2021
	RUB'000	RUB'000
Opening balance as at 1 January	(14,868)	(20,195)
Assets written off during the year as uncollectible	1,707	58
Other	(168)	5,269
Closing balance as at 31 December	(13,329)	(14,868)

The estimated expected credit loss allowance on loans receivable as at 31 December 2021 was immaterial.

Cash and cash equivalents
The Group assesses, on an individual basis, its exposure to credit risk arising from cash at bank based on ratings from external credit rating institutions and internal ratings if external are not available.

The following table contains an analysis of the gross carrying amount of the Group's cash at bank by reference to the credit risk ratings assigned by external credit rating agencies. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2022 and 2021:

		2022	2021
	Rating	RUB'000	RUB'000
Moody's[1]	A3 – Aa2	4,187,545	1,975,283
Moody's[1]	Baa3 – Baa1	127,458	10,677,131
Moody's[1]	Ba3 – Ba1	-	121
Moody's[1]	B1 – B2	1,337	84,865
Standard & Poor's[2]	BB+ – BBB-	-	43,378
Fitch[3]	BBB-	-	40,565
ACRA[4]	AAA(RU) - A(RU)	11,600,969	-
Expert RA[5]	ruA+	28,926	-
Other external non-rated banks – satisfactory credit quality (performing)		95,360	33,144
Total cash at bank and bank deposits[6]		16,041,595	12,854,487

[1] International rating agency Moody's Investors Service.
[2] International rating agency Standard & Poor's.
[3] International rating agency Fitch Rating.
[4] Russian authorized credit rating agency ACRA.
[5] Russian authorized credit rating agency Expert RA.
[6] The rest of the balance sheet item 'cash and cash equivalents' is cash on hand.

The Group does not hold any collateral as security for any of the above balances.

The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2022 and as at 31 December 2021 based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2022 and as at 31 December 2021.

Liquidity risk
The Group has an excess of current assets over current liabilites of RUB 4,946,447 thousand as at 31 December 2022 (2021: excess of current liabilities over current assets RUB 233,557 thousand).

The Group has an excess of current assets over current liabilites of RUB 4,946,447 thousand as at 31 December 2022 (2021: excess of current liabilities over current assets RUB 233,557 thousand).

The Group has predictable cash flows which allow the Group to repay its liabilities when they fall due. The Group also 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 undrawn borrowing facilities amounting to RUB 42,783,333 thousand as of 31 December 2022 (2021: RUB 42,888,000 thousand), together with long-term borrowings (Note 28) 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.

Notes to the consolidated financial statements

The table below summarises the analysis of financial liabilities of the Group by maturity as of 31 December 2022 and 31 December 2021. 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 one month	Between one month and three months	Between three and six months	Between 6 months and less than one year	Between 1 and 2 years	Between 2 and 5 years	Over five years	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
31 December 2022								
Borrowings	1,240,580	3,761,571	2,200,301	5,437,567	6,693,045	3,216,301	-	22,549,365
Trade and other payables	402,763	1,210,094	-	-	-	-	-	1,612,857
Other lease liabilities	230,754	447,630	685,969	1,371,635	1,792,351	102,732	3,433	4,634,504
	1,874,097	5,419,295	2,886,270	6,809,202	8,485,396	3,319,033	3,433	28,796,726
31 December 2021								
Borrowings	814,665	2,833,542	2,993,360	8,590,841	12,192,783	6,772,325	-	34,197,516
Trade and other payables	567,310	52,789	81,137	-	-	-	-	701,236
Other lease liabilities	208,682	407,189	626,712	1,255,483	2,385,022	2,172,370	24,427	7,079,885
	1,590,657	3,293,520	3,701,209	9,846,324	14,577,805	8,944,695	24,427	41,978,637

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

a. 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 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 2022 and 31 December 2021 are as follows:

	2022	2021
	RUB'000	RUB'000
Total borrowings	20,648,650	31,318,470
Total capitalisation	88,126,351	81,565,836
Total borrowings to total capitalisation ratio (percentage)	23.43%	38.40%

External requirements are imposed on the capital of the Group 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 2022 and 2021. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

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 one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two 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 three 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 unquoted fixed and floating interest rate instruments which are not quoted in an active market 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.

Notes to the consolidated financial statements

Financial assets 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. The fair values of financial assets do not materially differ from their carrying amounts as the impact of discounting is not significant.

Financial liabilities carried at amortised cost. Fair values of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2022 and 31 December 2021 there were no fixed or floating interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble.

The fair value as at 31 December 2022 and 31 December 2021 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2022 and 31 December 2021, respectively. The discount rate used was 11.1% p.a. (2021: 10.5% p.a.) (Note 28). The fair value as at 31 December 2022 and 31 December 2021 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

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.

7. 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 33).

b. Critical judgements in applying in Group's accounting policies
The Group also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Revenue recognition
The assessment of the accounting treatment of certain of the Group's revenue contracts requires management to make certain critical judgments. The judgments that had the most significant effect on management's conclusion are the following:

- Identification of performance obligations

  Operator's services contracts involve the provision by the Group of a wide range of services. Management believes that, although some of these services can be obtained by the clients from the market separately and different combinations of services can be provided to different customers, in the context of each individual contract with a customer, the services provided by the Group are highly dependent and interrelated with each other and, therefore, are not distinct. In making this assessment, management noted that, despite the fact that the Group's contracts contain a promise to deliver multiple services, the nature of the promise within the context of the contracts and the economic substance of the transaction is that the customers are purchasing integrated operator's services to which the individual services promised are inputs rather than separate services and consequently this is considered to constitute a single performance obligation.

- Assessment as to whether the Group is acting as an agent or principal for certain operator's services contracts

  Operator's services are rendered using own or leased rolling stock. In those cases when 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 with or without further recharge to its customers. There are certain characteristics indicating that the Group is acting as an agent in these arrangements, particularly the fact that OAO "Russian Railways" tariffs are available to the public and therefore are known to the customer. However, 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's position is that the Group acts as a principal in these arrangements and the Group accounts for full receipts from customers as sales revenue and the OAO "Russian Railways" tariff is also included in cost of sales. Management believes that the Group is acting as a principal in these arrangements as it is the party that controls the services prior these are transferred to the customers and, through separate arrangements with OAO "Russian Railways", obtains the right to direct them to provide services on its behalf.

Had OAO "Russian Railways" tariff directly attributable to such services been excluded from revenues and cost of sales for the year ended 31 December 2022 both would have decreased by RUB 12,963,846 thousand (2021: RUB 10,957,305 thousand).

Notes to the consolidated financial statements

8. Segmental information

The chief operating decision-maker has been identified as the Board of Directors of the Company. 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, the Board reviews revenues with no further analysis of the underlying cost components. From the type of rolling stock used perspective, the Board assesses the performance of each type of rolling stock at the level of adjusted revenue. In particular, the Board reviews discrete financial information for gondola cars and rail tank cars, whereas all other types of rolling stock (such as hopper cars and platforms) are reviewed together.

Adjusted revenue for reportable segments 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 the relevant rolling stock and services provided by other transportation organisations. Further, the Board receives information in respect of depreciation charges for rolling stock and right-of-use assets relating to rolling stock, amortisation charges for customer relationships, impairment charges/reversals of impairment in respect of rolling stock, right-of-use assets relating to rolling stock and customer relationships and loss on derecognition arising on capital repairs. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

The Board also reviews additions to segment assets. Segment assets consist of rolling stock, right-of-assets relating to rolling stock and customer relationships. Unallocated assets comprise all the assets of the Group except for rolling stock, right-of-assets relating to rolling stock and customer relationships, 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 of right-of-use assets relating to rolling stock.

The Group does not have transactions between different business segments.

	Gondola cars	Rail tank cars	Other railcars	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Year ended 31 December 2022				
Total revenue – operator's services	59,447,945	31,077,753	12,299	90,537,997
Total revenue – operating lease	437,427	2,048,795	885,958	3,372,180
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	59,885,372	33,126,548	898,257	93,910,177
less Infrastructure and locomotive tariffs - loaded trips	(4,266,905)	(6,193,899)	(4,091)	(10,464,895)
less Services provided by other transportation organisations	(2,051,228)	(348,001)	-	(2,399,229)
Adjusted revenue for reportable segments	**53,567,239**	**26,584,648**	**894,166**	**81,046,053**
Depreciation and amortisation	(6,804,486)	(2,011,804)	(241,882)	(9,058,172)
Impairment of property, plant and equipment	(3,814,843)	(74,990)	(43,000)	(3,932,833)
Loss on derecognition arising on capital repairs	(192,293)	(117,581)	(4)	(309,878)
Additions to non-current assets (included in reportable segment assets)	9,286,205	4,324,926	17,961	13,629,092
Reportable segment assets	**47,459,256**	**29,754,578**	**3,233,340**	**80,447,174**

	Gondola cars	Rail tank cars	Other railcars	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Year ended 31 December 2021				
Total revenue – operator's services	41,441,242	26,830,806	709,027	68,981,075
Total revenue – operating lease	25,435	1,348,619	457,630	1,831,684
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	41,466,677	28,179,425	1,166,657	70,812,759
less Infrastructure and locomotive tariffs - loaded trips	(6,857,931)	(5,762,331)	(162,883)	(12,783,145)
less Services provided by other transportation organisations	(1,580,314)	(114,489)	-	(1,694,803)
Adjusted revenue for reportable segments	**33,028,432**	**22,302,605**	**1,003,774**	**56,334,811**
Depreciation and amortisation	(5,161,394)	(1,682,803)	(417,525)	(7,261,722)
Loss on derecognition arising on capital repairs	(199,187)	(284,460)	-	(483,647)
Additions to non-current assets (included in reportable segment assets)	7,945,692	3,860,288	174,063	11,980,043
Reportable segment assets	**56,346,167**	**25,650,477**	**3,569,334**	**85,565,978**

Notes to the consolidated financial statements

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

	2022	2021
	RUB'000	RUB'000
Adjusted revenue for reportable segments	81,046,053	56,334,811
Other adjusted revenues	563,855	2,157,553
Total adjusted revenue	81,609,908	58,492,364
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, reversal of impairment of property, plant and equipment, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and loss on derecognition arising on capital repairs)	(27,695,998)	(25,659,527)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	(4,664,457)	(4,049,855)
Depreciation and amortisation	(9,349,704)	(7,770,639)
Net impairment losses on trade and other receivables	(20,535)	(7,735)
Reversal of impairment/(impairment) of property, plant and equipment	(3,932,833)	-
Loss on derecognition arising on capital repairs	(309,878)	(483,647)
Other income	-	310,381
Other gains – net	(1,334,901)	795,917
	34,301,602	21,627,259
Finance income	811,588	326,962
Finance costs	(2,602,339)	(2,506,627)
Net foreign exchange transaction (losses)/gains on financing activities	641,196	(9,559)
Profit before income tax	33,152,047	19,438,035

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

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
	RUB'000	RUB'000	RUB'000	RUB'000
Segment assets/ liabilities	80,447,174	-	85,565,978	-
Unallocated:				
Deferred tax liabilities	-	9,081,239	-	9,752,314
Current income tax assets/liabilities	613,758	1,555,014	307,189	752,121
Property, plant and equipment	834,936	-	821,924	-
Right-of-use assets	162,843	-	320,127	-
Intangible assets	1,760	-	85	-
Other assets	7,059,141	-	3,828,135	-
Trade receivables	3,750,433	-	3,638,450	-
Loans and other receivables	433,091	-	268,038	-
Inventories	798,621	-	680,363	-
Cash and cash equivalents	16,052,345	-	12,854,707	-
Borrowings	-	20,648,650	-	31,318,470
Other lease liabilities	-	4,194,796	-	5,841,573
Trade and other payables	-	6,384,348	-	2,730,252
Contract liabilities	-	827,860	-	1,385,043
Total	110,154,102	42,691,907	108,284,996	51,779,773

Notes to the consolidated financial statements

Geographic information

Revenues from external customers

	2022 RUB'000	2021 RUB'000
Revenue		
Russia	92,677,592	71,666,818
Estonia	1,701,153	1,231,965
Ukraine	95,287	252,230
	94,474,032	73,151,013

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:

	2022		2021	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A – rail tank cars segment	21,234,661	22	18,134,091	25
Customer B – gondola cars segment	15,126,672	16	14,040,336	19
Customer C – gondola cars segment[1]	11,046,722	12	-	-

[1] During the year 2021, only two customers contributed by more than 10% to the Group's total revenues.

The table below presents the Group's non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts:

	2022 RUB'000	2021 RUB'000
Non-current assets		
Russia	81,174,663	75,463,257
Estonia	1,175,214	11,398,063
Ukraine	-	527,404
Cyprus	12,105	316,724
	82,361,982	87,705,448

9. Non-IFRS financial information

In addition to financial information under IFRS, the Group also use certain measures not recognised by EU IFRS or IFRS (referred to as "non-IFRS measures") as supplemental measures of the Group's operating and financial performance. The management believes that these non-IFRS measures provide valuable information to readers, because they enable them to focus more directly on the underlying day-to-day performance of the Group's business. These might not be consistent with measures (of similar description) used by other entities.

Adjusted Revenue

Adjusted Revenue is 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 OAO "Russian Railways", 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 following table provides details of Adjusted revenue for 2022 and 2021 and its reconciliation to Total revenue.

	2022 RUB'000	2021 RUB'000
Total revenue	94,474,032	73,151,013
Minus "pass through" items		
Infrastructure and locomotive tariffs: loaded trips	(10,464,895)	(12,963,846)
Services provided by other transportation organisations	(2,399,229)	(1,694,803)
Adjusted Revenue	81,609,908	58,492,364

Total Operating Cash Costs and Non-cash Costs

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 into Operating cash costs and Operating non-cash costs.

Total Operating Cash Costs 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", "Depreciation of right-of-use assets", "Amortisation of intangible assets", "Net impairment losses on trade and other receivables", "Reversal of impairment/(impairment) of property, plant and equipment", "Net gain/(loss) on sale of property, plant and equipment" and "Loss on derecognition arising on capital repairs".

Total Operating Non-cash Costs include cost items such as "Depreciation of property, plant and equipment", "Depreciation of right-of-use assets", "Amortisation of intangible assets", "Loss on derecognition arising on capital repairs", "Net impairment losses on trade and other receivables" "Reversal of impairment/(impairment) of property, plant and equipment" and "Net gain/(loss) on sale of property, plant and equipment".

Notes to the consolidated financial statements

Other Operating Cash Costs include cost items such as "Advertising and promotion", "Auditors' remuneration", "Communication costs", "Information services", "Legal, consulting and other professional fees", "Expense relating to short-term leases – office", "Expense relating to short-term leases – tank containers", "Taxes (other than income tax and value added taxes)" and "Other expenses".

	2022 RUB'000	2021 RUB'000
"Pass through" cost items	**(12,864,124)**	**(14,658,649)**
Infrastructure and locomotive tariffs: loaded trips	(10,464,895)	(12,963,846)
Services provided by other transportation organisations	(2,399,229)	(1,694,803)
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for "pass through" cost items)	**(45,973,405)**	**(37,971,403)**
Total Operating Cash Costs	(32,373,079)	(29,750,883)
Infrastructure and locomotive tariffs - empty runs and other tariffs	(18,540,527)	(16,647,787)
Repairs and maintenance	(3,942,968)	(3,968,788)
Employee benefit expense	(6,780,615)	(5,491,140)
Expense relating to short-term leases – rolling stock	(34,798)	(274,177)
Fuel and spare parts – locomotives	(2,016,665)	(1,972,429)
Engagement of locomotive crews	(116,042)	(293,924)
Other Operating Cash Costs	(941,464)	(1,102,638)
Advertising and promotion	(41,260)	(45,849)
Auditors' remuneration	(46,187)	(56,908)
Communication costs	(24,676)	(25,371)
Information services	(15,230)	(16,357)
Legal, consulting and other professional fees	(94,298)	(74,192)
Expense relating to short-term leases – tank containers	-	(23,271)
Expense relating to short-term leases – office	(92,990)	(98,619)
Taxes (other than on income and value added taxes)	(23,721)	(27,420)
Other expenses	(603,102)	(734,651)
Total Operating Non-Cash Costs	**(13,600,326)**	**(8,220,520)**
Depreciation of property, plant and equipment	(6,752,811)	(6,642,505)
Depreciation of right-of-use assets	(2,596,568)	(1,127,459)
Amortisation of intangible assets	(325)	(675)
Loss on derecognition arising on capital repairs	(309,878)	(483,647)
Net impairment losses on trade and other receivables	(20,535)	(7,735)
Reversal of impairment/(impairment) of property, plant and equipment	(3,932,833)	-
Gain on sale of property, plant and equipment	12,624	41,501
Total cost of sales, selling and marketing costs and administrative expenses	**(58,837,529)**	**(52,630,052)**

Adjusted EBITDA

Adjusted EBITDA represents EBITDA excluding "Net foreign exchange transaction (losses)/gains from financing activities", "Share of loss of associate", "Other gains - net", "Net (gain)/loss on sale of property, plant and equipment", "Reversal of impairment/(impairment) of property, plant and equipment", "Loss on derecognition arising on capital repairs" and "Reversal of impairment of intangible assets".

EBITDA represents "Profit for the period" before "Income tax expense", "Finance costs - net" (excluding "Net foreign exchange transaction (losses)/gains on financing activities), "Depreciation of property, plant and equipment", "Depreciation of right-of-use assets" and "Amortisation of intangible assets".

The following table provides details on Adjusted EBITDA for 2022 and 2021 and its reconciliation to EBITDA and Profit for the year:

	2022 RUB'000	2021 RUB'000
Profit for the year	**24,919,886**	**15,099,559**
Plus (Minus)		
Income tax expense	8,232,161	4,338,476
Finance costs – net	1,149,555	2,189,224
Net foreign exchange transaction (losses)/gains on financing activities	641,196	(9,559)
Amortisation of intangible assets	325	675
Depreciation of right-of-use assets	2,596,568	1,127,459
Depreciation of property, plant and equipment	6,752,811	6,642,505
EBITDA	**44,292,502**	**29,388,339**
Plus (Minus)		
Loss on derecognition arising on capital repairs	309,878	483,647
Net foreign exchange transaction (losses)/gains on financing activities	(641,196)	9,559
Other gains/(losses) – net	1,334,901	(795,917)
Gain on sale of property, plant and equipment	(12,624)	(41,501)
Impairment of PPE	3,932,833	-
Adjusted EBITDA	**49,216,294**	**29,044,127**

Notes to the consolidated financial statements

Free Cash Flow

Free Cash Flow is calculated as “Cash generated from operations” (after “Changes in working capital”) less “Tax paid”, “Interest paid on bank borrowings and non-convertible unsecured bonds”, “Interest paid on leases with financial institutions”, “Interest paid on other lease liabilities”, “Purchases of property, plant and equipment”, “Purchases of intangible assets”, “Acquisition of subsidiary undertakings - net of cash acquired”, “Acquisition of non-controlling interest”, “Principal elements of lease payments for other lease liabilities” plus “Cash inflow from disposal of subsidiary undertakings - net of cash disposed of”.

Total CAPEX calculated on a cash basis as the sum of “Purchases of property, plant and equipment”, “Purchases of intangible assets” and “Acquisition of subsidiary undertakings - net of cash acquired”.

The ***Attributable Free Cash Flow*** means Free Cash Flow less Adjusted profit attributable to non-controlling interests.

Adjusted Profit Attributable to Non-controlling Interests is calculated as “Profit attributable to non-controlling interests” less share of “Impairment of property, plant and equipment” and “Impairment of intangible assets” attributable to non-controlling interests.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for 2022 and 2021, and its reconciliation to Cash generated from operations.

	2022	2021
	RUB'000	RUB'000
Cash generated from operations	48,630,943	30,057,602
Tax paid	(8,455,068)	(2,807,806)
Interest paid on bank borrowings and non-convertible unsecured bonds	(1,938,619)	(2,238,779)
Interest paid on other lease liabilities	(786,304)	(183,057)
Purchases of property, plant and equipment	(11,421,671)	(8,439,159)
Purchases of intangible assets	(2,000)	-
Principal elements of other lease payments	(2,402,700)	(1,067,922)
Cash inflow from disposal of subsidiary undertakings - net of cash disposed of	-	1,110,051
Acquisition of non-controlling interest	(8,800,000)	(300,000)
Total CAPEX	**(11,423,671)**	**(8,439,159)**
Free Cash Flow	**14,824,581**	**16,130,930**
Attributable Free Cash Flow	**15,098,115**	**14,018,391**

Net Debt and Net Debt to Adjusted EBITDA

Net Debt is defined as the sum of total borrowings (including interest accrued) less “Cash and cash equivalents”.

Total Debt is defined as total borrowings (including interest accrued)

The following table sets out the details on the Group's Net Debt and Net Debt to Adjusted EBITDA at 31 December 2022 and 2021, and reconciliation of Net Debt to Total Debt.

	2022	2021
	RUB'000	RUB'000
Total debt	20,648,650	31,318,470
Minus		
Cash and cash equivalents	16,052,345	12,854,707
Net Debt	**4,596,305**	**18,463,763**
Net Debt to Adjusted EBITDA	**0.09x**	**0.64x**

Notes to the consolidated financial statements

10. Revenue

a. Disaggregation of revenue

	2022 RUB'000	2021 RUB'000
Railway transportation – operator's services (tariff borne by the Group)	30,340,686	31,743,569
Railway transportation – operator's services (tariff borne by the client)	60,197,311	37,237,506
Revenue from specialised container transportation	-	1,824,121
Other	563,855	514,133
Total revenue from contracts with customers recognised over time	91,101,852	71,319,329
Operating lease of rolling stock	3,372,180	1,831,684
Total revenue	**94,474,032**	**73,151,013**

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 2022 amounting to RUB 10,464,895 thousand (for the year ended 31 December 2021: RUB 12,963,846 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 2,399,229 thousand (2021: RUB 1,694,803 thousand).

b. Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers as of 31 December 2021 and 31 December 2022:

	31 December 2022 RUB'000	31 December 2021 RUB'000	1 January 2021 RUB'000
Current			
Contract liabilities relating to railway transportation contracts – Third parties	811,178	1,369,599	964,042
Contract liabilities relating to railway transportation contracts – Related parties (Note 35)	2,228	1,425	-
	813,406	1,371,024	964,042
Non-current			
Contract liabilities relating to railway transportation contracts – Third parties	9,575	9,140	8,710
Contract liabilities relating to railway transportation contracts – Related parties (Note 35)	4,879	4,879	-
	14,454	14,019	8,710
Total contract liabilities	**827,860**	**1,385,043**	**972,752**

Contract liabilities represent advances from customers for transportation services.

c. Revenue recognised in relation to contract liabilities

The Group's revenue for the year ended 31 December 2022 includes RUB 1,346,417 thousand that were included in the balance of the contract liability as of 1 January 2022 (year ended 31 December 2021: RUB 945,900 as of 1 January 2021).

The Group does not have any contracts where the period of provision of the services (that is, the period between the start and completion of a trip) exceeds one year. As permitted under IFRS 15, the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations as of the balance sheet date is not disclosed.

Notes to the consolidated financial statements

11. Expenses by nature

	2022 RUB'000	2021 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	10,464,895	12,963,846
Infrastructure and locomotive tariffs: empty run trips and other tariffs	18,540,527	16,647,787
Services provided by other transportation organisations	2,399,229	1,694,803
Expense relating to short-term leases (rolling stock)	34,798	274,177
Expense relating to short-term leases – tank containers	-	23,271
Employee benefit expense	2,847,269	2,186,776
Repairs and maintenance	3,942,968	3,968,788
Depreciation of property, plant and equipment	6,662,020	6,555,041
Depreciation of right-of-use assets	2,464,331	976,920
Loss on derecognition arising on capital repairs	309,878	483,647
Amortisation of intangible assets	310	658
Fuel and spare parts – locomotives	2,016,665	1,972,429
Engagement of locomotive crews	116,042	293,924
Gain on sale of property, plant and equipment	(7,470)	(38,173)
Impairment of property, plant and equipment	3,932,833	-
Other expenses	205,199	330,548
Total cost of sales	**53,929,494**	**48,334,442**
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	90,791	87,464
Depreciation of right-of-use assets	132,237	150,539
Amortisation of intangible assets	15	17
Gain on sale of property, plant and equipment	(5,154)	(3,328)
Employee benefit expense	3,933,346	3,304,364
Net impairment losses on trade and other receivables	20,535	7,735
Expense relating to short-term leases (office)	92,990	98,619
Auditors' remuneration	46,187	56,908
Legal, consulting and other professional fees	94,298	74,192
Advertising and promotion	41,260	45,849
Communication costs	24,676	25,371
Information services	15,230	16,357
Taxes (other than income tax and value added taxes)	23,721	27,420
Other expenses	397,903	404,103
Total selling, marketing and administrative expenses	**4,908,035**	**4,295,610**

	2022 RUB'000	2021 RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 17)	6,752,811	6,642,505
Depreciation of right-of-use assets (Note 18)	2,596,568	1,127,459
Loss on derecognition arising on capital repairs (Note 17)	309,878	483,647
Amortisation of intangible assets (Note 19)	325	675
Impairment of property, plant and equipment (Note 17)	3,932,833	-
Gain on sale of property, plant and equipment (Note 17)	(12,624)	(41,501)
Employee benefit expense (Note 13)	6,780,615	5,491,140
Net impairment losses on trade and other receivables	20,535	7,735
Expense relating to short-term leases (rolling stock)	34,798	274,177
Expense relating to short-term leases (office)	92,990	98,619
Repairs and maintenance	3,942,968	3,968,788
Fuel and spare parts – locomotives	2,016,665	1,972,429
Engagement of locomotive crews	116,042	293,924
Infrastructure and locomotive tariffs: loaded trips	10,464,895	12,963,846
Infrastructure and locomotive tariffs: empty run trips and other tariffs	18,540,527	16,647,787
Services provided by other transportation organisations	2,399,229	1,694,803
Expense relating to short-term leases – tank containers	-	23,271
Auditors' remuneration	46,187	56,908
Legal, consulting and other professional fees	94,298	74,192
Advertising and promotion	41,260	45,849
Communication costs	24,676	25,371
Information services	15,230	16,357
Taxes (other than income tax and value added taxes)	23,721	27,420
Other expenses	603,102	734,651
Total cost of sales, selling and marketing costs and administrative expenses	**58,837,529**	**52,630,052**

Note: The auditors' remuneration stated above includes fees of RUB 7,723 thousand (2021: RUB 17,206 thousand) for statutory audit services and NIL (2021: RUB 5,899 thousand) for other assurance services charged by the Company's statutory audit firm. The rest of the auditors' 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 NIL thousand for the year 2022 (RUB 3,811 thousand for the year 2021) in relation to fees paid to the Company's statutory audit firm for tax consultancy services.

Notes to the consolidated financial statements

12. Other gains/(losses) – net

	2022 RUB'000	2021 RUB'000
Other gains	320,248	429,688
Other losses	(448,484)	(407,997)
Net foreign exchange (losses) / gains (Note 16)	(1,187,428)	22,739
Gain from sale of subsidiaries (Note 20)	-	751,487
Other impairment	(19,237)	-
Total other gains/(losses) – net	**(1,334,901)**	**795,917**

13. Employee benefit expense

	2022 RUB'000	2021 RUB'000
Wages and salaries	2,925,075	2,653,146
Termination benefits	8,744	2,449
Bonuses	2,611,365	1,783,574
Share based payment expense (Note 21)	125,737	123,971
Social insurance costs	1,109,694	928,000
Total employee benefit expense	**6,780,615**	**5,491,140**
Average number of employees during the year	1,781	1,750

14. Finance income and costs

	2022 RUB'000	2021 RUB'000
Interest expense:		
Bank borrowings	(1,258,143)	(1,483,022)
Non-convertible bonds	(561,448)	(772,198)
Total interest expense calculated using the effective interest rate method	(1,819,591)	(2,255,220)
Other lease liabilities	(780,601)	(201,632)
Total interest expense	(2,600,192)	(2,456,852)
Other finance costs	(2,147)	(49,775)
Total finance costs	(2,602,339)	(2,506,627)
Interest income:		
Bank balances	520,642	208,700
Short term deposits	222,453	72,172
Loans to related parties (Note 35)	18,033	-
Loans to third parties	-	3,173
Total interest income calculated using the effective interest rate method	761,128	284,045
Finance leases – related parties (Note 35)	1,609	357
Finance leases – third parties	16,531	41,738
Total interest income	779,268	326,140
Other finance income	32,320	822
Total finance income	811,588	326,962
Net foreign exchange transaction gains/(losses) on borrowings and other liabilities	-	2,642
Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets	641,196	(12,201)
Net foreign exchange transaction (losses)/gains on financing activities (Note 16)	641,196	(9,559)
Net finance costs - net	**(1,149,555)**	**(2,189,224)**

Notes to the consolidated financial statements

15. Income tax expense

	2022 RUB'000	2021 RUB'000
Current tax:		
Corporation tax	8,763,224	3,293,525
Withholding tax on dividends	122,696	125,700
Withholding tax on interest payments	11,997	1,301
Defence contribution	-	2,043
Total current tax	8,897,917	3,422,569
Deferred tax (Note 30):		
Origination and reversal of temporary differences	(665,756)	915,907
Total deferred tax	(665,756)	915,907
Income tax expense	8,232,161	4,338,476

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

	2022 RUB'000	2021 RUB'000
Profit before tax	33,152,047	19,438,035
Tax calculated at domestic tax rates applicable to profits in the respective countries	8,940,987	4,656,083
Tax effects of:		
Expenses not deductible for tax purposes	29,216	102,088
Allowances and income not subject to tax	119,070	(127,081)
Tax effect of tax losses for which no deferred tax asset was recognised	(119,649)	(6,091)
Defence contribution	-	2,043
Withholding taxes:		
Estonian income tax arising on distribution[1]	1,772,393	213,377
Dividend tax provision in relation to intended dividend distribution of subsidiaries	(2,354,808)	(308,614)
Withholding tax on interest payments	190	1,301
Over provision of current and deferred tax in prior years	(155,238)	(194,630)
Tax charge	8,232,161	4,338,476

[1] Estonian tax law calls for profits to be taxed at the time of distribution and not during the year in which they arise. During the years 2022 and 2021, the Group incurred taxes on distributions from Estonian subsidiaries.

The Company is subject to income tax on taxable profits at the rate 12.5%. Brought forward losses of the Company of only five years may be utilised.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%. Further, in certain cases dividends received by the Company 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 will be payable by Russian 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 arise. Instead of taxing the net profit, the distribution of statutory retained earnings is subject to a tax rate of 20% of net dividend paid which, under certain conditions, can decrease to 14%. Provision for taxes is recognised in the respective periods for the income tax that will be payable by the Estonian subsidiaries where there is an intention that the net profits will be distributed in the form of dividends.

For the subsidiary in Ukraine the annual profit was taxed at a tax rate of 18%.

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.

16. Net foreign exchange (losses) / gains

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

	2022 RUB'000	2021 RUB'000
Finance income and costs (Note 14)	641,196	(9,559)
Other (losses) / gains – net (Note 12)	(1,187,428)	22,739
	(546,232)	13,180

Notes to the consolidated financial statements

17. Property, plant and equipment

	Rolling stock	Land and buildings	Motor vehicles	Other	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
At 1 January 2021					
Cost	123,222,340	374,471	207,796	3,642,951	127,447,558
Accumulated depreciation	(41,879,984)	(119,217)	(97,563)	(929,853)	(43,026,617)
Net book amount	81,342,356	255,254	110,233	2,713,098	84,420,941
Year ended 31 December 2021					
Opening net book amount	81,342,356	255,254	110,233	2,713,098	84,420,941
Additions	7,282,381	37,944	43,360	629,882	7,993,567
Disposals	(46,617)	-	(2,564)	(1,099)	(50,280)
Disposed through disposals of subsidiaries	-	-	-	(2,615,146)	(2,615,146)
Depreciation charge (Note 11)	(6,316,907)	(15,990)	(36,067)	(273,541)	(6,642,505)
Transfers	17,720	-	-	(17,720)	-
Transfer to inventories	(627,562)	-	(2,313)	(1,183)	(631,058)
Derecognition arising on capital repairs	(483,647)	-	-	-	(483,647)
Currency translation differences	(888,464)	(1,080)	(1,000)	(144)	(890,688)
Closing net book amount	80,279,260	276,128	111,649	434,147	81,101,184
At 31 December 2021					
Cost	125,742,564	410,314	231,770	962,979	127,347,627
Accumulated depreciation	(45,463,304)	(134,186)	(120,121)	(528,832)	(46,246,443)
Net book amount	80,279,260	276,128	111,649	434,147	81,101,184
At 1 January 2022					
Cost	125,742,564	410,314	231,770	962,979	127,347,627
Accumulated depreciation	(45,463,304)	(134,186)	(120,121)	(528,832)	(46,246,443)
Net book amount	80,279,260	276,128	111,649	434,147	81,101,184

	Rolling stock	Land and buildings	Motor vehicles	Other	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Year ended 31 December 2022					
Opening net book amount	80,279,260	276,128	111,649	434,147	81,101,184
Additions	11,003,172	39,063	39,422	104,841	11,186,498
Disposals	(263,571)	-	(2,942)	(2,359)	(268,872)
Depreciation charge (Note 11)	(6,594,915)	(16,170)	(40,968)	(100,758)	(6,752,811)
Transfers	1,792	-	-	(1,792)	-
Impairment charge	(4,085,082)	-	-	(283)	(4,085,365)
Reversal of impairment	152,532	-	-	-	152,532
Transfer to inventories	(681,307)	-	-	(87)	(681,394)
Derecognition arising on capital repairs	(309,878)	-	-	-	(309,878)
Currency translation differences	(2,730,013)	(1,374)	(3,181)	(400)	(2,734,968)
Closing net book amount	76,771,990	297,647	103,980	433,309	77,606,926
At 31 December 2022					
Cost	128,806,367	447,195	247,323	1,046,626	130,547,511
Accumulated depreciation	(52,034,377)	(149,548)	(143,343)	(613,317)	(52,940,585)
Net book amount	76,771,990	297,647	103,980	433,309	77,606,926

Borrowing costs amounting to RUB 4,053 thousand were capitalised within rolling stock during the year 2022 (2021: RUB 5,202 thousand).

Useful lives of rolling stock

The estimation of the useful lives of items of rolling stock is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. The Group assesses the remaining useful lives of its rolling stock as of each balance sheet date taking into account the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Based on management's assessment, the useful economic life of the Group's rolling stock as of 31 December 2022 is considered appropriate.

Notes to the consolidated financial statements

Residual values of rolling stock

The Group reviews and adjusts the residual values of its rolling stock and wheel pairs as of each balance sheet date, taking into account, among others, the price of scrap metal as of the assessment date. Management has revised the residual value of the Group's rolling stock and wheel pairs as of 1 January 2022, following a significant increase in market prices of scrap metal. In making this assessment, management took into account actual scrap prices achieved by the Group near the assessment date and available market information on the level of scrap metal as at that date.

As a result of the revision of the residual values of the Group's rolling stock and wheel pairs, the depreciation charged in the income statement for the year ended 31 December 2022 is RUB 312,613 thousand lower than the one that would have been charged for the same period if there was no revision in residual values. A reasonable change in the inputs used by management would not result in material differences.

Based on management's assessment, the residual values of the Group's rolling stock as of 31 December 2022 are considered appropriate.

Impairment assessment of rolling stock

The Group assesses at each balance sheet date whether there are indications for impairment of the Group's property, plant and equipment, in accordance with its accounting policy for impairment of non-financial assets, as set out in Note 4.

As of 31 December 2022, the management considered the deterioration of the economic environment, the weak prevailing industry conditions, conflict between Russia and Ukraine and the COVID-19 pandemic related uncertainties as indications of impairment of the Group's cash generating units ("CGUs") and proceeded to perform impairment assessments to determine if there is an impairment loss. As a result of the impairment assessment, the Group recognised impairment losses in amount RUB 3,932,833 thousand related to the impairment of about 3.8 thousand units of rolling stock (mostly gondola cars) blocked in Ukraine (Note 11).

No other impairment indicators or losses were noted. The impairment testing for all the CGUs, indicated a significant headroom in the recoverable amount over the carrying amount of these CGUs.

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

	2022 RUB'000	2021 RUB'000
Net book amount	268,872	50,280
Gains on sale of property, plant and equipment (Note 11)	12,624	41,501
Consideration from sale of property, plant and equipment	281,496	91,781

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

	2022 RUB'000	2021 RUB'000
Cash consideration received within year	238,377	77,932
Movement in advances received for sales of property, plant and equipment	43,119	13,849
	281,496	91,781

The total net book value of pledged property, plant and equipment (included above) which are held as collateral for the borrowings and loans are as follows (Note 28):

	2022 RUB'000	2021 RUB'000
Rolling stock	11,529,299	17,997,866
	11,529,299	17,997,866

Depreciation expense of RUB 6,662,020 thousand in 2022 (2021: RUB 6,555,041 thousand) has been charged to "cost of sales" and RUB 90,791 thousand in 2022 (2021: RUB 87,464 thousand) has been charged to "selling, marketing and administrative expenses" (Note 11).

Notes to the consolidated financial statements

18. Right-of-use assets

	Rolling stock	Land and buildings	Other	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Year ended 31 December 2021				
Opening net book amount	529,987	480,306	70,122	1,080,415
Additions	4,697,662	40,888	45,172	4,783,722
Change of terms of leases	1,275,580	(29,743)	(6,830)	1,239,007
Depreciation charge (Note 11)	(944,815)	(151,613)	(31,031)	(1,127,459)
Currency translation differences	-	(946)	-	(946)
Disposed through disposals of subsidiaries	(271,696)	(18,765)	(77,433)	(367,894)
As at 31 December 2021	5,286,718	320,127	-	5,606,845
Year ended 31 December 2022				
Opening net book amount	5,286,718	320,127	-	5,606,845
Additions	2,625,920	8,711	-	2,634,631
Disposals	(1,413,726)	(11,457)	-	(1,425,183)
Change of terms of leases	(360,471)	(19,465)	-	(379,936)
Depreciation charge (Note 11)	(2,463,257)	(133,311)	-	(2,596,568)
Currency translation differences	-	(1,762)	-	(1,762)
As at 31 December 2022	3,675,184	162,843	-	3,838,027

Summarised information for the Group's right-of-use assets

In accordance with the Group's accounting policy for leases as disclosed in Note 4, right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet, except for right-of-use assets and associated lease liabilities arising from leases with financial institutions that include purchase options that are reasonably certain to be exercised due to the exercise price being a nominal amount compared to the fair value of the leased asset on the exercise date. The latter are presented within the same line item as the corresponding underlying assets would be presented if they were owned and within borrowings, respectively. Management believes that this presentation best reflects the substance of the leases with financial institutions, being similar to that of purchases via collateralised borrowings.

As at 31 December 2021 and 31 December 2022, there were no right-of-use assets and associated lease liabilities arising from leases with financial institutions that were presented within property, plant and equipment and borrowings, respectively.

The total cash outflow for leases in 2022 was RUB 3,189,004 thousand (2021: RUB 1,501,860 thousand).

19. Intangible assets

	Computer software	Customer relationships	Total
	RUB'000	RUB'000	RUB'000
At 1 January 2021			
Cost	11,766	-	11,766
Accumulated amortisation	(10,306)	-	(10,306)
Net book amount	1,460	-	1,460
Year ended 31 December 2021			
Opening net book amount	1,460	-	1,460
Amortisation charge (Note 11)	(675)	-	(675)
Disposed through disposals of subsidiaries	(700)	-	(700)
Closing net book amount	85	-	85
At 31 December 2021			
Cost	10,934	-	10,934
Accumulated amortisation	(10,849)	-	(10,849)
Net book amount	85	-	85
Year ended 31 December 2022			
Opening net book amount	85	-	85
Additions	2,000		2,000
Amortisation charge (Note 11)	(325)	-	(325)
Closing net book amount	1,760	-	1,760
At 31 December 2022			
Cost	12,934	-	12,934
Accumulated amortisation	(11,174)	-	(11,174)
Net book amount	1,760	-	1,760

Amortisation of RUB 310 thousand (2021: RUB 658 thousand) has been charged to "cost of sales" in the income statement and RUB 15 thousand (2021: RUB 17 thousand) to "selling, marketing and administrative expenses" (Note 11).

Notes to the consolidated financial statements

20. Principal subsidiaries

The Company had the following subsidiaries at 31 December 2022 and 31 December 2021:

Name	Place of business/ 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 (%)	
			2022	**2021**	**2022**	**2021**	**2022**	**2021**
New Forwarding Company, AO	Russia	Railway transportation	100	100	100	100	-	-
GTI Management, OOO	Russia	Railway transportation	100	100	100	100	-	-
Ural Wagonrepair Company, AO	Russia	Repair and maintenance of rolling stock	100	100	100	100	-	-
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	100	100	100	100	-	-
BaltTransServis, OOO	Russia	Railway transportation	100	60	100	60	-	40
BTS-Locomotive Solutions OOO[1]	Russia	Support activities for locomotive traction	-	-	60	60	40	40
RemTransServis, OOO[2]	Russia	Repair and maintenance of rolling stock	-	-	60	60	40	40
Spacecom AS	Estonia	Operating lease of rolling stock	65.25	65.25	65.25	65.25	34.75	34.75
Spacecom Trans AS[3]	Estonia	Operating lease of rolling stock	-	-	65.25	65.25	34.75	34.75

[1] BTS-Locomotive Solutions, OOO is a 100% subsidiary of BaltTransServis.
[2] RemTransServis, OOO is a 100% subsidiary of BaltTransServis, OOO.
[3] Spacecom Trans AS is 100% subsidiary of Spacecom AS.

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 2022 and 31 December 2021 comprised the following:

	2022	2021
	RUB'000	RUB'000
BaltTransServis, OOO (including RemTransservis, OOO and BTS-Locomotive Solutions, OOO)	-	2,417,810
Spacecom AS (including Spacecom Trans AS)	(15,506)	3,840,047
Total	(15,506)	6,257,857

Disposal of the 60% holding SyntezRail Limited and SyntezRail LLC during the year 2021
During the year 2021, the Company disposed its 60% shareholding in SyntezRail Ltd, which in turn owned 100% of SyntezRail LLC, for a total consideration of RUB 1,128,000 thousand realising a gain of RUB 751,477 thousand (Note 12). One of the three purchasers is an entity controlled by a director of the Company (Note 35). The cash inflow from the disposal of subsidiary undertakings, net of cash disposed of for the purposes of the consolidated cash flow statement was RUB 1,110,051 thousand.

Acquisition of the 40% non-controlling interest in BaltTransServis, OOO
On 21 December 2021, the Company entered into an agreement with the non-controlling shareholder of BaltTransServis, OOO to acquire the 40% non-controlling shareholding in the subsidiary for a total consideration of RUB 9,100,100 thousand. By 31 December 2021, and in line with terms of the relevant agreement, the Company made a prepayment to the seller amounting to RUB 300,000 thousand classified within non-current prepayments (Note 23).

In February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO following receipt by the Company of the approval from the Federal Antimonopoly Service of the Russian Federation and satisfaction of the remaining pre-conditions, including settlement of the remaining RUB 8,800,000 thousand of the purchase consideration.

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. The financial information of Spacecom AS includes Spacecom Trans AS and Ekolinja Oy and the financial information of BaltTransServis, OOO includes RemTransServis, OOO. No summarised financial information is presented for SyntezRail, OOO and SyntezRail Limited as their operations and financial position are not material to the Group.

Notes to the consolidated financial statements

Summarised balance sheet

	BaltTransServis OOO		Spacecom AS	
	2022	2021	2022	2021
	RUB'000	RUB'000	RUB'000	RUB'000
Current				
Assets	-	3,919,016	10,040,495	190,983
Liabilities	-	4,057,738	5,025,524	491,136
Total current net assets	-	(138,722)	5,014,971	(300,153)
Non-current				
Assets	-	11,738,961	1,127,303	11,345,889
Liabilities	-	5,555,714	3,379	47,414
Total non-current net assets	-	6,183,247	1,123,924	11,298,475
Net assets	-	6,044,525	6,138,895	10,998,322

Summarised income statement

	BaltTransServis OOO		Spacecom AS	
	2022	2021	2022	2021
	RUB'000	RUB'000	RUB'000	RUB'000
Revenue	-	26,932,363	1,701,153	1,231,965
Profit before income tax	-	6,024,506	6,095,012	408,092
Income tax expense	-	(1,014,814)	(1,740,042)	(198,224)
Post-tax profit from continuing operations	-	5,009,692	4,354,970	209,868
Other comprehensive income	-	-	(1,984,219)	(621,865)
Total comprehensive income	-	5,009,692	2,370,751	(411,997)
Total comprehensive income allocated to non-controlling interests	-	2,003,877	1,513,352	72,929
Dividends paid to non-controlling interest	-	(876,000)	(2,759,806)	(342,516)

Summarised cash flow statements

	BaltTransServis OOO		Spacecom AS	
	2022	2021	2022	2021
	RUB'000	RUB'000	RUB'000	RUB'000
Cash flows from operating activities				
Cash generated from/(used in) operations	-	7,003,173	(1,170,770)	1,235,883
Income tax paid	-	(1,135,617)	(368,772)	(213,715)
Net cash generated from/(used in) operating activities	-	5,867,556	(1,539,542)	1,022,168
Net cash generated from/(used in) investing activities	-	(2,512,085)	6,671,629	(30,889)
Net cash used in financing activities	-	(2,660,088)	(4,978,418)	(1,011,676)
Net increase/(decrease) in cash and cash equivalents	-	695,383	153,669	(20,397)
Cash and cash equivalents at beginning of year	-	837,867	71,069	94,868
Exchange differences on cash and cash equivalents	-	-	(2,296)	(3,402)
Cash and cash equivalents at end of year	-	1,533,250	222,442	71,069

The information above includes the amounts before inter-company eliminations.

Notes to the consolidated financial statements

21. Share-based payments

The Group maintains a remuneration program for some of the members of management, including members of key management of the Group. This includes, amongst other things, a three-year compensation scheme in accordance to which, members of management receive a yearly cash compensation calculated based on the weighted average market quotations of the GDRs of the Company. This compensation is set for a three-year period and is divided on three instalments to be paid after the end of each assessment period which equals to one year. The award is conditional on the performance of the participants and on meeting certain key performance indicators ("KPIs") each year during the three years vesting period. The scheme matured by 31 December 2020 and was renewed on 1 January 2021 for another three-year period.

The scheme falls within the scope of IFRS 2 "Share-based payment" and has therefore been classified as a cash-settled share-based payment arrangement.

In accordance with the terms of the remuneration program, the compensation is calculated based on the weighted average fair value of the Company's GDRs, quoted in US Dollar multiplied by the weighted average RUB/USD exchange rate for each period.

The Group recognised an employee benefit expense of RUB 125,737 thousand in this respect for the year ended 31 December 2022 (2021: RUB 123,971 thousand) and the Group's liability in respect of this amounted to RUB 125,739 thousand as of 31 December 2022 (2021: RUB 123,971 thousand).

The share-based payment liability as of 31 December 2022 was determined based on the assumption that all participants will remain with the Group and all KPIs will be met and that there will be no significant fluctuation in the value of the Company's GDRs during the vesting period. The significant inputs into the valuation were the weighted average fair value of the Company's GDRs and the weighted average USD/RUB exchange.

22. Financial assets

a. **Trade receivables**

	2022 RUB'000	2021 RUB'000
Trade receivables – third parties	3,760,501	3,736,801
Trade receivables – related parties (Note 35)	275	604
Less: Provision for impairment of trade receivables	(10,343)	(98,955)
Trade receivables – net	3,750,433	3,638,450
Total non-current portion	-	-
Current portion	3,750,433	3,638,450

In July 2021, the Group assigned its rights, obligations and demands in the Georgian law case to a party related to the non-controlling interests of Spacecom AS, being the entity involved in the claim, under an assignment agreement for consideration which substantially settled the recognised receivable and is irrevocable independently whether the result of future Court decision is negative or positive.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2022 RUB'000	2021 RUB'000
Currency:		
US Dollar	32,859	9,709
Russian Roubles	3,693,691	3,531,548
Euro	23,883	96,068
Ukrainian Hryvnia	-	1,125
	3,750,433	3,638,450

According to the management's estimates, the fair values of trade receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

Notes to the consolidated financial statements

b. Loans and other receivables

	2022 RUB'000	2021 RUB'000
Loans receivables – related parties (Note 35)	401,151	-
Other receivables – third parties	36,519	282,886
Other receivables – related parties (Note 35)	23	18
Less: Provision for impairment of other receivables	(4,602)	(14,866)
Loans and other receivables – net	433,091	268,038
Less non-current portion:		
Other receivables - third parties	-	237,680
Total non-current portion	-	237,680
Current portion	433,091	30,358

The carrying amounts of the Group's loans and other receivables are denominated in the following currencies:

	2022 RUB'000	2021 RUB'000
Currency:		
Russian Roubles	433,089	267,105
Ukrainian Hryvnia	-	922
Euro	2	11
Other	-	-
	433,091	268,038

According to the management's estimates, the fair values of loans and other receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

23. Other assets

	2022 RUB'000	2021 RUB'000
Prepayments – third parties	3,889,771	3,151,716
Finance leases to third parties	137,914	175,400
Finance leases to related parties	11,832	21,157
VAT recoverable	3,019,624	479,862
Other assets	7,059,141	3,828,135
Less non-current portion:		
Finance leases to third parties	95,748	137,835
Finance leases to related parties (Note 35)	953	11,748
Prepayments for property, plant and equipment	915,269	997,334
Total non-current portion	1,011,970	1,146,917
Current portion	6,047,171	2,681,218

The Group's finance leases as at 31 December 2022 and 31 December 2021 are denominated in Russian Roubles. The finance lease receivables are scheduled as follows:

	Less than one year RUB'000	Between 1 to 5 years RUB'000	Over 5 years RUB'000	Total RUB'000
At 31 December 2022				
Minimum lease receivable	66,018	98,363	-	164,381
Less: Unearned finance income	(12,973)	(1,662)	-	(14,635)
Present value of minimum lease receivables	53,045	96,701	-	149,746
At 31 December 2021				
Minimum lease receivable	64,952	164,382	-	229,334
Less: Unearned finance income	(17,978)	(14,799)	-	(32,777)
Present value of minimum lease receivables	46,974	149,583	-	196,557

According to the management's estimates, the fair values of finance lease receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

The effective interest rates on finance lease receivables at the balance sheet were as follows:

	2022 %	2021 %
Finance leases to third parties	10.43	10.42

Notes to the consolidated financial statements

24. Inventories

	2022 RUB'000	2021 RUB'000
Raw materials, spare parts and consumables	798,621	680,363
	798,621	680,363

All inventories are stated at cost.

25. Cash and cash equivalents

	2022 RUB'000	2021 RUB'000
Cash at bank and in hand	14,997,495	5,634,742
Short term bank deposits	1,054,850	7,219,965
Total cash and cash equivalents	16,052,345	12,854,707

The weighted average effective interest rate on short-term deposits was 5.18-8.76% in 2022 (2021: 6.74-7.25%) and these deposits have a maturity of 1 to 18 days (2021: 1 to 21 days).

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2022 RUB'000	2021 RUB'000
Cash and cash equivalents	16,052,345	12,854,707
Total cash and cash equivalents	16,052,345	12,854,707

Cash and cash equivalents are denominated in the following currencies:

	2022 RUB'000	2021 RUB'000
Russian Rouble	11,616,051	12,246,089
US Dollar	1,013,793	422,914
Euro	3,422,501	121,006
Ukrainian Hryvnia	-	64,698
Total cash and cash equivalents	16,052,345	12,854,707

The carrying value of cash and cash equivalents approximates their fair value.

26. Share capital, share premium and treasury shares

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2021 /31 December 2021 / 1 January 2022 / 31 December 2022	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 2021 /31 December 2021 / 1 January 2022 / 31 December 2022	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2022 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2021: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company's Global Depositary Receipts ("GDRs) and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2021 and May 2021. The total number of purchased GDRs shall not exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). The shareholders of the Company at the Annual General Meeting which took place on 29 April 2021 approved the prolongation of the term of the buyback program until the earlier of the close of the Annual General Meeting of the Company to be held in 2022 or 12 months from the date of the approval.

During the year 2020, the Company purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand). No further acquisitions took place within the year 2021.

During the first six months of 2022, the Company purchased a total of 345,780 GDRs, which are held in treasury for a total consideration of 832 thousand US Dollars (equivalent to RUB 114,497 thousand). No further acquisitions took place within the last six months of 2022.

As of 30 June 2022, the Company had purchased a total of 422,657 GDRs / (31 December 2021 76,877 GDRs) which are held in treasury for a total consideration of 1.254 thousand US Dollars (equivalent to RUB 145,993 thousand).

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years. In June 2022 the Board of Directors approved the cancellation of all purchased GDRs. As of 31 December 2022 the cancellation of GDRs was in progress.

Notes to the consolidated financial statements

27. Dividends

In April 2021, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2020 in the amount of 28.00 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 5,004,746 thousand, including final dividend for 2021 in the amount of RUB 2,931,351 thousand or RUB 16.40 per ordinary share/GDR and a special final dividend in the amount of RUB 2,073,395 thousand or RUB 11.60 per ordinary share/GDR (US Dollar equivalent of US$ 66,190 thousand).

On 27 August 2021, the Board of Directors of the Company approved payment of total dividend in the amount of 22.50 Russian Roubles per ordinary share, amounting to a total dividend of RUB 4,021,671 thousand, including interim dividend in the amount of RUB 1,635,480 thousand or RUB 9.15 per ordinary share/GDR and a special interim dividend in the amount of RUB 2,386,191 thousand or RUB 13.35 per ordinary share/GDR (US Dollar equivalent of US$ 54,457 thousand).

During the years ended 31 December 2022 and 2021, the Group declared and paid dividends in favour of the equity holders of the Company and the non-controlling interests as detailed in the table below.

	2022 RUB'000	2021 RUB'000
Dividends declared to equity holders of the Company [1]	-	9,022,550
Dividends paid to equity holders of the Company[1]	-	9,022,550
Dividends declared to non-controlling interest	2,759,806	1,218,516
Dividends paid to non-controlling interest	1,728,073	1,225,275

[1] Dividends declared and paid to the equity holders of the Company within the year 2021 as per the table above exclude RUB 3,867 thousand relating to dividend declared and paid on the treasury shares.

28. Borrowings

	2022 RUB'000	2021 RUB'000
Current		
Bank borrowings	7,690,301	9,658,062
Non-convertible unsecured bonds	3,905,571	4,010,198
Total current borrowings	11,595,872	13,668,260
Non-current		
Bank borrowings	7,802,778	12,651,536
Non-convertible unsecured bonds	1,250,000	4,998,674
Total non-current borrowings	9,052,778	17,650,210
Total borrowings	20,648,650	31,318,470
Maturity of non-current borrowings		
Between 1 and 2 years	6,165,311	11,188,564
Between 2 and 5 years	2,887,467	6,461,646
	9,052,778	17,650,210

Bank borrowings

Bank borrowings mature by 2027 (2021: by 2025) and bear average interest of 7.9% per annum (2021: 7.2% per annum). There were no defaults or breaches of loan terms during the years ended 31 December 2022 and 31 December 2021.

The current and non-current bank borrowings amounting to RUB 7,356,968 thousand and RUB 5,056,405 thousand respectively (2021: RUB 8,099,674 thousand and RUB 11,304,448 thousand respectively) are secured by pledge of rolling stock and tank-containers with a total carrying net book value of RUB 11,529,299 thousand (2021: RUB 17,997,866 thousand) (Note 17).

Notes to the consolidated financial statements

Non-convertible bonds

New Forwarding Company AO issued non-convertible Russian Rouble denominated bonds for amount of RUB 5 billion in 2018, priced at a coupon rate of 7.25% p.a. and with maturity in 2023 and for amount of RUB 5 billion in 2020, priced at a coupon rate of 8.8% p.a. and with maturity in 2024 out of a total RUB 100 billion registered program.

The Company acts as the guarantor for the bond issue.

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:

	2022	2021
	RUB'000	RUB'000
6 months or less	6,700,884	5,951,833
6 to 12 months	4,894,988	7,716,428
1 to 5 years	9,052,778	17,650,209
	20,648,650	31,318,470

Note: The amounts above are based on the earliest of their contractual re-pricing dates and maturity dates

Movements in borrowings are analysed as follows:

	Bank borrowings and loans (excl. overdrafts)	Lease liabilities with financial institutions	Other lease liabilities	Non-convertible unsecured bonds	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Year ended 31 December 2021					
Opening amount as at 1 January 2021	21,728,265	-	1,404,596	10,286,974	33,419,835
Cash flows:					
Amounts advanced	18,058,000	-	-	-	18,058,000
Repayments of borrowings	(15,286,973)	-	(1,067,922)	(1,250,000)	(17,604,895)
Interest paid	(1,438,479)	-	(183,057)	(800,300)	(2,421,836)
Non-cash changes:					
Interest charged	1,488,224	-	201,632	772,198	2,462,054
Net foreign exchange	-	-	(3,622)	-	(3,622)
Other lease liability	-	-	4,747,388	-	4,747,388
Disposed through disposals of subsidiaries	(2,241,636)	-	(495,043)	-	(2,736,679)
Change of terms of leases	-	-	1,239,869	-	1,239,869
Other	2,197	-	(2,268)	-	(71)
Closing amount as at 31 December 2021	22,309,598	-	5,841,573	9,008,872	37,160,043
Year ended 31 December 2022					
Opening amount as at 1 January 2022	22,309,598	-	5,841,573	9,008,872	37,160,043
Cash flows:					
Amounts advanced	2,750,000	-	-	-	2,750,000
Repayments of borrowings	(9,549,396)	-	(2,402,700)	(3,750,000)	(15,702,096)
Interest paid	(1,273,870)	-	(786,304)	(664,749)	(2,724,923)
Non-cash changes:					
Interest charged	1,262,196	-	780,601	561,448	2,604,245
Net foreign exchange	-	-	(2,755)	-	(2,755)
Other lease liability	-	-	2,569,659	-	2,569,659
Change of terms of leases			(1,805,278)		(1,805,278)
Other	(5,449)	-	-	-	(5,449)
Closing amount as at 31 December 2022	15,493,079	-	4,194,796	5,155,571	24,843,446

The carrying amount and fair value of current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	2022	2021	2022	2021
	RUB'000	RUB'000	RUB'000	RUB'000
Bank borrowings	15,493,079	22,309,598	15,134,443	21,424,779
Non-convertible unsecured bonds	5,155,571	9,008,872	5,028,375	8,705,000
	20,648,650	31,318,470	20,162,818	30,129,779

The fair value as at 31 December 2022 and 31 December 2021 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2022 and 31 December 2021. The discount rate was 11.1% p.a. (2021: 10.5% p.a.). The fair value measurements are within level 2 of the fair value hierarchy (2021: level 2). The fair value as at 31 December 2022 and 31 December 2021 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

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.

Notes to the consolidated financial statements

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2022 RUB'000	2021 RUB'000
Russian Rouble	20,648,650	31,318,470
	20,648,650	31,318,470

The Group has the following undrawn borrowing facilities:

	2022 RUB'000	2021 RUB'000
Fixed rate:		
Expiring within one year	10,083,333	7,788,000
Expiring beyond one year	32,700,000	35,100,000
	42,783,333	42,888,000

Drawdowns under certain of the above credit facilities are subject to successful conclusion of additional agreements with the lenders, which, amongst others, will specify the terms of each disbursement.

The weighted average effective interest rates at the balance sheet were as follows:

	2022 %	2021 %
Bank borrowings	7.9	7.2
Non-convertible unsecured bonds	8.5	8.2

29. Other lease liabilities

	2022 RUB'000	2021 RUB'000
Other lease liabilities		
Current lease liabilities	2,400,332	1,913,410
Non-current lease liabilities	1,794,464	3,928,163
Total lease liabilities	4,194,796	5,841,573
Other lease liabilities		
Between 1 and 2 years	1,694,562	2,002,349
Between 2 and 5 years	96,970	1,898,921
Over 5 years	2,932	26,893
	1,794,464	3,928,163

30. 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 gross movement on the deferred income tax account is as follows:

	2022 RUB'000	2021 RUB'000
Beginning of year	9,752,314	8,862,587
Income statement charge (Note 15)	(665,756)	915,907
Disposed through disposals of subsidiaries	-	(22,592)
Exchange differences	(5,319)	(3,588)
End of year	9,081,239	9,752,314

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	Right-of-use assets RUB'000	Total RUB'000
At 1 January 2021	8,466,355	673,758	(210)	147,055	9,286,958
Charged/(credited) to:					
Income statement (Note 15)	702,541	453,254	56	724,589	1,880,440
Disposed through disposals of subsidiaries	(86,158)	-	154	(73,579)	(159,583)
Translation differences	-	(3,588)	-	-	(3,588)
At 31 December 2021	9,082,738	1,123,424	-	798,065	11,004,227
Charged/(credited) to:					
Income statement (Note 15)	(249,779)	(435,460)	-	(76,425)	(761,664)
Translation differences	-	(5,319)	-	-	(5,319)
At 31 December 2022	8,832,959	682,645	-	721,640	10,237,244

Notes to the consolidated financial statements

Deferred tax assets	Tax losses RUB'000	Trade and other payables RUB'000	Other lease liabilities and Borrowings RUB'000	Other assets/ liabilities RUB'000	Total RUB'000
At 1 January 2021	(53,416)	(92,490)	(223,956)	(54,509)	(424,371)
Charged/(credited) to:					
Income statement (Note 15)	1,334	(133,715)	(728,150)	(104,002)	(964,533)
Disposed through disposals of subsidiaries	52,082	(1,435)	103,517	(17,173)	136,991
At 31 December 2021	-	(227,640)	(848,589)	(175,684)	(1,251,913)
Charged/(credited) to:					
Income statement (Note 15)	-	36,420	46,774	12,714	95,908
At 31 December 2022	-	(191,220)	(801,815)	(162,970)	(1,156,005)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets in the amount of RUB 89,231 thousand (2021: RUB 267,717 thousand) for tax losses amounting to RUB 713,852 thousand (2021: RUB 1,487,319 thousand) available to be carried forward as it is not probable that future taxable profits will be available against which these tax losses can be utilised. 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 20% or, under certain conditions, 14% will be applied to gross amount of such distributions. The Group recognises provisions for such taxes based on management's estimates and intention for future dividend distribution by each respective subsidiary out of profits of subsidiaries as of 31 December 2022.

Deferred income tax liabilities of RUB 1,683,687 thousand (2021: RUB 1,215,876 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 to RUB 32,832,980 thousand as at 31 December 2022 (2021: RUB 11,155,035 thousand).

31. Trade and other payables

	2022 RUB'000	2021 RUB'000
Current		
Trade payables to third parties	338,540	529,454
Other payables to third parties	2,036,750	437,960
VAT payable and other taxes	3,441,091	614,664
Accrued expenses	98,140	95,960
Accrued key management compensation, including share-based payment (Note 35)	469,827	1,042,989
	6,384,348	2,721,027
Non-current		
Other payables to third parties	-	9,225
	-	9,225

The fair value of trade and other payables approximates their carrying amount at the balance sheet date.

32. 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, excluding treasury shares.

	2022	2021
Profit attributable to equity holders of the company (RUB thousand)	25,193,420	12,987,020
Weighted average number of ordinary shares in issue (thousand)	178,382	178,664
Basic and diluted earnings per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	141.23	72.69

Notes to the consolidated financial statements

33. Contingencies

Operating environment

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. Ongoing political tension in the region and sanctions against certain Russian companies and individuals have an additional negative impact on the Russian economy.

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorizing these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia or Ukraine or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevent them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Group largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2022 as it is considered as a non-adjusting event.

The Group actively monitors political developments on an ongoing basis. However, the macroeconomic situation in Ukraine, Russia is out of Management's control. The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as companies operating in the Russian Federation.

Fluctuations in foreign exchange rates may also impact the operations of the Goup. The Russian central bank had raised the key rate of interest from 9,5% to 20% as a preventive measure to stop the devaluation of the RUB.

The Group continues to monitor the situation and implement a set of measures to minimize the impact of possible risks on the Group's operations and financial position.

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 generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. 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 has implemented internal controls to be in compliance with this transfer pricing legislation. Management believes that its pricing policy used in 2022 and 2021 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 within the Group 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 in Cyprus, Russia, Ukraine, Estonia. The tax liabilities of the Group are determined on the assumption that these companies are tax residents in the countries where they are incorporated and are not subject to profits tax of other tax jurisdictions, because they do not have permanent establishments in other jurisdictions. The Company and the non-controlling shareholding companies holding interests in the Company's Russian subsidiaries are the only and full beneficial owners of the equity interests held directly and indirectly in these subsidiaries. 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.

Notes to the consolidated financial statements

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. Management will vigorously defend the positions and interpretations applied in determining taxes recognised in these financial statements if these are challenged by the 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 well-developed market and economy with stable political systems and developed legislation based on EU requirements and regulations.

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 2022 and 31 December 2021 (Note 28).

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
In the opinion of management, there are no legal proceedings or other claims outstanding, as of 31 December 2022 and 2021 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.

34. Commitments

a. Capital commitments
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2022	2021
	RUB'000	RUB'000
Property, plant and equipment	879,341	373,492

b. 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:

	2022	2021
	RUB'000	RUB'000
Not later than 1 year	2,635,180	2,612,600
Later than 1 year not later than 5 years	856,038	1,692,999
	3,491,218	4,305,599

There were no contingent-based rents to be recognised in the income statement for the year ended 31 December 2022 and 31 December 2021.

Notes to the consolidated financial statements

35. Related party transactions

Litten Investments Ltd, controlled by a Director of the Company, has a shareholding in the Company of 5.1% as at 31 December 2022 (31 December 2021: 5.1%).

Goldriver Resources Ltd, controlled by a Director of the Company, has a shareholding in the Company of 3.1% as at 31 December 2022 (31 December 2021: 3.1%).

As at 31 December 2022, another 0.1% (2021: 0.2%) of the shares of the Company is controlled by Directors and key management of the Company.

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. Key management compensation

	2022 RUB'000	2021 RUB'000
Key management salaries and other short-term employee benefits	2,702,399	1,887,429
Share based compensation (Note 21)	125,737	123,971
	2,828,136	2,011,400

The key management compensation above includes directors' remuneration paid to the directors of the Company both by the Company and by subsidiaries of the Company in respect of services provided to such subsidiaries amounting to RUB 776,827 thousand (2021: RUB 604,062 thousand) and analysed as follows:

	2022 RUB'000	2021 RUB'000
Non-executive directors' fees	20,793	25,881
Emoluments in their executive capacity	738,450	561,000
Share based compensation in their executive capacity	17,584	17,181
	776,827	604,062

b. Sale of goods and services

	2022 RUB'000	2021 RUB'000
Revenue from entity under control of member of key management:		
Operating lease of rolling stock	813,750	134,312
Other	880	125
	814,630	134,437

c. Other gains

	2022 RUB'000	2021 RUB'000
Other gains from entity under control of member of key management:		
Other gains	96,722	525
	96,722	525

d. Year-end balances arising from sales/purchases of goods or services

	2022 RUB'000	2021 RUB'000
Trade receivables from related parties - current (Note 22):		
Entity under control of member of key management	275	604
	275	604
Other receivables from related parties – current (Note 22):		
Entity under control of member of key management	23	18
	23	18
Key management remuneration – current (Note 31):		
Accrued salaries and other short-term employee benefits	344,088	919,018
Share based payment liability (Note 21)	125,737	123,971
	469,825	1,042,989

e. Interest income

	2022 RUB'000	2021 RUB'000
Finance leases (Note 14): Entity under control of members of key management	1,609	357
	1,609	357
Loans (Note 14):		
Entity under control of members of key management	18,033	-
	18,033	-

Notes to the consolidated financial statements

f. Contract liabilities

	2022 RUB'000	2021 RUB'000
Contract liabilities relating to railway transportation contracts – current (Note 10):		
Entity under control of member of key management	2,228	1,425
	2,228	1,425
Contract liabilities relating to railway transportation contracts – non-current (Note 10):		
Entity under control of member of key management	4,879	4,879
	4,879	4,879

g. Loans

	2022 RUB'000	2021 RUB'000
Loans receivables (Note 22):		
Entity under control of member of key management	401,151	-
	401,151	-
At the beginning of the period	-	-
Loans advanced during the year	800,000	-
Loans repaid during the year	(400,000)	
Interest charged (Note 14)	18,033	-
Interest received	(16,882)	-
At the end of the period	401,151	-

h. Finance leases

	2022 RUB'000	2021 RUB'000
Finance leases to related parties – current (Note 23):		
Entity under control of member of key management	10,879	9,409
	10,879	9,409
Finance leases to related parties – non-current (Note 23):		
Entity under control of member of key management	953	11,748
	953	11,748

i. Disposal of investment in subsidiary to member of key management

During the year 2021, the Company disposed its 60% shareholding in SyntezRail Ltd (Note 20). Out of this, 20% was sold to an entity controlled by a director of the Company for a consideration of RUB 376,000 thousand.

j. Operating lease commitments – Group as lessor

	2022 RUB'000	2021 RUB'000
Entity under control of member of key management		
Not later than 1 year	836,960	820,549
Later than 1 year not later than 5 years	856,038	1,692,999
	1,692,998	2,513,547

36. Events after the balance sheet date

Disposal of Spacecom AS

In January 2023 the Group disposed of its 65.25% shareholding in Spacecom AS for EUR 65,300,000.

There were no other material post balance sheet events which have a bearing on the understanding of these consolidated financial statements.

Independent Auditor's Report on pages 150 to 153.

Management report and parent company financial statements for the year ended 31 December 2022

Board of Directors and other officers

Board of Directors

Mr. Vasilis Hadjivassiliou
Independent Non-Executive Director
Member of the Audit Committee (since January 2021)

Mr. John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee
Chairman of Remuneration Committee
Chairman of Nomination Committee
Member of ESG Committee (since January 2021)

Mr. George Papaioannou
Independent Non-Executive Director
Member of the Audit Committee
Member of Remuneration Committee (since September 2022)
Member of Nomination Committee (since September 2022)

Ms. Elia Nicolaou
Non-executive Director
Chairwoman of the ESG Committee (since January 2021)
Member of the Audit Committee (until January 2021)
Company Secretary
Secretary of the Board
Alternate Director: Mr. Marios Tofaros

Mr. Michalakis Thomaides
Non-Executive Director

Ms. Melina Pyrgou
Non-executive Director

Mr. Marios Tofaros
Non-executive Director

Mr. Sergey Maltsev
Chairman of the Board of Directors
Executive Director
Alternate director: Mr. Yuri Isaev

Mr. Sergey Tolmachev
Executive Director

Mr. Alexander Storozhev
Executive Director
Alternate Director: Ms. Elia Nicolaou

Mr. Konstantin Shirokov
Executive Director

Mr. Alexander Eliseev
Non-executive Director
Alternate Director: Ms Ekaterina Golubeva

Mr. Andrey Gomon
Non-executive Director
Alternate Director: Ms. Melina Pyrgou

Mr. Alexander Tarasov
Non-executive Director
Resigned in May 2022

Mr. Sergey Foliforov
Non-executive Director
Appointed in June 2022

Dr. Johann Franz Durrer
Passed away on 3 September 2022
Dr. Durrer was senior Independent Non-Executive Director
Chairman of the Remuneration Committee
Chairman of the Nomination Committee

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

Management Report

The Board of Directors presents its report together with the audited parent company financial statements for the year ended 31 December 2022. The parent company'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 activities of the Company, which are unchanged from last year, are the holding of investments and provision of financing to other Group companies.

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

The Company's profit for the year increased to RUB 5,705,759 thousand compared to RUB 3,509,530 thousand for the year ended 31 December 2021. This was mainly the result of the increase in the dividend income earned from the subsidiaries from RUB 3,154,405 thousand during the year ended 31 December 2021 to RUB 7,064,907 thousand in the current year.

The net asset position of the Company has increased as of 31 December 2022 compared to 31 December 2021, with net assets as of 31 December 2022 amounting to RUB 48,272,615 thousand compared to RUB 42,681,353 thousand as of 31 December 2021.

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

Changes in group structure

There were no changes in the Group structure of the Company during the year ended 31 December 2022, apart from acquisition in February 2022 of a 40% non-controlling interest in BaltTransServis, OOO. For the principal subsidiaries of the Company, refer to Note 18 of the financial statements.

Environmental matters

Rail is one of the most environmentally friendly modes of transport. Nonetheless, any commercial activity has an environmental impact and Globaltrans strives to minimise those from its operations where possible. To this end, the Group ensures that its activities fully comply with local environmental regulations. It also aims to help business and nature co-exist by focusing on applying modern technology in its operations and using natural resources rationally.

In January 2021, the Board established the ESG Committee to analyse and oversee risks related to the environmental, social and governance issues.

Human resources

Globaltrans considers the wellbeing of employees central to its success and strives to maintain exemplary working standards, ensure job satisfaction and create opportunities for professional growth. The Group's personnel policy focuses on creating a positive atmosphere at all offices and facilities to maximise productivity. As part of this, it offers medical insurance, support for education, opportunities to obtain additional qualifications and training, and financial aid in particularly difficult times.

The Group's future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team. 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 employees and key managers and remuneration is linked to the Group's financial results. The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate.

Principal risks and uncertainties

The Company faces a number of diverse potential and actual risks to its business. The Board has adopted a formal process to identify, evaluate and manage principal risks and uncertainties faced by the Company and its subsidiaries.

To identify, evaluate and mitigate these, the Company has established an in-house system to monitor and control uncertainties and threats throughout its activities. This is overseen by a dedicated Risk Management function, which works directly with the Board of Directors in this area.

The escalation of the conflict in Ukraine and the associated sanctions imposed by the US, European Union and a number of other countries on some of the biggest Russian industrial groups, as described in Note 27 to the financial statements, may adversely affect the business environment and prospects of the Company and its subsidiaries and create significant new risks, which did not exist as at the balance sheet date.

The Company has grouped the risks that it considers to be significant into key categories – strategic, operational, compliance and financial – and they are presented below.

Management Report

Strategic risks

The strategic risks faced by the Company and its subsidiaries, together referred to as "Group", that pose risks that influence the Group's ability to achieve its strategy include the general economic situation and operating environment in Russia, Kazakhstan, CIS and Baltic countries in which the Group operates; the regulatory risk relating to the operation of the Russian railway transportation market including railway tariff regulation and technical requirements for fleet maintenance; the highly competitive Russian rail transportation market with unregulated operators' services tariffs; the significant concentration of the Group's customer base with the top 10 customers (including their affiliates and suppliers) accounting for around 68% of the Group's Net Revenue from the operation of rolling stock in 2022; cost of borrowing and/or deterioration in market conditions with potential impacts on the profitability and recoverability of investments; and reliance on RZD for issuing permits allowing the Group to operate locomotives.

The Group operates mainly in Russia, other emerging markets and Estonia. Emerging markets, such as Russia, Kazakhstan and Ukraine, are subject to greater risks than more developed markets, including significant economic, political, social, legal and legislative uncertainties. Moreover, the Group's business depends on the demand in the Russian freight rail transportation market, which in turn depends on certain key commodity sectors and, accordingly, on economic conditions in Russia, Europe and elsewhere. A decrease in production and 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 a technological shift, economic downturn, political crisis or other event in Russia or another relevant country, negatively impacts the Group's business and growth prospects.

The management of the Group constantly monitors the developments in the operating environment and regulatory regime of the railway transportation market in the countries in which the Group operates. The Group's business model is to maintain a balanced fleet between universal gondola cars, adaptable to the demand for transportation of various bulk cargoes and rail tank cars, which are used for the transportation of oil products and oil. Further, the Group has long-term, established relationships with its key customers and their affiliates and suppliers and in some cases, the Group becomes an integrated part of its customers' operations. Around 59% of the Group's Net Revenue from the Operation of Rolling Stock in 2022 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding 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.

The sanctions imposed on the Russian Central Bank and number of commercial banks, the restrictions for capital movements outside Russian Federation, the sanctions imposed by US, European Union and number of other countries on the biggest Russian industrial groups adversely affects the business environment and prospects of the Group and create significant risks. The restrictions on the export of certain types of Russian commodities or change in directions of supply for Russian commodities may have a negative impact on the freight rail transportation market and the Group's business.

The situation is still evolving and further sanctions and limitations on business activity of companies operating in the region, as well as consequences on the Russian economy in general, may arise but the full nature and possible effects of these are unknown. It is not possible for management to predict with any degree of certainty the impact of this uncertainty on the future operations of the Group and estimate the financial effect on the Group. Management is closely monitoring the situation and is ready to act depending on the developments.

In addition to the human impact, the spread of Coronavirus (COVID-19) continues to affect global businesses and cause uncertainty. The freight rail market may experience reduced demand stemming from the effects of COVID-19. The Company cannot predict the full impact of COVID-19 on its markets, business or prospects although they may be materially adversely impacted by the evolving situation. In addition, the appearance of new pandemics or other dangerous illnesses could seriously affect the global and local business environment and lead to negative consequences for Group's business. Significant levels of COVID-19 illness in the Group or its key clients could interfere with stability of Group's operations.

Management is closely monitoring the implications of the global outbreak of COVID-19 and acts depending on the development of the situation. The Group constantly evaluates and implements options for distant work for its workforce to mitigate risks of spreading and catching COVID-19 illness.

Operational risks

The operational risks faced by the Group that could influence the Group's operational efficiency include the physical state of the Russian, CIS and Baltic countries railway infrastructure which may negatively impact the condition of the Group's rolling stock, ability of relocation of rolling stock between different countries and the performance of the Group; the impact of inflation in Russia on the Group's costs with limited opportunities to increase tariffs to customers; the competition for personnel with relevant expertise and experience in Russia and the impact on the Group's ability to continue to attract, retain and motivate key employees and qualified personnel; reliance on RZD for locomotive traction and infrastructure usage and the impact of this on the quality of the Group's freight transportation services and therefore customer satisfaction; IT availability and continuity considerations due to reliance on specialised trail transport and logistics software for ensuring efficient and effective logistics, dispatching and rolling stock tracking services; and risks of terrorist attacks, natural disasters or other catastrophic events beyond the Group's control.

The Group is managing operational risk by ensuring that practically all of the Group's rolling stock is insured against damage. Further, the Group monitors its rolling stock through the Group's dispatch centre on a 24/7 basis and plans routes accordingly to minimise the risks of disruption. The Group monitors FAS initiatives with the aim of detecting possible changes in tariff-setting methodology and tries to reflect respective changes in contracts with customers. Among the Group's key objectives are to increase operational efficiency and to focus on control and reduction of costs. The Group continuously monitors its costs to maintain efficiency.

Management Report

The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate. Customer satisfaction is one of the key metrics that the Group's management monitors, with customer feedback being analysed and appropriate follow-up actions being taken. Due to recent sanctions imposed by US, European Union and number of other countries number of IT solutions will no longer be maintained by US and European Union suppliers. Local IT specialists have introduced alternative solutions to maintain the availability of IT services, continuity of business processes and ensure their recovery in case of disruption. The IT function and Internal Audit function monitor all IT-related activities and performance for compliance with IT policies and procedures.

Further the Group permanently monitors any disruptive events and applies a Business Continuity Policy to ensure the safety of employees and human life; maintain continuity of time-critical services; minimise disruptions to clients and partners; and minimise operational, financial and reputational impact.

Compliance risks

The Group is also subject to compliance risk, being the risks that influence the Group's adherence to relevant laws and regulations, including the regulations of the London Stock Exchange ("LSE") and the Moscow Exchange ("MOEX"), where Company's GDR are listed. The Group is involved in legal actions from time to time. Some of it may have an adverse effect on the Group. The ambiguity of the law in Russia and CIS countries creates regulatory uncertainty and might result in claims from different government authorities. Local tax, currency, sanctions 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 runs its operations in compliance with tax, currency, labour, sanctions, customs, antimonopoly and other applicable legislation and constantly monitors any changes in the regulatory environment as well as 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 rigorous review by all of the Group functions concerned and a formal approval process prior to execution. The Group has controls in place, including highly qualified and experienced personnel, to monitor changes in legislation and determine the appropriate action needed to minimise the risk of a challenge to such treatments by the authorities. For complex matters, the Group retains external consultants.

Financial risks

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.

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. The fluctuations in the exchange rate between (i) US Dollar and Russian Rouble and (ii) Euro and Russian Rouble expose the Company to foreign exchange risk. The Company's current policy is not to hedge foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

Cash flow and fair value interest rate risk
The Company holds interest bearing financial instruments at fixed interest rates. Financial assets and liabilities issued at fixed rates expose the Company to fair value interest rate risk. The Company's current policy is not to hedge interest rate risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, loans and other receivables and financial guarantees issued by the Company for borrowings of subsidiaries.

Liquidity risk
As at 31 December 2022, the Company has an excess of current assets over current liabilities of RUB 4,843,276 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 advancements under borrowings from 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.

Further details on the Company's exposure to financial risks are presented in Note 6 to the financial statements.

Contingencies

The Company's contingencies are disclosed in Note 27 to the financial statements.

Management Report

Future developments

The Company's strategic objective is to strengthen the Group's position as a leading private freight rail group in Russia. The future development of the Group may be affected by the escalation of the conflict in Ukraine in the period after the balance sheet date. It is not possible for the Board of Directors to predict with any degree of certainty the impact of this uncertainty on the future operations of the Group and estimate the financial effect on the Company and its subsidiaries.

Results

The Company's results for the year are set out on pages 17 and 18. On the date of this report, the Board of Directors, having considered the profitability and liquidity position of the Group as well as all the risks and recent developments, does not recommend the payment of a final 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 declare dividends in Russian Roubles and pay such dividends in US Dollars. If dividends are not paid in US Dollars and if the conversion from the currency of payment to US Dollars is possible for the Depositary, 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 and limitations on capital movement, if applicable. 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.

In April 2021, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2020 in the amount of 28.00 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 5,004,746 thousand, including final dividend for 2021 in the amount of RUB 2,931,351 thousand or RUB 16.40 per ordinary share/GDR and a special final dividend in the amount of RUB 2,073,395 thousand or RUB 11.60 per ordinary share/GDR (US Dollar equivalent of US$ 66,190 thousand).

On 27 August 2021, the Board of Directors of the Company approved payment of total dividend in the amount of 22.50 Russian Roubles per ordinary share, amounting to a total dividend of RUB 4,021,671 thousand, including interim dividend in the amount of RUB 1,635,480 thousand or RUB 9.15 per ordinary share/GDR and a special interim dividend in the amount of RUB 2,386,191 thousand or RUB 13.35 per ordinary share/GDR (US Dollar equivalent of US$ 54,457 thousand).

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group as well as all the risks and recent developments, does not recommend the payment of a final dividends.

Share capital

As at 31 December 2022 the issued share capital of the Company, which remains unchanged from the prior year, comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

Treasury shares

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company's Global Depositary Receipts ("GDRs) and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2021 and May 2021. The total number of purchased GDRs shall not exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). The shareholders of the Company at the Annual General Meeting which took place on 29 April 2021 approved the prolongation of the term of the buyback program until the earlier of the close of the Annual General Meeting of the Company to be held in 2022 or 12 months from the date of the approval.

During the year 2020, the Company purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand). No further acquisitions took place within the year 2021.

During the first six months 2022, the Company purchased a total of 345,780 GDRs, which are held in treasury for a total consideration of 832 thousand US Dollars (equivalent to RUB 114,497 thousand). No further acquisitions took place within the last six months 2022.

As of 30 June 2022, the Company had purchased a total of 422,657 GDRs / (31 December 2021 76,877 GDRs) which are held in treasury for a total consideration of 1.254 thousand US Dollars (equivalent to RUB 145,993 thousand).

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

Management Report

Research and development activities

The Company has not undertaken any research and development activities during the year ended 31 December 2022.

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 28 to the financial statements.

Branches

The Company does not operate through any branches.

Going concern

The Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2022, including cash flows and borrowing facilities, and taking into account the developments after the reporting date impacting the economic and business environment in which the Group operates, as set out in Note 27 to the financial statements, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future.

Auditors

The previous Independent Auditor, PricewaterhouseCoopers Limited resigned, there has been no disagreement between previous auditors and management related to the last audit. GAC Auditors Ltd was appointed as Independent Auditor and has 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.

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 https://globaltrans.com/governance/corporate-documents.

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 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

As at 31 December 2022 and at the date of this report, the Board comprises of 14 members (2021: 15 members), 10 (2021: 11 members) of whom are non-executive directors. Three (2021: 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 they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2022 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2022 except Dr. Johann Franz Durrer who passed away on 3 September 2022, Mr. Sergey Foliforov, who was appointed as Non-executive director in June 2022 and Alexander Tarasov who resigned from the Board of Directors in May 2022.

There were no significant changes in the assignment of responsibilities of the Board of Directors, with the exception of Dr. Johann Franz Durrer who passes away on 3 September 2022.

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 gross remuneration of the members of the Board of Directors incurred by the Company in 2022 amounted to RUB 319,844 thousand (2021: RUB 312,985 thousand).

Management Report

Board performance

The Board held 18 meetings in 2022. The Directors' attendance is presented in the table below.

	Eligible	Attended
Johann Franz Durrer	12	11
John Carroll Colley	18	17
George Papaioannou	18	18
Alexander Eliseev	18	18
Melina Pyrgou	18	18
Konstantin Shirokov	18	18
Alexander Storozhev	18	18
Marios Tofaros	18	18
Elia Nicolaou	18	18
Sergey Tolmachev	18	18
Sergey Maltsev (Chairman)	18	18
Andrey Gomon	18	18
Alexander Tarasov	6	5
Sergey Foliforov	10	10
Vasilis Hadjivassiliou	18	18
Michalakis Thomaides	18	18

The Board Committees

During 2022 the Board had four committees: the Audit Committee, the Nomination Committee, the Remuneration Committee and the ESG Committee, which was established by the Board of Directors in January 2021. A brief description of the terms of reference of the committees is set out below.

Audit Committee

The Audit Committee comprises of three Directors and meets at least four times each year. As of 31 December 2022 all the members of the Audit Committee were independent and the Audit Committee was chaired by Mr. Colley and was also attended by Mr. Papaioannou and Mr. Hadjivassiliou. In January 2021 Mr. Hadjivassiliou became a member of the Audit Committee and Ms. Nicolaou resigned from the Audit Committee and was appointed to the ESG Committee. 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 of two Independent Directors and meets at least once a year. As of 31 December 2022 the Nomination Committee was chaired by Carroll Colley and George Papaioannou was 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 of two Independent Directors and meets at least once a year. As of 31 December 2022 the Remuneration Committee was chaired by Carroll Colley and George Papaioannou was 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.

ESG Committee

In January 2021 the Board of Directors established an ESG Committee to lead its thinking on ESG matters and ensure that ESG issues are integrated into the Group's long-term strategy. The ESG Committee will also monitor the development of the Group's sustainability strategy, review and recommend ESG disclosures for Board approval and approve the Group's sustainability reports. The ESG Committee is comprised of two Board members: Elia Nicolaou, Non-executive Director, who serves as the Chair, and Carroll Colley, Independent Non-executive Director. The ESG Committee meets at least two times a year.

Management Report

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 26 April 2022.

Refer to Note 26 of the financial statements for details of remuneration of directors and other key management personnel.

Diversity policy

The Company does not have a formal Board diversity policy to aspects such as age, gender or educational and professional backgrounds, but, following best practice, while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.

As of the date of publication of these financial statements the Board has 2 female directors representing approximately 14% from the total number of directors. The age of the members of the Board of Directors starts from over 40 years, with the average age of directors being 52.4 years. The Board members have the following educational backgrounds: transportation and ports industry, accounting, economics and financial, banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management. The Board has the necessary balance of skills and expertise to run the Company and the Group.

Further details of the corporate governance regime of the Company can be found on the website: https://globaltrans.com/governance/corporate-documents

Regulations with regards to the amendment of the article of association

The Articles of Association of the Company may be amended from time to time by special resolution at the General Meeting of the Shareholders.

Company's internal control and risk management systems in relation to the financial reporting process

The Board of Directors is responsible for the preparation of the 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

The Board is primarily responsible for establishing a framework of prudent and effective controls that enables risks to be assessed and managed.

The Audit Committee assists the Board in this task by reviewing and assessing the Group's internal control and risk management processes in relation to Group's financial reporting 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.

At Globaltrans, the body responsible for internal audit is the Internal Audit Service (IAS). It tests the Group's systems of risk management, internal control and corporate governance to obtain 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 and used efficiently and their safekeeping is fully guaranteed; and
- Group companies conduct their business in compliance with applicable laws.

Each year, the Audit Committee approves an internal audit plan, which 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 planned audits. If any material internal control deficiencies are identified, they are communicated to the Audit Committee, and consequently to the Board, at once.

Management Report

Significant direct or indirect holdings (including indirect shareholding though structures or cross shareholdings)

The issued share capital of the Company consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of Global Depositary Receipts (GDRs). The GDRs represent one ordinary share each and are listed on the Main Market of the London Stock Exchange and in the Moscow Exchange, under the ticker GLTR. The free float of Globaltrans amounts to approximately 56.8%1 of the issued share capital. The Company's depositary bank for the GDR programme is Citibank N.A.

The shareholder structure of the Company as at 31 December 2022 was follows:

Onyx Investments Ltd[2]	11.5%
Marigold Investments Ltd[2]	11.5%
Maple Valley Investments Ltd[2]	10.8%
Litten Investments Ltd[3]	5.1%
Goldriver Resources Ltd[4]	3.1%
Transportation Investments Management Ltd[5]	0.9%
Treasury shares	0.2%
Controlled by Directors and management of Globaltrans	0.1%
Free float[1]	56.8%

[1] For these purposes, the free float consists of the ordinary shares and GDRs held by investors not affiliated or associated with the Company.

[2] Nikita Mishin, Andrey Filatov and Konstantin Nikolaev are co-founders of the Company and beneficiaries with regard to 11.5%, 11.5% and 10.8% respectively of Globaltrans' ordinary share capital each through their respective SPVs (Onyx Investments Ltd, Marigold Investments Ltd and Maple Valley Investments Ltd).

[3] Beneficially owned by Alexander Eliseev, Non-executive Director and co-founder of the Company.

[4] Beneficially owned by Sergey Maltsev, Chairman of the Board, Executive Director, Chief strategy officer and co-founder of the Company.

[5] Beneficially owned by Andrey Filatov, Nikita Mishin and Konstantin Nikolaev, co-founders of Globaltrans.

Directors' interests

The interests in the share capital of Globaltrans Investment PLC, both direct and indirect, of those who were Directors of the Company as at 31 December 2022 and 31 December 2021 are shown below:

Name	Type of holding	2022	2021
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	9,065,790
Sergey Maltsev	Indirect holding of GDRs	5,490,149	5,490,149
Johann Franz Durrer	Holding of GDRs	n/a	160,606

The holders of special titles that provide special control rights and description of such rights

The Company does not have any titles with special rights.

Any restrictions in exercising of voting rights of shares

There are no restrictions in the exercising of voting rights of shares issued by the Company.

By Order of the Board

Sergey Tolmachev
Director

Limassol, 24 March 2023

Directors' responsibility

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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

This responsibility includes selecting appropriate accounting policies and applying them consistently; and making accounting estimates and judgements that are reasonable in the circumstances.

In preparing the financial statements, the Board of Directors is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Directors' confirmations

Each of the directors, whose names and functions are listed in page 1 confirms that, to the best of his or her knowledge:

a. the financial statements, which are presented on pages 17 to 56, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
b. the Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Further, each of the Directors confirms that, to the best of their knowledge:

I. adequate accounting records have been maintained which disclose with reasonable accuracy the financial position of the Company and explain its transactions;
II. all information of which they are aware that is relevant to the preparation of the financial statements, such as accounting records and all other relevant records and documentation, has been made available to the Company's auditors;
III. the financial statements disclose the information required by the Cyprus Companies Law, Cap.113 in the manner so required; and
IV. the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the financial statements.

By Order of the Board

Sergey Tolmachev
Director

Limassol, 24 March 2023

Independent Auditor's Report

GAC auditors ltd
AUDIT | TAX | ADVISORY

To the Members of Globaltrans Investment PLC

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of the parent company Globaltrans Investment PLC (the ''Company''), which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the parent company Globaltrans Investment PLC as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the ''Auditor's Responsibilities for the Audit of the Financial Statements'' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
We draw attention to the operating environment of the separate financial statements, which describes the impact of conflict between Russia and Ukraine. Our opinion is not modified in respect of this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report

GAC auditors ltd
AUDIT | TAX | ADVISORY

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 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 2022.

Comparative figures

The separated financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 March 2022.

Michalis Lambrianides
Certified Public Accountant and Registered Auditor
for and on behalf of
GAC Auditors Ltd
Certified Public Accountants and Registered Auditors

48 Inomenon Ethnon, Guricon House 1st floor, 6042

Larnaca, 24 March 2023

Income statement

for the year ended 31 December 2022

	Note	2022 RUB'000	2021 RUB'000
Revenue	8	7,067,043	3,174,507
Marketing costs		(1,512)	(2,633)
Administrative expenses		(677,369)	(603,758)
Reversal of impairment losses on loans receivable	26	-	133,727
Other income		-	310,381
Other (losses)/gains - net	9	(8,661)	825,602
Operating profit		6,379,501	3,837,826
Finance income	12	100,851	51,038
Finance costs	12	(1,391,809)	(239,086)
Net foreign exchange transaction (losses)/gains on financing activities	12	752,089	(11,204)
Finance costs – net	12	(538,869)	(199,252)
Profit before tax		5,840,632	3,638,574
Income tax expense	13	(134,873)	(129,044)
Profit for the year		5,705,759	3,509,530

The notes on pages 282 to 333 are an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2022

	2022 RUB'000	2021 RUB'000
Profit for the year	5,705,759	3,509,530
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Losses on cash flow hedging instrument	-	(86,158)
Reclassification adjustment to the income statement	-	86,158
Total items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	5,705,759	3,509,530

The notes on pages 282 to 333 are an integral part of these financial statements.

Balance sheet

at 31 December 2022

	Note	31 December 2022 RUB'000	31 December 2021 RUB'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	18	53,951,099	44,851,099
Property, plant and equipment	16	5,400	8,039
Right-of-use assets	17	5,790	8,685
Other assets	20	915	300,000
Loans and other receivables	19	-	259,875
Total non-current assets		53,963,204	45,427,698
Current assets			
Loans and other receivables	19	2,330,277	481,110
Other assets	20	692	713
Cash and cash equivalents	21	4,687,835	1,977,191
Total current assets		7,018,804	2,459,014
TOTAL ASSETS		60,982,008	47,886,712
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	516,957	516,957
Share premium	22	27,929,478	27,929,478
Capital contribution		2,694,851	2,694,851
Treasury shares		(145,993)	(31,496)
Retained earnings		17,277,322	11,571,563

	Note	31 December 2022 RUB'000	31 December 2021 RUB'000
Total equity		48,272,615	42,681,353
Non-current liabilities			
Borrowings	23	10,531,377	3,118,740
Lease liabilities	24	2,488	5,905
Total non-current liabilities		10,533,865	3,124,645
Current liabilities			
Borrowings	23	2,057,319	1,920,346
Lease liabilities	24	2,826	2,780
Payables and accrued expenses	25	115,383	157,588
TOTAL CURRENT LIABILITIES		2,175,528	2,080,714
TOTAL LIABILITIES		12,709,393	5,205,359
TOTAL EQUITY AND LIABILITIES		60,982,008	47,886,712

On 24 March 2023 the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

Sergey Tolmachev
Director

Konstantin Shirokov
Director

The notes on pages 282 to 333 are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2022

	Note	Share capital RUB'000	Share premium RUB'000	Capital contribution RUB'000	Treasury shares RUB'000	Cash flow hedge reserve RUB'000	Retained earnings RUB'000	Total RUB'000
Balance at 1 January 2021		516,957	27,929,478	2,694,851	(31,496)	-	17,084,583	48,194,373
Comprehensive income								
Profit for the year		-	-	-	-	-	3,509,530	3,509,530
Other comprehensive income								
Losses on cash flow hedging instrument		-	-	-	-	(86,158)	-	(86,158)
Reclassification adjustment to the income statement		-	-	-	-	86,158	-	86,158
Total comprehensive income for 2022		-	-	-	-	-	3,509,530	3,509,530
Transactions with owners								
Dividend to owners of the Company	15	-	-	-	-	-	(9,022,550)	(9,022,550)
Total distributions to owners of the Company		-	-	-	-	-	(9,022,550)	(9,022,550)
Total transactions with owners		-	-	-	-	-	(9,022,550)	(9,022,550)
Balance at 31 December 2022		516,957	27,929,478	2,694,851	(31,496)	-	11,571,563	42,681,353
Comprehensive income								
Profit for the year		-	-	-	-	-	5,705,759	5,705,759
Other comprehensive income								
Losses on cash flow hedging instrument		-	-	-	-	-	-	-
Reclassification adjustment to the income statement		-	-	-	-	-	-	-
Total comprehensive income for 2022		-	-	-	-	-	5,705,759	5,705,759
Transactions with owners								
Dividend to owners of the Company	15	-	-	-	-	-	-	-
Total distributions to owners of the Company		-	-	-	-	-	-	-
Purchase of treasury shares	22	-	-	-	(114,497)	-	-	(114,497)
Total transactions with owners		-	-	-	(114,497)	-	-	(114,497)
Balance at 31 December 2022		516,957	27,929,478	2,694,851	(145,993)	-	17,277,322	48,272,615

The notes on pages 282 to 333 are an integral part of these financial statements.

Cash flow statement

for the year ended 31 December 2022

	Note	2022 RUB'000	2021 RUB'000
Cash flows from operating activities			
Profit before tax		5,840,632	3,638,574
Adjustments for:			
Depreciation of property, plant and equipment	16	2,639	2,639
Depreciation of right-of-use assets	17	2,895	2,633
Interest on loans to related parties	8	(2,136)	(20,102)
Bank interest income	12	(100,851)	(51,038)
Interest expense	12	1,391,809	239,086
Reversal of impairment losses on loans receivable	26	-	(133,727)
Gain from sale of subsidiaries	9	-	(827,850)
Net foreign exchange transaction losses/(gains) on financing activities	12	(752,089)	11,204
Operating cash flows before working capital changes		6,382,899	2,861,419
Changes in working capital:			
Dividend income not received		20	15,072
Other assets		(1,624,666)	5,875
Payables and accrued expenses		(50,192)	34,033
Net cash generated from operations		4,708,061	2,916,399
Interest received from loans from related parties		1,267	8,675
Tax paid		(134,692)	(127,001)
Net cash generated from operating activities		4,574,636	2,798,073
Cash flows from investing activities			
Proceeds from sale of subsidiary	18	-	1,128,000
Acquisition of non-controlling interest	18/20	(8,800,000)	(300,000)
Purchases of property, plant and equipment	16	(915)	-
Loans granted to related parties	26	(6,858)	-
Loan repayments received from related parties	26	174,633	296,668
Bank interest received		100,851	51,038
Net cash generated from investing activities		(8,532,289)	1,175,706

	Note	2022 RUB'000	2021 RUB'000
Cash flows from financing activities			
Proceeds from borrowings	23	8,706,600	6,000,000
Repayments of bank borrowings	23	(1,865,079)	(1,000,000)
Principal elements of lease payments	23	(2,328)	(3,209)
Interest paid on bank borrowings	23	(297,378)	(199,680)
Interest paid on lease liabilities	23	(253)	(320)
Purchase of treasury shares	22	(114,497)	-
Dividends paid to the Company's shareholders	15	-	(9,022,550)
Net cash used in financing activities		6,427,065	(4,225,759)
Net (decrease)/increase in cash and cash equivalents		2,469,412	(251,980)
Exchange gains on cash and cash equivalents		241,232	3,653
Cash and cash equivalents at beginning of year		1,977,191	2,225,518
Cash and cash equivalents at end of year	21	4,687,835	1,977,191

The notes on pages 282 to 333 are an integral part of these financial statements.

Notes to the parent company financial statements

1. General information

Country of incorporation
Globaltrans Investment Plc ("the Company") is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Cyprus 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 parent company financial statements
These parent company financial statements were authorised for issue by the Board of Directors of the Company on 24 March 2023.

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

Principal activities
The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of financing to other Group companies. The Company is the parent of a group of companies involved in the provision of railway transportation services, using own and leased rolling stock and fleet engaged from third party rail operators, as well as the operating lease of rolling stock.

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"). These consolidated financial statements can be obtained from the Company's website at www.globaltrans.com.

2. Basis of preparation

The parent company 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.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by International Accounting Standards Board (IASB) that are relevant to the Company's operations and are effective as at 1 January 2022 have been adopted by the EU through the endorsement procedure established by the European Commission.

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

The Company has prepared these parent company financial statements for compliance with the requirements of the Cyprus Companies Law, Cap. 113 and disclosure rules as issued by the Financial Conduct Authority of the United Kingdom.

Users of these parent company financial statements should read them together with the Company's consolidated financial statements as at and for the year ended 31 December 2022 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 IFRS 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 7.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and amended International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022. None of these had a significant impact on these financial statements.

4. 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 the years presented, unless otherwise stated.

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.

b. **Transactions and balance**
Foreign currency transactions are translated into the functional currency using the spot 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, with the exception of foreign exchange differences that relate to qualifying cash flow hedges which are deferred in equity.

Net foreign exchange differences arising from borrowings and other liabilities and from cash and cash equivalents and other monetary assets are presented on the face of the income statement in the line "net foreign transaction gains/(losses) on financing activities", with the appropriate disclosure of the split between the two in the note "Finance costs - net".

All other foreign exchange gains and losses are presented in the income statement within "Other gains – net".

Notes to the parent company financial statements

Hedging activities
The Company is exposed to foreign exchange risk arising from dividends declared in Russian Roubles and paid in US Dollar at the rate set at the date of the declaration. The Company uses foreign currency cash deposits denominated in US Dollars to hedge this foreign exchange risk exposure.

In particular, the US Dollar denominated cash deposits are designated by the Company as hedging instruments in hedging the foreign exchange risk associated with the highly probable dividend payment and the resulting payable. At inception of the hedge relationship, the Company documents, amongst others, the economic relationship between the hedging instrument and hedged item, including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of the hedged item. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

As a result of the application of hedge accounting the foreign exchange difference on the hedging instrument is recognised in other comprehensive income in the "Cash flow hedge reserve" within equity. Amounts recognised in equity are reclassified to the income statement, within "Finance income and costs", in the same period or periods during which the hedged item impacts the income statement, being once foreign exchange differences are recognised on the hedged item.

Accordingly, in the cash flow statement "Dividends paid to the Company's shareholders" are disclosed net-off foreign exchange differences on the relevant cash deposits (i.e. at the amounts declared) and the "Exchange gains on cash and cash equivalents" do not include the impact from the relevant cash deposits used for hedging. In the income statement the amounts included in "Finance income and costs" (Note 12) within "Net foreign exchange transaction gains/(losses) on cash and cash equivalents, loans and other receivables and dividends receivable" are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging).

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

Employee benefits
Wages, salaries, contributions to the state pension, the national health system 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.

Share based payment transactions
The Company operates a cash-settled share-based compensation plan. In accordance with compensation plan, key management personnel of the Company are entitled to receive cash compensations based on the weighted average market quotations of the fixed number of global depository receipts ("GDR") of the Company. The fair value of the employee services received in exchange for the grant of the equivalent GDR instruments is recognised as an expense over the vesting period.

At each balance sheet date, if required by the terms of the compensation plan, the Company revises its estimates of the monetary equivalent of GDRs that are expected to vest. It recognises the impact of the revision of original estimates, including number of instruments expected to vest and fair value in the income statement with a corresponding adjustment to share-based payment liability.

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.

Notes to the parent company financial statements

Uncertain tax positions
The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, respectively.

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.

Leases
Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company, with limited exceptions as set out below. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Each lease payment is allocated between the liability and finance cost. 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.

Right-of-use assets are measured at cost. Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right-of-use asset. The adjustment can be positive or negative. Right-of-use assets are reviewed for impairment in accordance with the Company's accounting policy for impairment of non-financial assets.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

As an exception to the above, the Company accounts for short-term leases and leases of low value assets by recognising the lease payments as an expense on a straight-line basis in the interim income statement. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet.

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 profit as part of administrative 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. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through income statement 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. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

Notes to the parent company 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.

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.

Financial assets

Recognition and derecognition. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade-date; being the date on which the Company commits to purchase or sell the asset. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

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 the risks and rewards of ownership. Any gain or loss arising upon their derecognition is recognised directly in the income statement.

Classification. The Company classifies its financial assets at amortised cost. The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the assets. Management determines the classification of financial assets at initial recognition.

Financial assets at amortised cost are held for collection of contractual cash flows and their cash flows represent solely payments of principal and interest. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's financial assets at amortised cost comprise of loans and other receivables and cash and cash equivalents on the balance sheet.

Reclassification. Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Measurement. At initial recognition, the Company measures financial assets classified at amortised cost at their fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently, these are measured at amortised cost.

Interest income. Interest income on financial assets at amortised cost is recognised using the effective interest rate method. Interest income on loans granted to related parties is recognised within "Revenue" in the income statement. All other interest income recognised on debt financial assets carried at amortised cost is included within "finance income" in the income statement. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset; that is after deduction of the loss allowance. The Company's definition of credit-impaired assets is explained in Note 6, Credit risk section.

Notes to the parent company financial statements

Impairment. The Company assesses on each reporting date, and on a forward-looking basis, the expected credit losses ("ECL") associated with its debt financial assets carried at amortised cost. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money, and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised on the face of the income statement. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

For all its debt financial assets carried at amortised cost, the Company applies the general approach. In particular, the Company applies the three stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Company identifies a significant increase in credit risk since initial recognition ("SICR"), the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. Refer to Note 6, Credit risk section for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

Write-off. Financial assets are written-off, in whole or in part, when the Company has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments for a period of greater than 180 days past due. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are recognised directly on the face of the income statement.

Modification. The Company sometimes renegotiates or otherwise modifies the contractual terms of its financial assets, The Company assesses whether the modification of the contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion.

Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in the income statement, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different because of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) and recognises a modification gain or loss in the income statement.

Following a renegotiation or otherwise modification of the contractual cash flows of a financial asset, the Company assesses whether the financial asset ceased to meet the definition of credit-impaired and, in such case, should be transferred out of Stage 3. In a situation where the modification involved only the deferral of the contractual payments (rather than waiver) and interest accrues on the unpaid deferred amounts, with the result that there is not a detrimental impact on the estimated future cash flows of the loan, the borrower has demonstrated consistently good payment behaviour over a period of time and there are no significant concerns regarding the repayment of the exposure, the Company considers that the financial asset is not credit-impaired.

At the time the financial asset exits Stage 3, the Company compares the risk of default occurring on the asset to that at origination. If the risk of default is lower than or equal to the risk of default as at the date of initial recognition it is transferred to Stage 1, otherwise it is transferred to Stage 2.

Classification as loans and other receivables. These amounts are held with the objective to collect their contractual cash flows and their contractual cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Loans and other receivables are classified as current assets if they are 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 assets.

Classification as cash and cash equivalents. In the cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks or with original maturity of three months or less, less bank overdrafts, if any. Cash and cash equivalents are carried at amortised cost using the effective interest method, less provision for impairment. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

Notes to the parent company financial statements

Financial liabilities

Classification. The Company's financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost.

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statement as other income or finance costs. 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 the income statement within finance costs.

Modifications of financial liabilities. An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability. Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in the income statement, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

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 Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement within "finance costs-net".

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

Financial guarantees. Financial guarantee contracts 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 debt instrument. Financial guarantees are recognised, when material, as a financial liability at the time the guarantee is issued. 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 in "other gains – net" in the income statement.

At the end of each reporting period, the guarantee is measured at the higher of (i) the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 and (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 "Revenue from Contracts with Customers".

The 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 are recognised as part of the cost of the investment in the respective subsidiary in the financial statements of the Company.

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.

Notes to the parent company financial statements

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.

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, 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 IFRS 9 "Financial Instruments".

Prepayments
Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to the income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Other income
Other income generally represents amounts received from transactions that are outside the Company's principal activities. This is recognised in the income statement over the period it relates to, based on the terms of the arrangement. Other income that it is not linked to the Company's future performance and/or satisfaction of any future obligations is recognised in the period in which the Company is entitled to receive it.

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 forms part of the Company's finance income, is reported within cash flows from investing activities in the cash flow statement. Interest expense arising from deferred consideration for acquisition of subsidiaries is recognised within financing activities. Transactions with non-controlling interests that do not result in a change of control are classified as investment activities. Furhermore, principal payments of deferred consideration are recognised as acquisition of subsidiaries within cash flows from investing activities.

Notes to the parent company financial statements

5. New accounting pronouncements

The new standards, interpretations, and amendments to the existing standards effective for annual accounting periods commencing on 1 January 2022 are as follows:

- Amendment to IFRS3 – (issued on 14 May 2020 and are effective for business combinations for annual periods beginning on or after 1 January 2022). The IASB published Reference to the Conceptual Framework (Amendments to IFRS 3) with amendments to IFRS 3, Business Combinations that update an outdated reference in IFRS 3 without significantly changing its requirements. IFRS 3, Business Combinations specifies how an entity should account for the assets and liabilities it acquires when it obtains control of a business. IFRS 3 requires an entity to refer to the Conceptual Framework for Financial Reporting (Conceptual Framework) to determine what constitutes an asset or a liability.
- Amendment to IAS16 – Property, Plant and Equipment – Proceeds before intended use (issued in June 2017 and has now finalized the amendments and are effective for annual periods beginning on or after 1 January 2022). Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendment to IAS37 – Onerous contracts – Cost of fulfilling a contract (proposed clarifications in December 2018 and has now finalized the amendments and are effective for annual periods beginning on or after 1 January 2022). The changes in Onerous Contracts s— Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

We understand that, based on management's assessment, none of the above new standards, interpretations and amendments to existing standards had any material effect on the Group/Company. Management's assessment will be considered during our audit.

Developments in auditing

ISA 315 (Revised 2019) – Identifying and Assessing the Risks of Material Misstatement (effective for audits of financial statements for periods beginning on or after 15 December 2021) The International Audit and Assurance Standards Board (IAASB) approved major changes to ISA 315 in September 2019. The effects of the revisions will be far-reaching and will require firms of all sizes to revise their approach to risk assessments. The following are the main areas of the revisions:

- The introduction of five new inherent risk factors to aid in risk assessment; subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud
- A new spectrum of risk, at the higher end of which lie significant risks
- Requiring "sufficient, appropriate" evidence to be obtained from risk assessment procedures as the basis for the risk assessment
- A great deal more on IT, particularly IT general controls
- More on controls relevant to the audit and on the design and implementation work required for these controls
- Removal of considerations specific to smaller entities as a separate category of paragraph and inclusion of that material within the main body of the text and the addition of new material

The revisions aim to drive better quality and more consistent risk assessments, as well as promote the exercise of professional skepticism.

None of the new standards, amendments to existing standards or interpretations is expected to have a significant effect on the consolidated financial statements.

Notes to the parent company financial statements

6. 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.

As of the end of December 2022 the Russian Rouble has increased against the US Dollar from 74.2926 as of 31 December 2021 to 70.3375 Russian Roubles (5.4% increase) and has increased against the Euro from 84.0695 as of 31 December 2021 to 75.6553 Russian Roubles (10.0% increase).

The fluctuations in the exchange rate between (i) US Dollar and Russian Rouble and (ii) between Euro and Russian Rouble expose the Company to foreign exchange risk.

The carrying amounts of monetary assets denominated in US dollars as at 31 December 2022 and 31 December 2021 are as follows:

	2022 RUB'000	2021 RUB'000
Assets	902,670	817,566
Liabilities	8,962	15,379

The carrying amounts of monetary assets and liabilities denominated in Euro as at 31 December 2022 and 31 December 2021 are as follows:

	2022 RUB'000	2021 RUB'000
Assets	5,527,389	321,536
Liabilities	49,967	97,640

Had US Dollar exchange rate strengthened/weakened by 20% (2021: 20% change) against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Company for the year ended 31 December 2022 would have increased/decreased by RUB 156,399 thousand (2021: RUB 140,383 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of US Dollar denominated loans receivable and cash and cash equivalents as of 31 December 2022 and as of 31 December 2021.

Had Euro exchange rate strengthened/weakened by 30% (2021: 30% change) against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Company for the year ended 31 December 2022 would have increased/decreased by RUB 1,437,823 thousand (2021: by RUB 58,773 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of Euro denominated other receivables, cash and cash equivalents and payables as of 31 December 2022 and as of 31 December 2021.

The Company's current policy is not to hedge foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

The impact of application of hedge accounting has been to disclose in the cash flow statement "Dividends paid to the Company's shareholders" net-off RUB NIL (2021: RUB 86,158 thousand) foreign exchange losses and the "Exchange gains on cash and cash equivalents" does not include the equivalent impact from the relevant cash deposits used for hedging. Furthermore, in the income statement the amounts included in "Finance income and costs" within "Net foreign exchange transaction (losses)/gains on cash and cash equivalents, loans and other receivables and dividends receivable" are disclosed after application of hedge accounting (i.e. excluding the foreign currency losses/gains arising for the hedging of RUB NIL thousand (2021: RUB 86,158 thousand)).

b. **Cash flow and fair value interest rate risk**

The Company holds interest bearing financial instruments at fixed 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 2022 and 31 December 2021 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 2022 and 31 December 2021 the Company did not have any material floating interest rate financial instruments, therefore was not exposed to significant cash flow interest rate risk.

The Company's current policy is not to hedge interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, loans and other receivables and financial guarantees issued by the Company for borrowings of subsidiaries.

I. **Risk management**

For banks and financial institutions, the Company has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of 'B1'. These policies enable the Company to reduce its credit risk significantly.

Notes to the parent company financial statements

II. **Impairment of financial assets**

The Company has three types of financial instruments that are subject to the expected credit loss model:

- loans and other receivables;
- cash and cash equivalents; and
- financial guarantees.

The Company applies the general approach, prescribed in IFRS 9, for assessing expected credit losses on all its debt financial assets and financial guarantees issued. In particular, the Company applies the three stage model for calculating impairment, which is based on changes in the credit quality of the financial instrument since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Significant increase in credit risk. The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Default and credit-impaired. A default on a financial asset is when the financial asset meets one or more of the following criteria: (i) the borrower is more than 90 days past due on its contractual payments, (ii) the borrower is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due, (iii) the Company, for economic or contractual reasons relating to the borrower's financial difficulty, granted to the borrower a concession(s) that it would not otherwise consider. The Company considers defaulted assets to be credit-impaired so that Stage 3 represents all debt financial assets which are considered defaulted.

Write-off. Assets are written-off, in whole or in part, when the Company has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments for a period of greater than 180 days past due. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are recognised directly on the face of the income statement.

The Company calculates expected credit losses based on a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes.

The Company calculates ECL using the following three components: exposure at default (EAD), probability of default (PD) and loss given default (LGD). EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. PD is an estimate of the likelihood of default to occur over a given time period and LGD is an estimate of the loss arising on default.

The Company's exposure to credit risk for each class of financial instruments subject to the expected credit loss model is set out below:

Loans receivable and other receivables

The Company assesses, on an individual basis, its exposure to credit risk arising from loans and other receivables. This assessment takes into account, amongst others, the period the loan receivable or other receivable balance is past due (in days), expectations around changes in business, financial or economic conditions as well as expectations around the performance of the counterparty.

Notes to the parent company financial statements

The following table contains an analysis of the credit risk exposure for loans receivable and other receivables by reference to the Company's internal credit risk rating grades.

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2021:

Internal credit risk rating grade	Company definition of category	Gross carrying amount	
		Loans receivable RUB'000	Other receivables RUB'000
Performing	Stage 1 - Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	-	234,634
Underperforming	Stage 2 - Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	45,886	-
Non-performing or Credit-impaired	Stage 3 - Interest and/or principal repayments are 90 days past due	1,937,248	-

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2022:

Internal credit risk rating grade	Company definition of category	Gross carrying amount	
		Loans receivable RUB'000	Other receivables RUB'000
Performing	Stage 1 - Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	-	2,243,297
Underperforming	Stage 2 - Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	-	-
Non-performing or Credit-impaired	Stage 3 - Interest and/or principal repayments are 90 days past due	-	-

The gross carrying amounts, as per above, represent the Company's maximum exposure to credit risk on these assets as at 31 December 2022 and 31 December 2021, without taking account of any collateral held. The Company does not hold any collateral as security for any loans receivable or other receivable balances.

The movement in the credit loss allowance for loans receivable during the years 2022 and 2021 is presented in the table below:

	Loans Receivable	
	Non-performing	
	2022	2021
	RUB'000	RUB'000
Opening balance	(1,476,783)	(1,601,472)
Reversals	-	133,727
Impairment	(386,089)	-
Foreign exchange difference	-	(9,038)
Closing balance	(1,862,872)	(1,476,783)

During the year 2021, the only movement in the gross carrying amount of the credit impaired loans receivable were reversals and foreign exchange differences. The impact of these on the credit loss allowance is reflected in the table above.

The estimated credit loss allowance on the performing and underperforming loans receivable and other receivable balances as at 31 December 2022 and 31 December 2021 was not material.

During the years 2022 and 2021, the contractual cash flows of the Company's credit-impaired loans receivable as at 1 January 2022 and 1 January 2021, respectively, were modified so as to extend the maturity of the loans. No other changes to the terms of the loans were made. As the modifications were driven by financial difficulties of the counterparty and inability to make the originally agreed payments and the risks and rewards of the loans did not change, the modifications did not result in derecognition of the said loans. In addition, these modifications did not significantly impact the ECL on these loans.

Notes to the parent company financial statements

Cash and cash equivalents

The Company assesses, on an individual basis, its exposure to credit risk arising from cash at bank based on ratings from external credit rating institutions and internal reviews, if external are not available.

The following table contains an analysis of the gross carrying amount of the Company's cash at bank by reference to the credit risk ratings assigned by external credit rating agencies. The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2022 and 31 December 2021:

		Gross carrying amount	
	Rating	2022	2021
		RUB'000	RUB'000
ACRA[1]	AAA(RU)	498,924	-
ACRA[1]	AA+(RU)	29	-
Moody's[2]	A2	4,187,545	1,812,682
Moody's[2]	Aa2	-	161,516
Moody's[2]	B1	1,337	705
Moody's[2]	Ba1	-	43
Moody's[2]	Baa3	-	2,245
Total		4,687,835	1,977,191

[1] Russian rating agency ACRA
[2] International rating agency Moody's Investors Service

The Company does not hold any collateral as security for any of the above balances.
The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2022 and 31 December 2021, based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2022 and 31 December 2021.

Financial Guarantees

The primary purpose of these instruments is to ensure that funds are available to a borrower, as required. Guarantees, which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable.

The Company has issued financial guarantees on the borrowings of its subsidiaries and quoted bonds issued by its subsidiaries (Note 26). 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 2022 and 31 December 2021, none of the Company's subsidiaries had defaulted on or breached any covenants on their borrowings/bonds.

The following table contains an analysis of the exposure to credit risk on financial guarantees by reference to the Company's internal credit risk rating grades. The amounts below represent the Company's maximum exposure to credit risk on these financial instruments as at 31 December 2022 and 31 December 2021.

	Stage 1	
	2022	2021
	RUB'000	RUB'000
Performing	10,818,511	18,884,714
Underperforming	-	-
Non-performing	-	-
Total unrecognised gross amount	10,818,511	18,884,714

The amounts, as per above, represent the Company's maximum exposure to credit risk on these financial instruments as at 31 December 2022 and 31 December 2021, without taking account of any collateral held. The Company does not hold any collateral as security for any guarantees issued to its subsidiaries.

The estimated provision as at 31 December 2022 and 31 December 2021 for free of charge financial guarantees issued by the Company for 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 was estimated at RUB Nil, since, in case of default, the Company will be able to recover its losses under the issued guarantees from the respective subsidiaries in full.

The estimated provision as at 31 December 2022 and 31 December 2021 for free of charge financial guarantees issued by the Company for unsecured or underpledged obligations of its subsidiaries in accordance with loan agreements with financial institutions and quoted bonds issued by subsidiaries was estimated using a probability adjusted discounted cash flow analysis, using probability of default, as implied by the market rate of the borrowings obtained by the subsidiaries, and loss given default, as estimated by considering the distressed value of the net assets of the subsidiaries which are not pledged at the time of the assessment. This was assessed as RUB Nil, since, in case of default, the Company will be able to recover its losses under the issued guarantees from the respective subsidiaries in full.

Liquidity risk

As at 31 December 2022, the Company has an excess of current assets over current liabilities of RUB 4,843,276 thousand (2021: excess of current assets over current liabilities of RUB 378,300 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 advancements under borrowings from 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.

Notes to the parent company financial statements

The table below summarizes the analysis of financial liabilities of the Company by maturity as of 31 December 2022 and 31 December 2021. 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 one month RUB'000	Between one month and three months RUB'000	Between three and six months RUB'000	Between 6 months to 1 year RUB'000	Between 1 and 2 years RUB'000	Between 2 and 5 years RUB'000	Total RUB'000
31 December 2022							
Payables and accrued expenses[1]	-	16,517	-	-	-	-	16,517
Borrowings	382,148	-	1,324,737	733,958	2,067,258	11,485,758	15,993,859
Other lease liabilities	236	471	707	1,413	2,488	-	5,314
Financial guarantee contracts[2]	5,662,940	5,155,571	-	-	-	-	10,818,511
	6,045,324	5,172,559	1325444	735371	2069746	11485758	26,834,201
31 December 2021							
Payables and accrued expenses[1]	-	8,968	-	-	-	-	8,968
Borrowings	72,088	18,823	303,469	1,786,901	1,491,096	1,950,082	5,622,459
Other lease liabilities	232	463	695	1,390	2,894	3,011	8,685
Financial guarantee contracts[2]	9,875,841	9,008,873	-	-	-	-	18,884,714
	9,948,161	9,037,127	304,164	1,788,291	1,493,990	1,953,093	24,524,826

[1] Payables and accrued expenses exclude statutory liabilities as the analysis is provided for financial liabilities only.
[2] The maximum possible amount of obligation under financial guarantee contracts is disclosed at the earliest time it may be called.

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.

For defining capital, the Company uses the amount of net assets attributable to the Company's shareholders and the Company's borrowings. The Company manages the capital based on borrowings to total capitalization ratio. Borrowings include loan liabilities.

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 capitalization.

The rate of borrowings to total capitalisation as at 31 December 2022 and 31 December 2021 are as follows:

	2022 RUB'000	2021 RUB'000
Total borrowings	12,588,696	5,039,086
Total capitalisation	48,272,615	42,681,353
Total borrowings to total capitalisation ratio (percentage)	26.08%	11.81%

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. The Company analyses compliance with external requirements to the capital at each reporting date and when entering into new loan agreements. There were no instances of non-compliance with externally imposed capital requirements during 2022 and 2021. Management believes that the Company will be able to comply with its external requirements to the capital during the whole term of agreements.

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, where relevant. 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 one measurements are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two 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 three 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.

Notes to the parent company financial statements

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 unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received/paid discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Financial assets carried at amortised cost. 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 the credit risk of the counterparty. Refer to Note 19.

The fair value as at 31 December 2022 and 31 December 2021 of fixed interest rate instruments with stated maturity with subsidiary entities was estimated based on expected cash flows discounted using the rate of similar instruments, denominated in the same currency, entered into by the subsidiaries of the Company on their bank borrowings close to the year-end. In the absence of similar instruments entered into by a subsidiary of the Company with non-related parties close to the year-end the estimated fair value was estimated based on expected cash flows discounted at an estimated rate that reflects management's best estimate of the current interest rate of new instruments, denominated in a similar currency and with similar credit risk and remaining maturity.

The discount rate used for US Dollar denominated loans to related parties as at 31 December 2022 was Nil (31 December 2021: 8%) and for Russian Rouble denominated loans to related parties as at 31 December 2022 was Nil (31 December 2021: 10.5%). The fair value measurements of loans to related parties as at 31 December 2022 and 31 December 2021 are within level 3 of the fair value hierarchy. Refer to Note 19.

The fair value of financial assets receivable on demand approximates their carrying amount. The fair value of current other receivables from related parties as at 31 December 2022 and 31 December 2021 approximates their carrying amount.

Liabilities carried at amortised cost. Fair values of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2022, the fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Company or the subsidiaries of the Company on their bank borrowings close to 31 December 2022.

The discount rate used for Russian Rouble denominated bank borrowings as at 31 December 2022 was 11.0% (Note 23). There were no US Dollar denominated borrowings as at 31 December 2022 and 31 December 2021. The fair value measurements of bank borrowings as at 31 December 2022 were within level 2 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.

7. Critical accounting estimate and judgements

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

Critical accounting estimates

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:

- Income taxes

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Refer to Note 27.

8. Revenue

	2022 RUB'000	2021 RUB'000
Interest on loans to related parties calculated using the effective interest rate method (Note 26)	2,136	20,102
Dividend income (Note 26)	7,064,907	3,154,405
Total	7,067,043	3,174,507

9. Other losses/(gains) – net

	2022 RUB'000	2021 RUB'000
Net foreign exchange transaction (losses)/gains on non-financing activities (Note 14)	(8,661)	(2,248)
Gain from sale of subsidiaries (Note 18)	-	827,850
Other losses/(gains) - net	(8,661)	825,602

Notes to the parent company financial statements

10. Expenses by nature

	2022 RUB'000	2021 RUB'000
Statutory auditor's remuneration for statutory audit services	7,722	17,206
Statutory auditor's remuneration for other assurance services	5,398	5,899
Advertising and marketing expenses	1,512	2,633
Expenses relating to short-term leases	331	-
Depreciation of property, plant and equipment (Note 16)	2,639	2,639
Depreciation of right-of-use assets (Note 17)	2,895	2,633
Employee benefit expense (Note 11)	558,370	444,682
Legal, consulting and other professional services (1)	32,014	53,860
Bank charges	14,565	4,802
Non-executive directors' fees (Note 26)	20,793	25,881
Travel expenses	4,906	948
Stock exchange and financial regulator fees	7,151	9,159
Taxes other than on income	9,710	12,756
Other expenses	10,874	23,293
Total marketing costs and administrative expenses	678,881	606,391

Includes RUB NIL thousand for the year 2022 (RUB 3,683 thousand for the year 2021) in fees paid to the Company's statutory audit firm for tax consultancy services.

11. Employee benefit expense

	2022 RUB'000	2021 RUB'000
Salaries	204,413	212,936
Bonuses	316,782	195,978
Share based compensation	21,954	22,570
Social security costs	15,221	13,198
Total employee benefit expense	558,370	444,682
Average number of staff employed during the year	9	8

12. Finance income and costs

	2022 RUB'000	2022 RUB'000
Included in finance costs:		
Interest expense on bank borrowings (Note 23)	(291,615)	(238,766)
Interest expenses on loans - Related parties (Note 26)	(713,852)	-
Total interest expense calculated using the effective interest rate method	(1,005,467)	(238,766)
Interest expense on other lease liabilities (Note 23)	(253)	(320)
Impairment of loans receivable	(386,089)	-
Total finance costs	(1,391,809)	(239,086)
Included in finance income:		
Interest income on bank balances	100,851	51,038
Interest income on other receivables from related parties (Note 26)	-	-
Total interest income calculated using the effective interest rate method	100,851	51,038
Total finance income	100,851	51,038
Net foreign exchange transaction (losses)/gains on cash and cash equivalents, loans and other receivables and dividends receivable	752,089	(11,204)
Net foreign exchange transaction gains on other financial liabilities	-	-
Net foreign exchange transactions (losses)/gains from financing activities (Note 14)	752,089	(11,204)
Finance costs – net	(538,869)	(199,252)

13. Income tax expense

	2022 RUB'000	2021 RUB'000
Current tax:		
Corporation tax	180	-
Withholding tax on dividends receivable	122,886	127,001
Withholding tax on bank interest	11,807	-
Defence contribution	-	2,043
Total tax expense	134,873	129,044

Notes to the parent company financial statements

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

	2022 RUB'000	2021 RUB'000
Profit before tax	5,840,632	3,638,574
Tax calculated at the applicable tax rate	730,079	454,822
Tax effect of expenses not deductible for tax purposes	(8,068)	77,480
Tax effect of allowances and income not subject to tax	(710,024)	(532,302)
Defence contribution	-	2,043
Foreign withholding tax on dividends receivable	122,886	127,001
Tax charge	134,873	129,044

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

Brought forward losses of only five years may be utilised.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%. Further, in certain cases dividends received 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.

14. Net foreign exchange gains/(losses)

	2022 RUB'000	2021 RUB'000
Finance income and costs (Note 12)	752,089	(11,204)
Other gains - net (Note 9)	(8,661)	(2,248)
Total foreign exchange gains/(losses)	743,428	(13,452)

15. Dividends

In April 2021, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2021 in the amount of 28.00 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 5,004,746 thousand, including final dividend for 2021 in the amount of RUB 2,931,351 thousand or RUB 16.40 per ordinary share/GDR and a special final dividend in the amount of RUB 2,073,395 thousand or RUB 11.60 per ordinary share/GDR (US Dollar equivalent of US$ 66,190 thousand).

On 27 August 2021, the Board of Directors of the Company approved payment of total dividend in the amount of 22.50 Russian Roubles per ordinary share, amounting to a total dividend of RUB 4,021,671 thousand, including interim dividend in the amount of RUB 1,635,480 thousand or RUB 9.15 per ordinary share/GDR and a special interim dividend in the amount of RUB 2,386,191 thousand or RUB 13.35 per ordinary share/GDR (US Dollar equivalent of US$ 54,457 thousand).

During the years ended 31 December 2022 and 31 December 2021, the Company declared and paid as detailed in the table below.

	2022 RUB'000	2021 RUB'000
Dividends declared[1]	-	9,022,550
Dividends paid[1]	-	9,022,550

[1] Dividends declared and paid within the year 2021 as per the table above excludes RUB 3,867 thousand relating to dividend declared and paid on the treasury shares.

16. Property, plant and equipment

	Motor vehicles RUB'000	Total RUB'000
At 1 January 2021		
Cost	13,193	13,193
Accumulated depreciation	(2,515)	(2,515)
Net book amount	10,678	10,678
Year ended 31 December 2021		
Depreciation charge (Note 10)	(2,639)	(2,639)
Closing net book amount	8,039	8,039
At 31 December 2021 / 1 January 2022		
Cost	13,193	13,193
Accumulated depreciation	(5,154)	(5,154)
Net book amount	8,039	8,039
Year ended 31 December 2022		
Depreciation charge (Note 10)	(2,639)	(2,639)
Closing net book amount	5,400	5,400
At 31 December 2022		
Cost	13,193	13,193
Accumulated depreciation	(7,793)	(7,793)
Net book amount	5,400	5,400

Notes to the parent company financial statements

17. Right-of-use assets

	Offices RUB'000	Total RUB'000
At 1 January 2021		
Cost	7,292	7,292
Accumulated depreciation	(4,659)	(4,659)
Net book amount	2,633	2,633
Year ended 31 December 2021		
Additions	8,685	8,685
Depreciation charge (Note 10)	(2,633)	(2,633)
Closing net book amount	8,685	8,685
At 31 December 2021 / 1 January 2022		
Cost	15,977	15,977
Accumulated depreciation	(7,292)	(7,292)
Net book amount	8,685	8,685
Year ended 31 December 2022		
Additions	8,685	8,685
Depreciation charge (Note 10)	(2,895)	(2,895)
Closing net book amount	5,790	5,790
At 31 December 2022		
Cost	15,977	15,977
Accumulated depreciation	(10,187)	(10,187)
Net book amount	5,790	5,790

18. Investments in subsidiary undertakings

	2022 RUB'000	2021 RUB'000
At beginning of year	44,851,099	45,151,248
Disposals	-	(300,150)
Acquisition of subsidiaries	9,100,000	-
At end of year	53,951,099	44,851,099

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 (%)	
			2022	2021	2022	2021	2022	2021
New Forwarding Company, AO	Russia	Railway transportation	100	100	100	100	-	-
GTI Management, OOO	Russia	Railway transportation	100	100	100	100	-	-
Ural Wagonrepair Company, AO	Russia	Repair and maintenance of rolling stock	100	100	100	100	-	-
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	100	100	100	100	-	-
BaltTransServis, OOO	Russia	Railway transportation	100	60	100	60	-	40
RemTransServis, OOO[1]	Russia	Repair and maintenance of rolling stock	-	-	100	60	-	40
BTS-Locomotive Solutions OOO[2]	Russia	Support activities for locomotive traction	-	-	100	60	-	40
Spacecom AS	Estonia	Operating lease of rolling stock	65.25	65.25	65.25	65.25	34.75	34.75
Spacecom Trans AS[3]	Estonia	Operating lease of rolling stock	-	-	65.25	65.25	34.75	34.75

[1] RemTransServis, OOO is a 100% subsidiary of BaltTransServis, OOO.
[2] BTS-Locomotive Solutions, OOO is a 100% subsidiary of BaltTransServis, OOO.
[3] Spacecom Trans AS is 100% subsidiary of Spacecom AS.

Notes to the parent company financial statements

Disposal of SyntezRail Limited during the year 2021

During the year 2021, the Company disposed of its 60% shareholding in SyntezRail Ltd, which in turn owned 100% of SyntezRail LLC, for a total consideration of RUB 1,128,000 thousand realising a gain of RUB 827,850 thousand (Note 9). One of the three purchasers is an entity controlled by a director of the Company (Note 26).

Acquisition of non-controlling interest in BaltTransServis, OOO

On 21 December 2021, the Company entered into an agreement with the non-controlling shareholder of BaltTransServis, OOO to acquire the remaining 40% shareholding in the subsidiary for a total consideration of RUB 9,100,000 thousand. As of 31 December 2021, the transaction was subject to satisfaction of a number of pre-conditions, including approval by the Federal Antimonopoly Service of the Russian Federation and, as a result, the acquisition was not reflected in the financial statements for the year 2021.

By 31 December 2021, and in line with terms of the relevant agreement, the Company made a prepayment to the seller amounting to RUB 300,000 thousand (Note 20).

In February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO following receipt by the Company of the approval from the Federal Antimonopoly Service of the Russian Federation and satisfaction of the remaining pre-conditions, including payment of the remaining RUB 8,800,000 thousand of the purchase consideration.

The following amounts are included in the statement of cash flows in relation to acquisitions and disposals of subsidiaries:

	2022 RUB'000	2021 RUB'000
Proceeds from sale of SyntezRail Limited	-	1,128,000
Acquisition of non-controlling interest in BaltTransServis, OOO	(8,800,000)	(300,000)
Total net cash inflow	(8,800,000)	828,000

Assessment of impairment of the investments in the subsidiary undertakings

The Company assesses at each balance sheet date whether there are indicators for impairment of its subsidiary undertakings in accordance with its accounting policy for impairment of non-financial assets, as set out in Note 4.

As of 31 December 2021, the management considered the deterioration of the economic environment, the weak prevailing industry conditions and the COVID-19 pandemic related uncertainties as indicators of impairment of the Company's investments in subsidiary undertakings and performed impairment assessments to determine if there is an impairment loss.

As a result of the impairment assessment, no impairment losses were noted. The impairment testing for all the subsidiary undertakings indicated a significant headroom in the recoverable amount over the carrying amount.

Based on assessment performed by management as of 31 December 2022, no indicators of impairment of the Company's investments in subsidiary undertakings were identified.

19. Loans and other receivables

	2022 RUB'000	2021 RUB'000
Loans to related parties	-	1,983,134
Less: Provision for impairment of loans to related parties	-	(1,476,783)
Loans to related parties – net (Note 26)	-	506,351
Other receivables - third parties	2,122	-
Other receivables - related party (Note 26)	2,328,155	234,634
Total loans and other receivables – net	2,330,277	740,985
Less non-current portion:		
Loans to related parties (Note 26)	-	259,875
Total non-current portion	-	259,875
Current portion	2,330,277	481,110

The weighted average contractual interest rate on loans receivable from related parties was 4.5% at 31 December 2021. The weighted average effective interest rate on loans receivables from related parties was 8.9% at the 31 December 2021.

The other receivables from related parties at 31 December 2022 and at 31 December 2022 carry no contractual interest.

The carrying value of loans and other receivables at the reporting date approximates their fair value. As at 31 December 2022, the fair values of US Dollar denominated loans to related parties are based on cash flows discounted using a rate of Nil (31 December 2021: 8%). The discount rate used for Russian Rouble denominated loans to related parties as at 31 December 2022 was Nil (31 December 2021: 10.5%). The fair value measurements of loans to related parties and other receivables from related parties as at 31 December 2022 and 31 December 2021 are within level 3 of the fair value hierarchy. The carrying amounts of the Company's loans and other receivables are denominated in the following currencies:

	2022 RUB'000	2021 RUB'000
US Dollars	-	460,465
Russian Roubles	89,102	45,886
Euro	2,241,175	234,634
Total loans and other receivables	2,330,277	740,985

Assessment of credit losses on loans receivable from subsidiaries

At 31 December 2022 and 31 December 2021, the Company assessed, on a forward-looking basis, the expected credit losses associated with its loans receivable from subsidiaries carried at amortised cost, in accordance with the accounting policy stated in Note 4. The assessment performed resulted in the recognition of impairment losses of RUB 386,089 thousand as at 31 December 2022 (31 December 2021: reversal of impairment losses RUB 133,727 thousand).

Notes to the parent company financial statements

The assessment of expected credit losses on the loans receivable from Ukrainian New Forwarding Company, AO, with a carrying amount of RUB Nil as at 31 December 2022 (31 December 2021: RUB 460,465 thousand), classified as credit-impaired (Stage 3) as of that date, required management to use estimates and projections of future cash flows. The expected credit losses were determined based on multiple forward-looking recovery scenarios to measure the expected cash shortfalls, discounted using the loans' original effective interest rate, weighted based on the probability of each scenario occurring.

In making this assessment, the Company considered all reasonable and supportable forward-looking information available without undue cost and effort. The cash flow projections were determined by reference to management's cash flow estimates, which were based on historical financial performance of the subsidiary, as adjusted to take into consideration the impact of forecasted industry and market conditions.

As with any forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Company considered these forecasts to represent its best estimate of the possible outcomes and that the chosen scenarios are appropriately representative of the range of possible scenarios. The key input in this assessment were the expected future cash flows and the recovery rates assigned to each scenario. Any reasonable change in these would not result in a material increase/decrease in the reversal of impairment losses recognised in the income statement for the years ended 31 December 2021 and 31 December 2022.

20. Other assets

	2022 RUB'000	2021 RUB'000
Prepayments – third parties	1,607	300,713
Total other assets	**1,607**	**300,713**
Less non-current portion:		
Prepayments – third parties (Note 18)	915	300,000
Total non-current portion	**915**	**300,000**
Current portion	692	713

21. Cash and cash equivalents

	2022 RUB'000	2021 RUB'000
Cash at bank	4,687,835	1,977,191
Total cash and cash equivalents	4,687,835	1,977,191

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2022 RUB'000	2021 RUB'000
Cash and cash equivalents	4,687,835	1,977,191
	4,687,835	1,977,191

Cash and cash equivalents are denominated in the following currencies:

	2022 RUB'000	2021 RUB'000
US Dollars	902,670	357,101
Russian Roubles	498,951	1,533,188
Euro	3,286,214	86,902
Total cash and cash equivalents	4,687,835	1,977,191

The carrying value of cash and cash equivalents approximates their fair value.

Notes to the parent company financial statements

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 2021 / 31 December 2021 / 1 January 2022 / 31 December 2022	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 2021 / 31 December 2021 / 1 January 2022 / 31 December 2022	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2022 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2021: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company's Global Depositary Receipts ("GDRs) and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2021 and May 2021. The total number of purchased GDRs shall not exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). The shareholders of the Company at the Annual General Meeting which took place on 29 April 2021 approved the prolongation of the term of the buyback program until the earlier of the close of the Annual General Meeting of the Company to be held in 2022 or 12 months from the date of the approval.

During the year 2020, the Company purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand). No further acquisitions took place within the year 2021.

During the first six months 2022, the Company purchased a total of 345,780 GDRs, which are held in treasury for a total consideration of 832 thousand US Dollars (equivalent to RUB 114,497 thousand). No further acquisitions took place within the last six months 2022.

As of 30 June 2022, the Company had purchased a total of 422,657 GDRs / (31 December 2021 76,877 GDRs) which are held in treasury for a total consideration of 1.254 thousand US Dollars (equivalent to RUB 145,993 thousand).

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

23. Borrowings

	2022 RUB'000	2021 RUB'000
Current		
Bank borrowings	1,343,467	1,920,346
Loans from related parties	713,852	-
Total current borrowings	2,057,319	1,920,346
Non-current		
Bank borrowings	1,824,777	3,118,740
Loans from related parties	8,706,600	-
Total non-current borrowings	10,531,377	3,118,740
Total borrowings	12,588,696	5,039,086

	2022 RUB'000	2021 RUB'000
Maturity of non-current borrowings		
Between 1 and 2 years	1,182,851	1,293,963
Between 2 and 5 years	9,348,526	1,824,777
	10,531,377	3,118,740

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:

	2022 RUB'000	2021 RUB'000
6 months or less	696,486	273,365
6 to 12 months	646,981	1,646,981
1 to 5 years	11,245,229	3,118,740
	12,588,696	5,039,086

Note: The amounts disclosed are based on the earliest of the contractual re-pricing dates and the maturity date.

The Company's borrowings as of 31 December 2022 are secured by pledge of rolling stock held by the Company's subsidiary GTI Management, OOO with a pledged market value RUB 6,439,751 thousand.

Notes to the parent company financial statements

The weighted average effective interest rates at the balance sheet are as follows:

	2022	2021
	%	%
Bank borrowings	7.34	7.38
Loans from related parties	9.00	-

The carrying amount and fair value of current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	2022	2021	2022	2021
	RUB'000	RUB'000	RUB'000	RUB'000
Bank borrowings	3,168,244	5,039,086	3,048,328	4,840,888
Loans from related parties	9,420,452	-	8,695,882	-
	12,588,696	5,039,086	11,744,210	4,840,888

The fair value of borrowings and other liabilities were determined using valuation techniques.
As at 31 December 2022, the fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Company or its subsidiaries on their bank borrowings close to 31 December 2022. The discount rate used was a level 2 discount rate of 11.10% as at 31 December 2022 (a level 2 discount rate of 10.50% as at 31 December 2021).
The carrying amounts of the borrowings are denominated in the following currencies:

	2022 RUB'000	2021 RUB'000
Russian Roubles	12,588,696	5,039,086
Total borrowings	12,588,696	5,039,086

The Company has the following undrawn borrowing facilities:

	2022	2021
	RUB'000	RUB'000
Fixed rate:		
Expiring within one year	-	1,000,000
Expiring beyond one year	16,293,400	30,000,000
	16,293,400	31,000,000

Drawdowns under certain of the above credit facilities are subject to successful conclusion of additional agreements with the lenders, which, amongst others, will specify the terms of each disbursement.

Reconciliation of liabilities arising from financing activities:

	Bank borrowings RUB'000	Other lease liabilities RUB'000	Total liabilities from financing activities RUB'000
Opening balance 1 January 2022	5,039,086	8,685	5,047,771
Cash flows:			
Amounts advanced	8,706,600		8,706,600
Repayment of principal	(1,865,079)	(2,328)	(1,867,407)
Interest paid	(297,378)	(253)	(297,631)
Non-cash changes:			
Interest expense	1,005,467	253	1,005,720
Foreign exchange gains	-	(1,043)	(1,043)
At end of year	12,588,696	5,314	12,594,010

	Bank borrowings RUB'000	Other lease liabilities RUB'000	Total liabilities from financing activities RUB'000
Opening balance 1 January 2021	-	3,220	3,220
Cash flows:			
Amounts advanced	6,000,000	-	6,000,000
Repayment of principal	(1,000,000)	(3,209)	(1,003,209)
Interest paid	(199,680)	(320)	(200,000)
Non-cash changes:			
Other lease liability	-	8,685	8,685
Interest expense	238,766	320	239,086
Foreign exchange losses	-	(11)	(11)
At end of year	5,039,086	8,685	5,047,771

Notes to the parent company financial statements

24. Other lease liabilities

	2022 RUB'000	2021 RUB'000
Current lease liabilities	2,826	2,780
Non-current lease liabilities	2,488	5,905
Total lease liabilities	5,314	8,685
Maturity of other lease liabilities		
Between 1 and 2 years	2,488	2,894
Between 2 and 5 years	-	3,011
	2,488	5,905

25. Payables and accrued expenses

	2022 RUB'000	2021 RUB'000
Current		
Accrued key management personnel compensation, including share based payment (Note 26)	93,195	138,296
Accrued expenses	5,671	10,324
Other payables to third parties	16,517	8,968
Total current trade and other payables	115,383	157,588

The fair value of payables, which are due within one year approximates, their carrying amount at the balance sheet date.

The carrying amounts of the Company's payables and accrued expenses are denominated in the following currencies:

	2022 RUB'000	2021 RUB'000
Euro	49,967	97,640
Russian Roubles	56,454	44,569
US dollar	8,962	15,379
Other	-	-
Total payables and accrued expenses	115,383	157,588

26. Related party transactions

Litten Investments Ltd, controlled by a Director of the Company, has a shareholding in the Company of 5.1% as at 31 December 2022 (31 December 2021: 5.1%).

Goldriver Resources Ltd, which has a shareholding in the Company of 3.1% as at 31 December 2022 (2021: 3.1%), is controlled by a Director of the Company.

As at 31 December 2022, another 0.1% (2021: 0.2%) of the shares of the Company is controlled by Directors and key management of the Company.
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

	2022 RUB'000	2021 RUB'000
Loans to subsidiaries:		
At beginning of year	506,351	658,729
Loan advances	6,858	-
Interest charged (Note 8)	2,136	20,102
Loan repaid during the year	(174,633)	(296,668)
Interest repaid during the year	(1,267)	(8,675)
Impairment	(386,089)	-
Reversal of impairment	-	133,727
Net foreign exchange	46,644	(864)
At end of year	-	506,351
Consists of:		
Non-current portion	-	259,875
Current portion	-	246,476
At end of year	-	506,351
Loans to related parties – gross amount	-	1,983,134
Less: Provision for impairment of loans to related parties	-	(1,476,783)
Loans to related parties – net	-	506,351

The balances at the 31 December 2021 carry a weighted average contractual interest rate of 4.5% per annum. The weighted average effective interest rate at the 31 December 2021 was 8.9%.

Notes to the parent company financial statements

b. Loans from related parties

	2022 RUB'000	2021 RUB'000
Loans from subsidiaries:		
At beginning of year	-	-
Loan advances	8,706,600	-
Interest charged (Note 8)	713,852	-
At end of year	9,420,452	-
Consists of:		
Non-current portion	8,706,600	-
Current portion	713,852	-
At end of year	9,420,452	-

The balances at the 31 December 2022 carry a weighted average contractual interest rate of 9.0% per annum. The weighted average effective interest rate at the 31 December 2022 was 9.0%.

c. Other receivables from related parties

	2022 RUB'000	2021 RUB'000
Other receivables (dividends)		
Subsidiaries	2,328,155	234,634
At end of year	2,328,155	234,634
Consists of:		
Non-current portion	-	-
Current portion	2,328,155	234,634
At end of year	2,328,155	234,634

d. Dividend income from related parties

	2022 RUB'000	2021 RUB'000
Dividend income from related parties:		
Subsidiaries (Note 8)	7,064,907	3,154,405
Total	7,064,907	3,154,405

e. Interest income

	2022 RUB'000	2021 RUB'000
Interest income:		
Interest on loans to subsidiaries (Note 8)	2,136	20,102
Total interest income calculated using the effective interest rate method	2,136	20,102

f. Interest expenses

	2022 RUB'000	2021 RUB'000
Interest expenses:		
Interest on loans from subsidiaries (Note 12)	(713,852)	-
Total interest expenses calculated using the effective interest rate method	(713,852)	-

g. 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 Company has guaranteed the following obligations:

	2022 RUB'000	2021 RUB'000
Subsidiaries[1]	10,818,511	18,884,714
Total guaranteed obligations	10,818,511	18,884,714

[1] Represents the maximum amount of obligation under each contract, being the contractual undiscounted cash flows under the loan agreements as at 31 December 2022 and 2021.

During the years ended 31 December 2022 and 31 December 2021 the Company has acted as the guarantor for the obligations of its subsidiaries for loan agreements entered into with financial institutions and quoted bonds issued by subsidiaries. The fair values of such guarantees are amortised through the income statement. Management assessed that as at 31 December 2022 and 31 December 2021 no need for provision arises in relation to any of the guarantees issued by the Company.

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. Specifically, the fair values on initial recognition and the expected credit losses as at 31 December 2022 and 31 December 2021 of guarantees issued by the Company for obligations of its subsidiaries in accordance with loan agreements with financial institutions and quoted bonds issued by subsidiaries were estimated using a probability adjusted discounted cash flow analysis, using probability of default, as implied by the market rate of the borrowings obtained by the subsidiaries and loss given default.

Notes to the parent company financial statements

The loss given default for 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 has been estimated at RUB Nil, since, in case of default, the Company will be able to recover its losses under the issued guarantees from respective subsidiaries in full.

The loss given default for guarantees issued by the Company for unsecured or underpledged obligations of its subsidiaries in accordance with loan agreements with financial institutions and quoted bonds issued by subsidiaries was estimated by considering the distressed value of the net assets of the subsidiaries which were not pledged at the time of the assessment. The loss given default as estimated at RUB Nil, since, in case of default, the Company will be able to recover its losses under the issued guarantees from respective subsidiaries in full.

h. Impairment losses

	2022 RUB'000	2021 RUB'000
Reversal of impairment losses of loans to subsidiaries (Note 19)	-	133,727
Impairment losses of loans to subsidiaries (Note 19)	(386,089)	-

i. Key management personnel compensation

	2022 RUB'000	2021 RUB'000
Key management salaries and other short-term employee benefits[1]	532,643	415,585
Share based compensation	21,954	22,570
	554,597	438,155

[1] 'key management salaries and other short term employee benefits' include directors' remuneration amounting to RUB 319,844 thousand (2021: RUB 312,985 thousand), analysed as per below.

j. Directors' remuneration

	2022 RUB'000	2021 RUB'000
Directors' fees (Note 10)	20,793	25,881
Emoluments in their executive capacity	299,051	287,104
Total directors' remuneration	319,844	312,985

k. Year-end balances arising from payables to key management

	2022 RUB'000	2021 RUB'000
Accrued key management remuneration (Note 25):		
Accrued salaries and other short-term employee benefits	71,241	115,726
Share based payment liability	21,954	22,570
	93,195	138,296

l. Disposal of investment in subsidiary

During the year 2021, the Company disposed its 60% shareholding in SyntezRail Ltd (Note 18). Out of this, 20% was sold to an entity controlled by a director of the Company for a consideration of RUB 376,000 thousand.

m. Loan commitments under borrowings from subsidiaries

As at 31 December 2022, the Company had undrawn facilities amounting to RUB 6,293,400,(at 31 December 2021 RUB 15,000,000) thousand under borrowings agreements with subsidiary undertakings. These mature within 2026.

n. Guarantees from subsidiaries

Borrowings with a carrying amount of RUB 3,168,245 thousand as of 31 December 2022 (31 December 2021 RUB 2,013,559 thousand) are secured by pledge of rolling stock held by the Company's subsidiary GTI Management, OOO with a pledged market value RUB 3,640,452 thousand (2021: RUB 6,439,751 thousand)

Notes to the parent company financial statements

27. Contingencies

Operating environment of the Company

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. Ongoing political tension in the region and sanctions against certain Russian companies and individuals have an additional negative impact on the Russian economy.

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorizing these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia or Ukraine or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevent them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Group largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2022 as it is considered as a non-adjusting event.

The Group actively monitors political developments on an ongoing basis. However, the macroeconomic situation in Ukraine, Russia is out of Management's control. The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as companies operating in the Russian Federation.

Fluctuations in foreign exchange rates may also impact the operations of the Goup. The Russian central bank had raised the key rate of interest from 9,5% to 20% as a preventive measure to stop the devaluation of the RUB.
The Group continues to monitor the situation and implement a set of measures to minimize the impact of possible risks on the Group's operations and financial position.

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 generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. 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 has implemented internal controls to be in compliance with this transfer pricing legislation. Management believes that its pricing policy used in 2022 and 2021 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 within the Group 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.

Notes to the parent company financial statements

The Group includes companies incorporated in Cyprus, Russia, Ukraine, Estonia. The tax liabilities of the Group are determined on the assumption that these companies are tax residents in the countries where they are incorporated and are not subject to profits tax of other tax jurisdictions, because they do not have permanent establishments in other jurisdictions. The Company and the non-controlling shareholding companies holding interests in the Company's Russian subsidiaries are the only and full beneficial owners of the equity interests held directly and indirectly in these subsidiaries. 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.

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. Management will vigorously defend the positions and interpretations applied in determining taxes recognised in these financial statements if these are challenged by the 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 well-developed market and economy with stable political systems and developed legislation based on EU requirements and regulations.

Tax contingencies. Cypriot tax legislation is subject to varying interpretations. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Company is incorporated outside Russia. Tax liabilities of the Company are determined on the assumption that it is not subject to Russian profits tax because it does not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the equity interest held directly and indirectly in its subsidiaries. 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 Company.

28. Events after the balance sheet date

Disposal of Spacecom AS

In January 2023 the Group disposed of its shareholding 65.25% in Spacecom AS for EUR 65,300,000.

There were no other material post balance sheet events which have a bearing on the understanding of these consolidated financial statements.

Independent Auditor's Report on pages 270 to 273.

Additional Information

Selected operational information
for the year ended 31 December 2022

Fleet (including rolling stock and tank containers)

Owned Fleet

	31.12.2021	31.12.2022	Change	Change, %
Gondola cars	45,430	42,292	(3,138)	-7%
Tank cars	17,894	18,454	560	3%
Locomotives	71	71	-	0%
Flat cars	1,582	1,537	(45)	-3%
Other railcars (incl. hopper cars, etc)	90	0	(90)	-100%
Total	**65,067**	**62,354**	**(2,713)**	**-4%**
Owned Fleet as % of Total Fleet	*94%*	*94%*	-	-

Leased-in Fleet

	31.12.2021	31.12.2022	Change	Change, %
Gondola cars	2,345	3,419	1,074	46%
Tank cars	1,693	342	(1,351)	-80%
Flat cars	0	0	-	0%
Other railcars (incl. hopper cars, etc)	1	0	(1)	-100%
Total	**4,039**	**3,761**	**(278)**	**-7%**
Leased-in Fleet as % of Total Fleet	*6%*	*6%*	-	-

Total Fleet (Owned Fleet and Leased-in Fleet)

	31.12.2021	31.12.2022	Change	Change, %
Gondola cars	47,775	45,711	(2,064)	-4%
Tank cars	19,587	18,796	(791)	-4%
Locomotives	71	71	-	0%
Flat cars	1,582	1,537	(45)	-3%
Other railcars (incl. hopper cars, etc)	91	0	(91)	-100%
Total	**69,106**	**66,115**	**(2,991)**	**-4%**

Total Fleet by type, %

	31.12.2021	31.12.2022	Change	Change, %
Gondola cars	69%	69%	-	-
Tank cars	28%	28%	-	-
Locomotives	0.1%	0.1%	-	-
Flat cars	2%	2%	-	-
Other railcars (incl. hopper cars, etc)	0.1%	0.0%	-	-
Total	**100%**	**100%**	**-**	**-**

Average age of Owned Fleet

	31.12.2021	31.12.2022	Change	Change, %
Gondola cars	12.9	13.7	-	-
Tank cars	16.9	17.3	-	-
Locomotives	14.0	15.0	-	-
Flat cars	3.6	4.1	-	-
Other railcars (incl. hopper cars, etc)	14.4	0.0	-	-
Total	**13.8**	**14.5**	**-**	**-**

Selected operational information for the year ended 31 December 2022

Operation of rolling stock (excluding Engaged Fleet)[1]

Freight Rail Turnover, billion tonnes-km

	2021	2022	Change	Change, %
Metallurgical cargoes	**63.9**	**55.9**	**(8.0)**	**-12%**
Ferrous metals	30.6	23.5	(7.2)	-23%
Scrap metal	4.1	3.4	(0.8)	-19%
Iron ore	29.1	29.1	0	0%
Oil products and oil	**19.0**	**20.4**	**1.3**	**7%**
Coal (incl. coke)	**46,2**	**40.7**	**(5.5)**	**-12%**
Construction materials	**7.0**	**6.0**	**(1.0)**	**-14%**
Crushed stone	5.6	4.3	(1.3)	-23%
Cement	0.2	0.1	(0.1)	-48%
Other construction materials	1.2	1.6	0.4	31%
Other	**10.8**	**12.0**	**1.2**	**11%**
Total	**146.8**	**134.9**	**(11.9)**	**-8%**

Freight Rail Turnover by cargo type, %

	2021	2022	Change	Change, %
Metallurgical cargoes (incl. ferrous metal, scrap metal and iron ore)	44%	41%	-	-
Oil products and oil	13%	15%	-	-
Coal (incl. coke)	31%	30%	-	-
Construction materials (incl. cement)	5%	4%	-	-
Other	7%	9%	-	-
Total	**100%**	**100%**	**-**	**-**

Transportation Volume, million tonnes

	2021	2022	Change	Change, %
Metallurgical cargoes	**36.5**	**32.2**	**(4.2)**	**-12%**
Ferrous metals	14.5	12.2	(2.3)	-16%
Scrap metal	3.7	2.8	(0.9)	-25%
Iron ore	18.2	17.2	(1.0)	-5%
Oil products and oil	**18.9**	**18.9**	**0.0**	**0%**
Coal (incl. coke)	**15.7**	**14.7**	**(1.0)**	**-7%**
Construction materials	**7.6**	**5.4**	**(2.2)**	**-29%**
Crushed stone	6.5	4.2	(2.3)	-35%
Cement	0.1	0.1	(0.1)	-49%
Other construction materials	0.9	1.1	0.2	17%
Other	**6.4**	**5.8**	**(0.5)**	**-8%**
Total	**85.1**	**77.0**	**(8.1)**	**-9%**

Average Rolling Stock Operated, units

	2021	2022	Change	Change, %
Gondola cars	45,039	44,240	(799)	-2%
Rail tank cars	12,123	12,332	209	2%
Locomotives	50	49	(0)	-1%
Other railcars	136	16	(120)	-88%
Total	**57,347**	**56,637**	**(710)**	**-1%**

Average Number of Loaded Trips per Railcar

	2021	2022	Change	Change, %
Gondola cars	22.0	19.8	(2.3)	-10%
Rail tank cars	25.9	25.6	(0.4)	-1%
Other railcars	111.2	13.5	(97.7)	-88%
Total	**23.1**	**21.0**	**(2.1)**	**-9%**

Average Distance of Loaded Trip, km

	2021	2022	Change	Change, %
Gondola cars	1,965	1,968	4	0%
Rail tank cars	1,006	1,079	73	7%
Other railcars	201	1,574	1,373	682%
Total	**1,716**	**1,733**	**17**	**1%**

Average Price per Trip, RUB

	2021	2022	Change	Change, %
	41,075	**64,553**	**23,478**	**57%**

Net Revenue from Operation of Rolling Stock, RUB million

	2021	2022	Change	Change, %
	54,319*	**76,798***	**22,479**	**41%**

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

	2021	2022	Change	Change, %
Top-10 clients	68%	67%	-	-
Other (incl. small and medium enterprises)	32%	33%	-	-

Net Revenue from Operation of Rolling Stock by contract type, %

	2021	2022	Change	Change, %
Service Contracts	59%	59%	-	-
Other contracts (incl. ad-hoc transportation)	41%	41%	-	-

[1] Excluding operational and financial information of the specialised container transportation business.

Selected operational information for the year ended 31 December 2022

Empty Run Ratio, %

	2021	2022	Change	Change, %
Gondola cars	44%	41%	-	-
Rail tank cars and other railcars	94%	94%	-	-
Total	**51%**	**50%**	**-**	**-**

Empty Run Costs, RUB million

	2021	2022	Change	Change, %
	15,429*	**17,283***	**1,853**	**12%**

Share of Empty Run Kilometres Paid by Globaltrans, %

	2021	2022	Change	Change, %
	99%	**99%**	**-**	**-**

Operation of rolling stock (including Engaged Fleet)[1]

Freight Rail Turnover, billion tonnes-km

	2021	2022	Change	Change, %
Metallurgical cargoes	**69.6**	**60.6**	**(9.0)**	**-13%**
Ferrous metals	34.0	24.6	(9.4)	-28%
Scrap metal	4.5	3.5	(1.0)	-22%
Iron ore	31.1	32.5	1.4	4%
Oil products and oil	**19.2**	**21.2**	**2.0**	**10%**
Coal (incl. coke)	**47.7**	**41.4**	**(6.3)**	**-13%**
Construction materials	**7.1**	**6.0**	**(1.1)**	**-15%**
Crushed stone	5.7	4.3	(1.3)	-24%
Cement	0.2	0.1	(0.1)	-48%
Other construction materials	1.2	1.6	0.4	31%
Other	**11.0**	**12.1**	**1.1**	**10%**
Total	**154.7**	**141.4**	**(13.2)**	**-9%**

[1] Excluding operational and financial information of the specialised container transportation business.

Transportation Volume, million tonnes

	2021	2022	Change	Change, %
Metallurgical cargoes	**38.9**	**34.3**	**(4.6)**	**-12%**
Ferrous metals	15.7	12.7	(3.0)	-19%
Scrap metal	4.0	2.9	(1.1)	-28%
Iron ore	19.3	18.8	(0.5)	-2%
Oil products and oil	**19.1**	**19.5**	**0.4**	**2%**
Coal (incl. coke)	**16.5**	**15.1**	**(1.3)**	**-8%**
Construction materials	**7.7**	**5.4**	**(2.3)**	**-30%**
Crushed stone	6.6	4.2	(2.4)	-36%
Cement	0.1	0.1	(0.1)	-49%
Other construction materials	0.9	1.1	0.2	17%
Other	**6.5**	**6.0**	**(0.5)**	**-8%**
Total	**88.8**	**80.4**	**(8.3)**	**-9%**

Specialised container segment

Net Revenue from Specialised Container Segment, RUB million

	2021	2022	Change	Change, %
	1,643*	**0***	**(1,643)**	**-100%**

Engaged Fleet

Net Revenue from Engaged Fleet, RUB million

	2021	2022	Change	Change, %
	184*	**876***	**692**	**375%**

Operating leasing of rolling stock[1]

Leased-out Fleet

	31.12.2021	31.12.2022	Change	Change, %
Gondola cars	1	1	-	0%
Tank cars	6,815	5,941	(874)	-13%
Locomotives	1	0	(1)	-100%
Other railcars (incl. flat, hopper cars, etc)	1,641	1,532	(109)	-7%
Total	**8,458**	**7,474**	**(984)**	**-12%**
Leased-out Fleet as % of Total Fleet	*12%*	*11%*	-	-

Employees

	31.12.2021	31.12.2022	Change	Change, %
Total	**1,777**	**1,768**	**(9)**	**-1%**

Definitions

Terms that require definitions are marked with capital letters in this Annual Report and their definitions are provided below in alphabetical order:

Adjusted EBITDA (a non-IFRS financial measure) represents EBITDA excluding "net foreign exchange transaction (gains)/losses on financing activities", "share of profit/(loss) of associate", "other gains/(losses) – net", "gain/(loss) on sale of property, plant and equipment", "impairment/(reversal of impairment) of property, plant and equipment", "impairment of intangible assets", "loss on derecognition arising on capital repairs" and "reversal of impairment of intangible assets".

Adjusted EBITDA Margin (a non-IFRS financial measure) is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Adjusted Profit Attributable to Non-controlling Interests (a non-IFRS financial measure) is calculated as "profit attributable to non-controlling interests" less share of "impairment of property, plant and equipment" and "impairment of intangible assets" attributable to non-controlling interests.

Adjusted Revenue (a non-IFRS 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".

Attributable Free Cash Flow (a non-IFRS financial measure) means Free Cash Flow less Adjusted Profit Attributable to Non-controlling Interests.

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 the 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, Engaged Fleet, flat cars and containers used in specialised container transportation).

EBITDA (a non-IFRS financial measure) represents "profit for the period" before "income tax expense", "finance costs – net" (excluding "net foreign exchange transaction (gains)/losses on financing activities"), "depreciation of property, plant and equipment", "amortisation of intangible assets" and "depreciation of right – of-use assets".

Empty Run or Empty Runs means the movement of railcars without cargo for the whole or a substantial part of the journey.

Empty Run Costs (a non-IFRS 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, Engaged Fleet, flat cars and containers used in specialised container transportation.

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, Engaged Fleet, flat cars and containers used in specialised container transportation).

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.

Free Cash Flow (a non-IFRS financial measure) is calculated as "cash generated from operations" (after "changes in working capital") less "tax paid", "purchases of property, plant and equipment" (including maintenance CAPEX), "purchases of intangible assets", "acquisition of subsidiary undertakings – net of cash acquired", "principal elements of lease payments for leases with financial institutions", "principal elements of lease payments for other lease liabilities", "interest paid on other lease liabilities", "interest paid on bank borrowings and non-convertible unsecured bonds", "interest paid on leases with financial institutions" and "acquisition of non-controlling interest" plus "cash inflow from disposal of subsidiary undertakings – net of cash disposed of".

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 excludes volumes transported by Engaged Fleet (unless otherwise stated) and the performance of the specialised container transportation business.

Infrastructure and Locomotive Tariffs – Other Tariffs (a non-IFRS financial measure, derived from management accounts) 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 fleet leased in under operating leases, including railcars, locomotives and specialised containers.

Leased-out Fleet is defined as fleet leased out to third parties under operating leases (excluding flat cars and containers used in specialised container transportation).

Leverage Ratio or Net Debt to Adjusted EBITDA (a non-IFRS financial measure) is the ratio of Net Debt on the last day of a particular financial period to Adjusted EBITDA in respect of the twelve months to the end of that same period.

Definitions

Market Share is calculated using the Group's own information as the numerator and information published by the Federal State Statistics Service of Russia (Rosstat) as the denominator. It is defined as a percentage of the overall Russia's freight rail transportation volume or freight rail turnover and includes volumes transported by Engaged Fleet, unless otherwise stated.

Net Debt (a non-IFRS 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-IFRS financial measure, derived from management accounts) represents the net sum of the price charged for transportation to clients by the Group utilising Engaged Fleet less the loaded railway tariffs 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-IFRS financial measure, derived from management accounts) describes the net revenue generated from freight rail transportation services which is adjusted for respective "pass through" loaded railway tariffs charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips").

Net Revenue from Specialised Container Transportation (a non-IFRS financial measure, derived from management accounts) represents the revenue generated from the specialised container operations (included in the EU IFRS line item: "revenue from specialised container transportation") less the respective "pass through" loaded railway tariffs charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips").

Net Working Capital (a non-IFRS financial measure) is calculated as the sum of the current portions of "inventories", "current income tax assets", "trade receivables – net", "other receivables – net" ("other receivables – third parties" and "other receivables –related parties" net of "provision for impairment of other receivables"), "prepayments – third parties", "prepayments – related parties" and "VAT recoverable", less the sum of the current portions of "trade payables – third parties", "trade payables – related parties", "other payables – third parties", "other payables – related parties", "accrued expenses", "accrued key management compensation, including share-based payment", "contract liabilities" and "current tax liabilities".

Other Operating Cash Costs (a non-IFRS financial measure) include the following cost items: "advertising and promotion", "auditors' remuneration", "communication costs", "information services", "legal, consulting and other professional fees", "expense relating to short-term leases (tank containers)", "expense relating to short – term leases (office)", "taxes (other than income tax and value added taxes)" and "other expenses".

Owned Fleet is defined as the fleet owned and leased in under finance lease as at the end of the reporting period. It includes railcars, locomotives and specialised containers, unless otherwise stated, and excludes Engaged Fleet.

Service Contracts represent contracts with an initial term greater than one-year that stipulate an obligation to transport a specified amount of cargoes for the client.

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, Engaged Fleet, flat cars and containers used in specialised container transportation) in the relevant period.

Total CAPEX (a non-IFRS financial measure) is calculated on a cash basis as the sum of "purchases of property, plant and equipment" (which includes maintenance CAPEX), "purchases of intangible assets", "acquisition of subsidiary undertakings – net of cash acquired" and "principal elements of lease payments for leases with financial institutions".

Total CAPEX adjusted for M&A (a non-IFRS financial measure) is calculated as a combination of Total CAPEX (which includes maintenance CAPEX) and cash inflows and outflows from acquisitions and disposals.

Total Empty Run Ratio is calculated as total kilometres travelled empty divided by the total kilometres travelled loaded by the rolling stock 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, Engaged Fleet, flat cars and containers used in specialised container transportation) in the relevant period.

Total Fleet is defined as the fleet owned and leased in under finance and operating leases as at the end of reporting period. It includes railcars, locomotives and specialised containers, unless otherwise stated, and excludes Engaged Fleet.

Total Operating Cash Costs (a non-IFRS 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", "depreciation of right-of-use assets", "loss on derecognition arising on capital repairs", "net impairment losses/(gains) on trade and other receivables", "impairment/(reversal of impairment) of property, plant and equipment" and "(gain)/loss on sale of property, plant and equipment".

Total Operating Non-Cash Costs (a non-IFRS financial measure) include the following cost items: "depreciation of property, plant and equipment", "amortisation of intangible assets", "depreciation of right-of-use assets", "loss on derecognition arising on capital repairs", "net impairment losses on trade and other receivables", "impairment/(reversal of impairment) of property, plant and equipment " and "(gain)/loss on sale of property, plant and equipment".

Transportation Volume is a measure of freight carriage activity over a particular period, measuring weight of cargo carried in tonnes. It excludes volumes transported by Engaged Fleet (unless otherwise stated) and volumes related to the specialised container transportation business.

Presentation of Financial and other Information

FINANCIAL INFORMATION

All financial information presented in this Annual Report is derived from the Consolidated Management Report and Consolidated Financial Statements of Globaltrans Investment PLC (the "Company" and, 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 Management Report and Consolidated Financial Statements and the parent company financial statements for the year ended 31 December 2022 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). Certain financial information derived from the management accounts is marked in this Annual Report with an asterisk (*). The presentational currency of the Group's financial results is Russian roubles (RUB), which is the functional currency of the Company as well as of its Cypriot and Russian subsidiaries.

NON-IFRS FINANCIAL INFORMATION

In this Annual Report, the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as "non-IFRS measures"). Management believes that these non-IFRS measures provide valuable information to readers because they enable them 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. Further explanations of the reasons for presenting such measures are included in the Financial Review section of this Annual Report. The non-IFRS measures that have been used in this Annual Report are supplemental measures of the Group's operating performance. All non-IFRS financial information is calculated on the basis of EU IFRS financial statements and/or management accounts. Reconciliations to the closest IFRS measures are included in the Financial Review section of this Annual Report. Non-IFRS measures requiring additional explanation or definitions appear with initial capital letters and the definitions and explanations are provided in the Definitions section of this Annual Report. Other companies in the freight rail transportation sector may calculate the above non-IFRS measures differently or may use each of them for different purposes than the Group, limiting their usefulness as comparative measures. All non-IFRS financial 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. These non-IFRS measures are unaudited and have not been prepared in accordance with IFRS or any other generally accepted accounting principles. As such, they have limitations as analytical tools, and you should not consider them in isolation or place undue reliance on them. Similarly titled measures are used by other companies for a variety of purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing these measures as reported by us to the same or similar measures as reported by other companies.

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 2022 is provided in the Additional Information section 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 appear with initial capital letters with definitions or explanations provided in the Definitions section of this Annual Report. The Group has obtained certain statistical, market and pricing information that is presented in this announcement on such topics as the Russia's freight rail transportation market and related subjects from the following third-party sources: Federal State Statistics Service of Russian Federation ("Rosstat"), JSC Russian Railways ("RZD") and the Federal Antimonopoly Service ("FAS"). The Group has accurately reproduced such information and, as far as it is aware and can 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 may be substantially less complete or researched than that of more developed countries.

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 that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition, liquidity, prospects, growth and 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 and 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. Among others, these include general economic conditions, the competitive environment, risks associated with operating in Russia, market change in the Russian freight rail market and 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 who may have access to it, and any such responsibility or liability is expressly disclaimed.

GRI Content Index

Indicator	Definition	Report section / notes	Annual Report page
General disclosures			
102-1	Name of the organisation	Corporate Structure	p. 123
102-2	Activities, brands, products, and services	At a Glance Operational Performance	p. 8-9 p. 28
102-3	Location of headquarters	Key Contacts	p. 352
102-4	Location of operations Number of countries where the organization operates	At a Glance Market Review Our History	p. 8-9 p. 26-27 p. 14-15
102-5	Ownership and legal form	Corporate Structure	p. 123
102-6	Markets served	Market Review	p. 26-27
102-7	Scale of the organisation	Operational Performance Financial Review	p. 28-49
102-8	Information on employees and other workers	Sustainability Report	p. 81
102-9	Supply chain	CEO Review Operational Performance	p. 23 p. 28
102-10	Significant changes to the organisation and its supply chain	*No significant changes in the supply chain.*	
102-11	Precautionary Principle or approach	*The Group does not explicitly use the precautionary principle.*	
102-12	External initiatives. A list of externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	*The Group does not have membership in external initiatives.*	
102-13	Membership of associations. A list of the main memberships of industry or other associations, and national or international advocacy organisations	Sustainability Report *Union of Railway Transport Operators - SOZHT(AO New Forwarding Company)* *Council of Russian Transport Workers - STR (AO New Forwarding Company) Railway Engineering Association – OPZHT (AO Ural Wagonrepair Company)*	p. 78
102-14	Statement from senior decision-maker	Chairman's Statement CEO Review	p. 18-19 p. 22-24
102-15	Key impacts, risks opportunities	Risk Management TCFD Report	p. 51-67 p. 94-99
102-16	Values, principles, standards, and norms of behaviour	Sustainability Report	p. 94-99
102-18	Governance structure	Governance Structure	p. 100-123
102-32	Highest governance body's role in sustainability reporting	ESG Committee	p. 70-71
102-35	Remuneration policies	Corporate Structure - Remuneration of the Board of Directors and management	p. 115
102-40	List of stakeholder groups	Sustainability Report	p. 76-78
102-41	Collective bargaining agreements	*As at 31.12.2022, 31% of total employees in OOO BaltTransServis were covered by collective bargaining agreements. In other Group subsidiaries there were no collective bargaining agreements.*	

Indicator	Definition	Report section / notes	Annual Report page
General disclosures			
102-42	Identifying and selecting stakeholders with whom to engage	Sustainability Report	p. 76-78
102-43	The organisation's approach to stakeholder engagement	Sustainability Report	p. 76-78
102-44	Key topics and concerns that have been raised through stakeholder engagement	Sustainability Report	p. 76-78
102-45	Entities included in the consolidated financial statements	Notes to the Consolidated Financial Statements	p. 164
102-46	Defining report content and topic boundaries	Sustainability Report	p. 70-72
102-47	List of the material topics	Sustainability Report	p. 72
102-48	Restatements of information given in previous reports	*The data for petroleum consumption in 2021, Scope 1 and Scope 2 emissions has been restated.*	p. 91,93
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	*No significant changes.*	
102-50	Reporting period	*Calendar year 2022*	
102-51	Date of most recent report	*April 2022*	
102-52	Reporting cycle	*Annual*	
102-53	Contact point for questions regarding the report	*Investor Relations* *Phone: +357 25 328 860* *Email: irteam@globaltrans.com*	
102-54	Claims of reporting in accordance with the GRI standards	*The Report was prepared in accordance with the GRI Standards – Core option.*	
102-55	GRI content index	GRI Content Index	p. 348
102-56	External assurance	*External assurance for the Group's Corporate social responsibility section was not conducted in the reporting period.*	
Management			
103-1	Explanation of the material topic and its boundary	Sustainability Report	p. 70-93
103-2	The management approach and its components	Sustainability Report	p. 70-93
103-3	Evaluation of the management approach	Sustainability Report	p. 70-93
Economic impact			
Economic performance			
201-1	Direct economic value generated and distributed	Financial Review Sustainability Report	p. 28-49 p. 89
Indirect economic impacts			
203-2	Significant indirect economic impacts	Sustainability Report	p. 88-89
Economic impact			
Anti-corruption			
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report *No incidents in 2022.*	p. 80

GRI Content Index

Indicator	Definition	Report section / notes	Annual Report page
Environmental impact			
Materials			
301-1	Materials used by weigh or volume	Sustainability Report	p. 90-93
301-2	Recycled input materials used	Sustainability Report	p. 90-93
Energy			
302-1	Energy consumption within the organisation	Sustainability Report	p. 90
Water and effluents			
303-5	Water consumption	Sustainability Report	p. 91
Emissions			
305-2	Direct (Scope 1) GHG emissions	Sustainability Report	p. 92
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report	p. 92
Environmental compliance			
307-1	Non-compliance with environmental laws and regulations	Sustainability Report *No incidents of non-compliance with environmental laws and regulations occurred in the reporting period*	p. 90
Social impact			
Employment			
401-1	New employee hires and employee turnover	Sustainability Report	p. 86
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report	p. 85
Occupational health and safety			
403-1	Occupational health and safety management system	Sustainability Report	p. 87
403-5	Worker training on occupational health and safety	Sustainability Report	p. 87
403-6	Promotion of worker health	Sustainability Report	p. 87
403-9	Work-related injuries	Sustainability Report	p. 87
Training and education			
404-1	Average hours of training per year per employee by gender and employee category	Sustainability Report	p. 84-85
Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Sustainability Report	p. 83-84
405-2	Ratio of basic salary and remuneration of women to men	Sustainability Report	p. 83
Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	*No incidents of discrimination occurred in the reporting period*	p. 79-80

TCFD Index

Code	TCFD Recommended Disclosures	Comments
Governance:		
TCFD 1 (a)	Describe the Board's oversight of climate-related risks and opportunities.	p. 94-95
TCFD 1 (b)	Describe management's role in assessing and managing climate-related risks and opportunities.	p. 94-95
Strategy:		
TCFD 2 (a)	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	p. 96-97
TCFD 2 (b)	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	p. 96-97
TCFD 2 (c)	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios[1].	p. 96-97
Risk Management:		
TCFD 3 (a)	Describe the organisation's processes for identifying and assessing climate-related risks.	p. 98
Targets & Metrics:		
TCFD 4 (a)	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	p. 99
TCFD 4 (b)	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks	p. 99
TCFD 4 (c)	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets[2].	

[1] As we move forward, we will continue to develop our climate analytics capabilities, further strengthen our climate resilience and be transparent about our progress on climate change issues. At some point in the future we intend to cooperate with industry experts to conduct a high-level quantitative scenario analysis that will provide our stakeholders with a better understanding of the potential financial impacts of climate change on our business and rail infrastructure in general.

[2] At this stage, Globaltrans is not yet ready to set emission reduction targets. Nevertheless, over the recent years we have focused on driving our carbon reduction initiatives and enhancing our operational efficiency.

Contacts

GENERAL CONTACTS

Globaltrans Investment PLC

Legal address Omirou 20, Agios Nikolaos, CY-3095 Limassol, Cyprus
Postal address Office 201, 4 Profiti Ilia Street, Germasogeias, CY-4046 Limassol, Cyprus
Phone: +357 25 212 382
Fax: +357 25 503 155
Website: www.globaltrans.com

FOR INVESTORS AND SHAREHOLDERS

Investor Relations
Mikhail Perestyuk
Daria Plotnikova
Phone: +357 25 328 860
E-mail: irteam@globaltrans.com

ESG

Daria Plotnikova
Phone: +357 25 328 860
E-mail: esg@globaltrans.com

COMPANY SECRETARY

Elia Nicolaou
Anastasio Building, 6th Floor, 15 Dimitriou Karatasou Street, CY-2024 Strovolos, Nicosia, Cyprus

DEPOSITARY BANK

Citibank, N.A.
Phone: +1 212 723 5435 / +44 207 500 2030
E-mail: citiadr@citi.com
Website: www.citi.com/adr

STOCK EXCHANGES

London Stock Exchange plc
10 Paternoster Square, London EC4M 7LS, UK
Phone: +44 20 7797 1000
Website: www.londonstockexchange.com

Moscow Exchange
125009 Moscow, Vozdvizhenka Str, 4/7, Bld 1
Phone: +7 (495) 363-3232, +7 (495) 232-3363
Website: www.moex.com

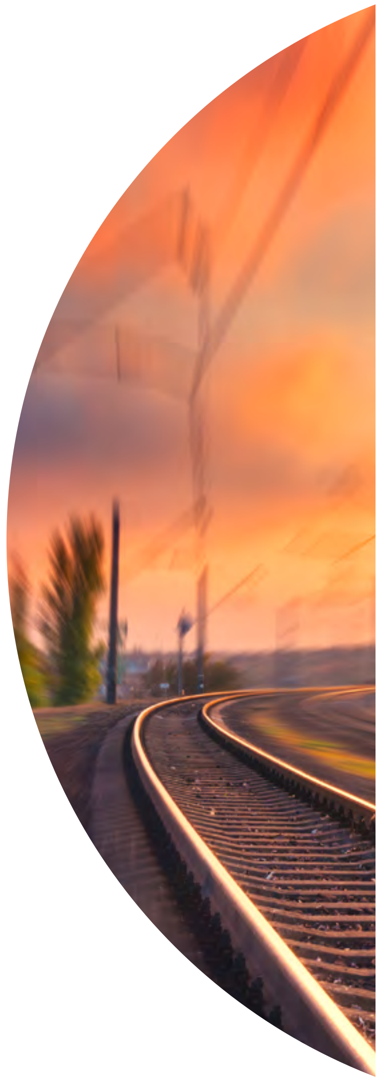
AUDITORS

GAC Auditors Ltd
Guricon House, 48 Inomenon Ethon Street, CY-6042 Larnaca, Cyprus
Phone: +357 24 638 833
Fax: +357 24 638 820

FOR MEDIA

Russian Media
Anna Vostrukhova
Head of Media Relations
Phone: +357 25 328 863
E-mail: media@globaltrans.com

International Media
Laura Gilbert
Lightship Consulting
Phone: +44 7799 413351
E-mail: laura.gilbert@lightshipconsulting.co.uk



Globaltrans

www.globaltrans.com