Globaltrans
Russia's Leading Private Freight Rail Group

For immediate release **28 August 2018**

Globaltrans Investment PLC

Interim 2018 Results and Approval of Interim and Special Interim Dividends

Globaltrans Investment PLC (the "Company" and together with its consolidated subsidiaries "Globaltrans" or the "Group"), (LSE ticker: GLTR) today announces its financial and operational results for the six months ended 30 June 2018 along with the approval of interim and special interim dividends.

In this announcement, the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as "non-GAAP measures") as supplemental measures of the Group's operating performance. The management believes that these non-GAAP 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. The Company also reports certain operational information to illustrate the changes in the Group's operational and financial performance during the reporting periods. Certain financial information which is derived from the management accounts is marked in this announcement with an asterisk {}. Information (non-GAAP and operational measures) requiring additional explanation or defining is marked with initial capital letters and the explanations or definitions thereto are provided at the end of this announcement. The presentational currency of the Group's financial results is the Russian rouble ("RUB").*

Further growth in financials, margin expansion and continued low leverage

- Total revenue increased 14% year on year to RUB 43.4 billion.
- Adjusted Revenue rose 19% year on year to RUB 30.1 billion supported by strong market conditions.
- Excellent cost discipline maintained with Total Operating Cash Costs up only 2% year on year despite ongoing cost pressures.
- Operating profit was up 42% year on year to RUB 13.6 billion.
- Strict cost control alongside strong revenue growth drove Adjusted EBITDA Margin expansion to 55% and a 37% year-on-year increase in Adjusted EBITDA to RUB 16.5 billion.
- Profit for the period rose 47% year on year to RUB 9.8 billion.
- Free Cash Flow rose 6% year on year to RUB 8.6 billion despite greater expansion CAPEX largely due to a strong increase in cash generated from operations. Attributable Free Cash Flow was up 5% year on year to RUB 7.5 billion.
- Net Debt increased 18% to RUB 13.4 billion compared to the end of 2017. Leverage remained stable at a low level with Net Debt to Adjusted EBITDA for the twelve months ended 30 June 2018 at 0.4x.
- 100% of debt is denominated in RUB, the Company's functional currency.

Distribution of 109% of Attributable Free Cash Flow approved in respect of first half of 2018

- The Board has approved a total interim payment to shareholders of RUB 8.2 billion or RUB 45.9 per share/Global Depositary Receipt ("GDR"), including:
  - An interim dividend of RUB 3.8 billion or RUB 21.1 per ordinary share/GDR which is in line with the Group's dividend policy[1] and equates to 50% of the Group's Attributable Free Cash Flow for the first half of 2018; and
  - A special interim dividend of RUB 4.4 billion or RUB 24.8 per ordinary share/GDR in order to maintain the Group's efficient capital structure.
- The shareholder dividend record date is set as 4 September 2018. The GDRs will be marked as ex-dividend on 3 September 2018.

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[1] *As per the Group's dividend policy adopted on 31 March 2017 and amended on 24 August 2018, which is available at www.globaltrans.com.*

- The dividend will be paid in US dollars in the total amount of approximately 66.98 US cents per one ordinary share/GDR not later than 7 September 2018 with conversion executed at the Central Bank of Russia's official exchange rate for the Russian rouble as of 24 August 2018 (1 USD: 68.5259 RUB). Holders of GDRs will receive the dividend approximately three business days after the payment date.

Ongoing operational excellence, two new long-term contracts signed

- High fleet efficiency with Empty Run Ratio for gondola cars maintained at lowest level for five years.
  - Empty Run Ratio for gondola cars improved to 37% (38% in H1 2017) with Total Empty Run Ratio reduced to 45% (47% in H1 2017).
- Further improvement in average pricing.
  - Average Price per Trip up 25% year on year primarily reflecting the strong gondola market.
- Further milestone reached as the outsourcing partner for blue-chip companies.
  - New five-year contracts signed:
    - TMK, a leading global manufacturer and supplier of steel pipes for the oil and gas industry.
    - ChelPipe Group, a leading Russian manufacturer of pipe products and provider of integrated solutions for fuel and energy companies.
  - Volumes to significantly increase to 70% of their freight rail transportation needs in the near term.
  - Both contracts perfectly complement Globaltrans' logistics patterns.
- Owned Fleet expanded in response to strong demand and new long-term contracts.
  - 1,802 units (including 1,202 gondola cars, 300 petrochemical tank containers and 300 flat cars) acquired in the first six months of 2018.
  - Owned Fleet increased 3% compared to the end of 2017 to 62,846 units[2].
- Freight Rail Turnover and Transportation Volumes declined 6% and 5% year on year respectively due to:
  - Temporary reduction in Average Rolling Stock Operated which declined 3% year on year or by 1,507 units, reflecting an intentional reduction in the number of Leased-in Fleet over the last twelve months. Higher leasing rates lead to the continued substitution of expensive leased-in gondolas by newly acquired units.
  - The reduction of Leased-in Fleet was not fully offset by the purchase of 1,802 new units most of which were commissioned at the end of the first half of 2018. In addition about 2,100 units (mostly gondola cars) are expected to be purchased in the second half of 2018.
  - Changed client logistics largely accounted for the 3% decline in the Average Number of Loaded Trips per Railcar. Average Distance of Loaded Trip remained relatively stable.

Strong market backdrop with continued rise in demand

- Higher demand with 4% year-on-year increase in overall Russian freight rail turnover and overall transportation volumes up 3% year on year in the first six months of 2018.
- Bulk cargoes drove growth with non-oil cargo market volumes up 4% year on year outpacing supply growth and supporting continued favourable pricing conditions. The net increase in overall gondola capacity (about 12,600 units or 2.5% over the first half of 2018)[3] was absorbed by rising demand.
- The oil products and oil segment stabilised with market volumes unchanged year on year and the pricing environment remaining relatively stable. The market continues to benefit from the scrappage of old capacity combined with a very low level of new additions (net capacity down about 2,500 units or 1% over the first half of 2018)[3].

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[2] *In the first six month of 2018 the Group disposed of 206 units of rolling stock (including sales to third parties).*

[3] *Estimated by the Company.*

Industry outlook and management objectives for the second half of 2018

- Favourable gondola market is expected to remain a key feature subject to economic conditions. The relatively weak conditions in the oil products and oil segment are likely to continue.
- Ongoing cost pressures are expected in the second half of 2018, specifically for repair and maintenance due to an increase in the number of repairs and higher prices for certain spare parts that are in short supply as well as an increase in employee benefit expense.
- The management team will continue to focus on maintaining industry-leading logistics and operational efficiency along with strong cost discipline in the face of ongoing inflationary pressures. Further development of long-term client relationships remains a priority.
- Globaltrans will proceed with selective, demand-based investments in line with strict return criteria.
    - Acquisition of about 2,100 units (mostly gondola cars) targeted for the second half of 2018 bringing the total number for 2018 up to 3,900 units.
    - Moderate demand-based organic growth with focus on gondola segment going forward.
    - Investigation of both new attractive niche projects to supplement core businesses and accretive consolidation opportunities.
- Prudent capital allocation to continue.
    - Provided the current outlook for the sector remains broadly unchanged, Globaltrans expects the total annual dividend for 2018 (which includes final, interim and special dividends) to be about RUB 16 billion, similar to that paid in respect of 2017.

Commenting on Globaltrans' results for the first six months of 2018, CEO Valery Shpakov said:

"Even in the context of a very successful first half for the freight rail transportation market as a whole, Globaltrans delivered impressive results, maintaining its operational excellence and efficiency. Our best-in-class and reliable services enabled us to attract TMK and ChelPipe as long-term partners, adding to the existing group of blue-chip clients we work with on a similar basis. Under these five-year contracts, volumes from the two companies will increase substantially in the near term. Both have transportation requirements that fit perfectly into our operating model and, importantly, complement the Group's logistics patterns. We are delighted to have them on board.

We achieved growth across all our key financial metrics which, when combined with our tight grip on costs, drove further margin expansion. Since the start of the year we have focused on replacing increasingly expensive leased-in railcars with newly acquired gondola cars. This will continue and over the course of 2018 we expect to purchase up to 3,900 railcars of various types to strengthen our position in the growing market and support our new long-term contracts. In terms of outlook, as we move into the second half, the market environment remains favourable."

Commenting on returns to shareholders, Chairman and Chief Strategy Officer Sergey Maltsev said:

"We completed the first half of the year with excellent results. Our business continues to develop successfully and gain momentum. In response to the strong market growth and the recent expansion of our long-term contract portfolio we decided to extend our investment program for 2018, targeting gondola cars and the development of our niche petrochemical project.

The Group's robust free cash flow and low leverage continue to support our ability to provide shareholders with strong returns. Based on the good first-half financial performance, the Board approved interim and special interim dividends of RUB 8.2 billion in total. We anticipate that in the second half of the year our CAPEX will remain moderate and, provided the market remains broadly unchanged, we expect to be able to pay around RUB 16 billion in respect of the full year 2018, including these interim payments."

DOWNLOADS

The disclosure materials along with the selection of historical operational and financial information are available on Globaltrans' corporate website (www.globaltrans.com).

ANALYST AND INVESTOR CONFERENCE CALL

The release of the Group's financial and operational results will be accompanied by an analyst and investor conference call hosted by Valery Shpakov, CEO and Alexander Shenets, CFO.

Date: Tuesday, 28 August 2018

Time: 12.00 London / 07.00 New York (EDT) / 14.00 Moscow

To participate in the conference call please dial one of the following numbers and ask to be put through to the "Globaltrans" call:

UK toll free: 0808 109 0700

International: +44 20 3003 2666

As there will be simultaneous translation for the first part of the call (slide presentation), you should state whether you prefer to listen in English or Russian. During the Q&A session, all participants will hear both languages. There will also be a webcast of the call available through the Globaltrans website (www.globaltrans.com). Please note that this will be a listen-only facility.

ENQUIRIES

Globaltrans Investor Relations

Mikhail Perestyuk / Daria Plotnikova

+357 25 328 860

irteam@globaltrans.com

For international media

Lightship Consulting

Laura Gilbert

+44 7799 413351

Laura.Gilbert@lightshipconsulting.co.uk

NOTES TO EDITORS

Globaltrans is a leading freight rail transportation group with operations in Russia, the CIS and the Baltic countries. The Group's main business is the provision of freight rail transportation services. Globaltrans provides services to more than 500 customers and its key customers include a number of prominent Russian industrial groups in the metals and mining and the oil products and oil sectors.

The Group had a Total Fleet of about 66 thousand units at 30 June 2018. Universal gondola cars and rail tank cars constitute the backbone of the Group's fleet. About 95% of the Total Fleet is owned by the Group with an average age of 11 years.

In the first six months of 2018, the Group's Freight Rail Turnover (including Engaged Fleet) was 82.7 billion tonnes-km with the total revenue amounting to RUB 43.4 billion.

Globaltrans' global depositary receipts (ticker symbol: GLTR) have been listed on the Main Market of the London Stock Exchange since May 2008. Globaltrans was the first freight rail transportation group with operations in Russia to have an international listing. To learn more about Globaltrans, please visit www.globaltrans.com

RESULTS IN DETAIL

The following tables provide the Group's key financial and operational information for the six months ended 30 June 2018 and 2017.

EU IFRS financial information

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
Revenue	38,208	**43,433**	14%
Total cost of sales, selling and marketing costs and administrative expenses	(29,283)	**(29,902)**	2%
Operating profit	9,571	**13,555**	42%
Finance costs – net	(862)	**(607)**	-30%
Profit before income tax	8,709	**12,948**	49%
Income tax expense	(2,015)	**(3,117)**	55%
Profit for the period	6,694	**9,831**	47%
Profit attributable to:			
Owners of the Company	5,848	**8,812**	51%
Non-controlling interests	845	**1,019**	21%
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RUB per share)	32.72	**49.30**	51%

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
Cash generated from operations	12,973	**16,430**	27%
Tax paid	(1,889)	**(3,340)**	77%
Net cash from operating activities	11,084	**13,090**	18%
Net cash used in investing activities	(1,590)	**(2,736)**	72%
Net cash used in financing activities	(5,363)	**(9,200)**	72%

Non-GAAP financial information

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
Adjusted Revenue	25,397	**30,108**	19%
Including			
Net Revenue from Operation of Rolling Stock	24,214*	**28,420***	17%
Operating leasing of rolling stock	597	**682**	14%
Net Revenue from Engaged Fleet	96*	**259***	171%
Other revenue	490	**747**	52%
Total Operating Cash Costs	13,324	**13,571**	2%
Including			
Empty Run Cost	6,211*	**6,416***	3%
Repairs and maintenance	1,949	**1,871**	-4%
Employee benefit expense	1,574	**1,918**	22%
Fuel and spare parts - locomotives	855	**967**	13%
Operating lease rentals – rolling stock	792	**459**	-42%
Adjusted EBITDA	12,073	**16,516**	37%
Adjusted EBITDA Margin, %	48%	**55%**	
Free Cash Flow	8,052	**8,560**	6%
Attributable Free Cash Flow	7,206	**7,541**	5%

Debt profile

	As of 31 December 2017 RUB mln	As of 30 June 2018 RUB mln	Change %
Total debt	16,331	**19,614**	20%
Cash and cash equivalents	4,966	**6,197**	25%
Net Debt	11,365	**13,417**	18%
Net Debt to Adjusted EBITDA (x)	0.4	**0.4**[4]	-

Operational information

	H1 2017	H1 2018	Change, %
Freight Rail Turnover, billion tonnes-km (excl. Engaged Fleet)	79.0	**74.2**	-6%
Transportation Volume, million tonnes (excl. Engaged Fleet)	46.7	**44.2**	-5%
Freight Rail Turnover, billion tonnes-km (incl. Engaged Fleet)	87.7	**82.7**	-6%
Transportation Volume, million tonnes (incl. Engaged Fleet)	51.2	**48.8**	-5%
Average Price per Trip, RUB	33,335	**41,567**	25%
Average Rolling Stock Operated, units	53,997	**52,490**	-3%
Average Distance of Loaded Trip, km	1,675	**1,672**	0%
Average Number of Loaded Trips per Railcar	13.5	**13.0**	-3%
Total Empty Run Ratio (for all types of rolling stock), %	47%	**45%**	-
Empty Run Ratio for gondola cars, %	38%	**37%**	-
Share of Empty Run Kilometres paid by Globaltrans	85%	**91%**	-
Total Fleet, units (at period end), including:	66,569	**65,923**	-1%
Owned Fleet, units (at period end)	60,639	**62,846**	4%
Leased-in Fleet, units (at period end)	5,930	**3,077**	-48%
Leased-out Fleet, units (at period end)	9,301	**7,993**	-14%
Average age of Owned Fleet, years (at period end)	10.8	**11.0**	-
Total number of employees (at period end)	1,596	**1,569**	-2%

Revenue

The Group's Total revenue rose 14% year on year to RUB 43,433 million in the first six months of 2018, primarily due to a 19% year-on-year rise in Adjusted Revenue. Net Revenue from Operation of Rolling Stock (a key component of Adjusted Revenue) was up 17% year on year reflecting the continued strong market environment.

The following table provides details of Total revenue, broken down by revenue-generating activity, for the six months ended 30 June 2018 and 2017.

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
Railway transportation – operators services (tariff borne by the Group)[5]	22,606	24,297	7%
Railway transportation – operators services (tariff borne by the client)	14,514	17,707	22%
Operating leasing of rolling stock	597	682	14%
Other	490	747	52%
Total revenue	**38,208**	**43,433**	**14%**

Adjusted Revenue

Adjusted Revenue is a non-GAAP financial measure defined as "Total revenue" adjusted for "pass through" items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations". "Infrastructure and locomotive tariffs: loaded trips" comprises revenue resulting from tariffs that customers pay to the Group and the Group pays on to JSC Russian Railways ("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

[4] Net Debt to Adjusted EBITDA for the twelve months ended 30 June 2018.

[5] Includes "Infrastructure and locomotive tariffs: loaded trips" for H1 2018 of RUB 11,333 million (H1 2017: RUB 11,193 million) and "Services provided by other transportation organisations" of RUB 1,993 million (H1 2017: RUB 1,617 million).

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 the first six months of 2018, the Group's Adjusted Revenue grew 19% year on year to RUB 30,108 million, largely due to a 17% year-on-year increase in Net Revenue from Operation of Rolling Stock along with a rise in revenues from rail transportation of petrochemicals and from auxiliary leasing and Engaged Fleet operations.

The following table provides details of Adjusted Revenue for the six months ended 30 June 2018 and 2017 and its reconciliation to Total revenue.

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
Total revenue	38,208	43,433	14%
Minus "pass through" items			
Infrastructure and locomotive tariffs: loaded trips	11,193	11,333	1%
Services provided by other transportation organisations	1,617	1,993	23%
Adjusted Revenue	**25,397**	**30,108**	**19%**

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 Engaged Fleet, and (iv) other revenues generated by the Group's auxiliary business activities, including freight forwarding, freight rail transportation of petrochemicals in tank containers, repair and maintenance services provided to third parties, and other.

The following table provides a breakdown of the components of Adjusted Revenue for the six months ended 30 June 2018 and 2017.

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
Net Revenue from Operation of Rolling Stock	24,214*	28,420*	17%
Operating leasing of rolling stock	597	682	14%
Net Revenue from Engaged Fleet	96*	259*	171%
Other	490	747	52%
Adjusted Revenue	**25,397**	**30,108**	**19%**

Net Revenue from Operation of Rolling Stock

Net Revenue from Operation of Rolling Stock is a non-GAAP financial measure, derived from management accounts, describing the net revenue generated from freight rail transportation and is defined as "Total revenue – operator's services"[6] less "Infrastructure and locomotive tariffs: loaded trips", "Services provided by other transportation organisations" and Net Revenue from Engaged Fleet.

Net Revenue from Operation of Rolling Stock contributed 94% of the Group's Adjusted Revenue in the first six months of 2018.

The following table provides Net Revenue from Operation of Rolling Stock for the six months ended 30 June 2018 and 2017, and its reconciliation to Total revenue – operator's services.

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
Total revenue – operator's services[6]	37,121	42,004	13%
Minus			
Infrastructure and locomotive tariffs: loaded trips	11,193	11,333	1%
Services provided by other transportation organisations	1,617	1,993	23%
Net Revenue from Engaged Fleet	96*	259*	171%
Net Revenue from Operation of Rolling Stock	**24,214***	**28,420***	**17%**

The Group's Net Revenue from Operation of Rolling Stock was RUB 28,420 million* in the first six months of 2018, representing a 17% increase year on year. This strong performance was underpinned by the following factors:

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

- The continued strong gondola market combined with a relatively stable environment in rail transportation for the oil products and oil segment resulted in a 25% year-on-year increase in Average Price per Trip to RUB 41,567;
- Temporary reduction in Average Rolling Stock Operated which declined 3% year on year or by 1,507 units, reflecting an intentional reduction in the number of Leased-in Fleet over the last twelve months. Higher leasing rates lead to the continued substitution of expensive leased-in gondolas with newly acquired units. The reduction of Leased-in Fleet was not fully offset by the purchase of 1,802 new units most of which were commissioned at the end of the first half of 2018. In addition about 2,100 units are expected to be purchased in the second half of 2018;
- Changed client logistics largely resulted in a 3% year-on-year decline in the Average Number of Loaded Trips per Railcar to 13.0 trips.

Revenue from operating leasing of rolling stock

Revenue from operating leasing of rolling stock, which contributed 2% of the Group's Adjusted Revenue in the first six months of 2018, increased 14% year on year to RUB 682 million, primarily reflecting stronger pricing conditions in the leasing segment of the rail transportation market for oil products and oil.

Net Revenue from Engaged Fleet

Net Revenue from Engaged Fleet is a non-GAAP 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 loaded railway tariff charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips") and less the cost of engaging fleet from third-party rail operators (included in the EU IFRS line item "Services provided by other transportation organisations").

In the first six months of 2018, Net Revenue from the Engaged Fleet, comprising about 1% of the Group's Adjusted Revenue, was up 171% year on year to RUB 259 million*. This was primarily driven by the increased volumes of the Engaged Fleet operations in the oil products and oil segment.

Other revenue

Other revenue (2% of the Group's Adjusted Revenue), which mainly includes revenues from auxiliary services, rose 52% year on year to RUB 747 million. This primarily reflected a rise in revenue from the transportation of petrochemicals in tank containers on the back of the gradual commissioning into operation of tank containers purchased over the last twelve months and the increase in revenue from maintenance services provided to third parties.

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 six months ended 30 June 2018 and 2017.

	H1 2017 RUB mln	**H1 2018 RUB mln**	**Change %**
Cost of sales	27,399	27,747	1%
Selling and marketing costs	86	110	28%
Administrative expenses	1,798	2,044	14%
Total cost of sales, selling and marketing costs and administrative expenses	**29,283**	**29,902**	**2%**

In the first six months of 2018, the Group's Total cost of sales, selling and marketing costs and administrative expenses were RUB 29,902 million, an increase of 2% year on year, largely reflecting the factors described below.

- "Pass through" cost items (a combination of "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations") rose 4% year on year to RUB 13,325 million;

- The Group’s Cost of sales, selling and marketing costs and administrative expenses adjusted for “pass-through” cost items were up 1% year on year to RUB 16,577 million in the first six months of 2018, which reflected:
  - o Continued excellent cost control with Total Operating Cash Costs up just 2% year on year to RUB 13,571 million despite continued cost pressures.
  - o Total Operating Non-Cash Costs were down 5% year on year to RUB 3,005 million in the first six months of 2018 driven primarily by a decline in the Loss on derecognition arising on capital repairs due to the lower number of scheduled capital repairs.

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:

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
“Pass through” cost items	**12,811**	**13,325**	**4%**
Infrastructure and locomotive tariffs: loaded trips	11,193	11,333	1%
Services provided by other transportation organisations	1,617	1,993	23%
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for “pass through” cost items)	**16,473**	**16,577**	**1%**
Total Operating Cash Costs	**13,324**	**13,571**	**2%**
Empty Run Costs	6,211*	6,416*	3%
Repairs and maintenance	1,949	1,871	-4%
Employee benefit expense	1,574	1,918	22%
Fuel and spare parts - locomotives	855	967	13%
Operating lease rentals - rolling stock	792	459	-42%
Infrastructure and Locomotive Tariffs - Other Tariffs	502*	454*	-9%
Engagement of locomotive crews	373	404	8%
Other Operating Cash Costs	1,067	1,084	2%
Total Operating Non-Cash Costs	**3,149**	**3,005**	**-5%**
Depreciation of property, plant and equipment	2,467	2,438	-1%
Amortisation of intangible assets	370	348	-6%
Loss on derecognition arising on capital repairs	287	195	-32%
Impairment charge for receivables	0.2	20	NM
Net loss on sale of property, plant and equipment	25	4	-84%
Total cost of sales, selling and marketing costs and administrative expenses	**29,283**	**29,902**	**2%**

“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[7] and is reflected in equal amounts in both the Group’s Total revenue and Cost of sales. This cost item increased 1% year on year to RUB 11,333 million in the first six months of 2018 primarily due to an increase in the regulated RZD tariffs which was partially offset by the year-on-year reduction of the Group’s Freight Rail Turnover in the reporting period.

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 were up 23% year on year to RUB 1,993 million in the first six months of 2018 reflecting an increase in the Engaged Fleet operations in the rail tank car segment along with the continued strong gondola market.

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

Total Operating Cash Costs

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

The Group's Total Operating Cash Costs increased 2% year on year to RUB 13,571 million in the first six months of 2018 due to a combination of factors described below.

The following table provides a breakdown of the Total Operating Cash Costs for the six months ended 30 June 2018 and 2017.

	H1 2018 % of total	**H1 2017 RUB mln**	**H1 2018 RUB mln**	**Change %**
Empty Run Costs	47%	6,211*	6,416*	3%
Repairs and maintenance	14%	1,949	1,871	-4%
Employee benefit expense	14%	1,574	1,918	22%
Fuel and spare parts - locomotives	7%	855	967	13%
Operating lease rentals - rolling stock	3%	792	459	-42%
Infrastructure and Locomotive Tariffs - Other Tariffs	3%	502*	454*	-9%
Engagement of locomotive crews	3%	373	404	8%
Other Operating Cash Costs	8%	1,067	1,084	2%
Total Operating Cash Costs	**100%**	**13,324**	**13,571**	**2%**

Empty Run Costs

Empty Run Costs (a non-GAAP financial measure meaning costs payable to RZD for forwarding empty railcars) is derived from management accounts and presented as part of the "Infrastructure and locomotive tariffs: empty run trips and other tariffs" component of "Cost of sales" reported under EU IFRS.

In the first half of 2018, Empty Run Costs accounted for 47% of the Group's Total Operating Cash Costs. This cost item rose 3% year on year to RUB 6,416 million* in the first six months of 2018. This resulted from a combination of the following factors:

- 5.3% year-on-year increase in the regulated RZD tariff for the traction of empty railcars and a logistically driven rise in Share of Empty Run Kilometres paid by Globaltrans to 91% (H1 2017: 85%);
- Partially offset by the decrease in the Group's Total Empty Run Ratio (for all types of rolling stock) to 45% (H1 2017: 47%) with the Empty Run Ratio for gondola cars improving to 37% (H1 2017: 38%); and
- A 6% year-on-year decrease in the Group's Freight Rail Turnover (excluding Engaged Fleet) largely due to the temporary decline in the Average Rolling Stock Operated.

Repairs and maintenance

Repairs and maintenance costs, which comprised 14% of the Group's Total Operating Cash Costs in the first six months of 2018, decreased 4% year on year to RUB 1,871 million mainly as the inflation-driven growth in the cost of maintenance and spare parts was more than offset by a decline in the number of depot and locomotive repairs undertaken over the reporting period. The Group expects an increase in number of repairs in the second half of 2018 along with higher prices for certain spare parts that are in short supply.

Employee benefit expense

Employee benefit expense, which accounted for 14% of the Group's Total Operating Cash Costs, increased 22% year on year to RUB 1,918 million in the first six months of 2018. This reflected an inflation-driven rise in wages and salaries as well as higher bonus payments (including share based payment expenses) and a related increase in social insurance costs.

Fuel and spare parts - locomotives

Fuel and spare parts - locomotives expenses, comprising 7% of the Group's Total Operating Cash Costs, totalled RUB 967 million in the first six months of 2018, 13% higher than in the same period the previous year. The increase in this cost item primarily reflected an inflation-driven increase in fuel costs.

Operating lease rentals - rolling stock

Operating lease rentals - rolling stock, which comprised 3% of the Group's Total Operating Cash Costs in the first six months of 2018, was down 42% year on year to RUB 459 million, primarily reflecting an intentional reduction in the number of gondola cars leased in over the reporting period.

Infrastructure and Locomotive Tariffs - Other Tariffs

Infrastructure and Locomotive Tariffs - Other Tariffs (a non-GAAP 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 including empty run costs attributable to petrochemical tank container business.

Infrastructure and Locomotive Tariffs - Other Tariffs was RUB 454 million* in the first six months of 2018, a decrease of 9% year on year, mainly reflecting a decline in the cost of relocating rolling stock into and from repair and maintenance along with the optimisation of other expenses related to the arrangement of transportation services.

Engagement of locomotive crews

Costs related to the engagement of locomotive crews from RZD (3% of the Group's Total Operating Cash Costs) increased 8% year on year to RUB 404 million in the first six months of 2018, primarily reflecting a rise in the amount of engagement hours.

Other Operating Cash Costs

Other Operating Cash Costs (a non-GAAP financial measure) include cost items such as "Advertising and promotion", "Auditors' remuneration", "Communication costs", "Information services", "Legal, consulting and other professional fees", "Rental of tank containers", "Operating lease rentals - 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 six months ended 30 June 2018 and 2017.

	H1 2017 RUB mln	**H1 2018 RUB mln**	**Change %**
Advertising and promotion	18	18	2%
Auditors' remuneration	22	25	9%
Communication costs	19	16	-13%
Information services	10	12	25%
Legal, consulting and other professional fees	37	35	-5%
Rental of tank-containers	33	24	-26%
Operating lease rentals - office	90	94	5%
Taxes (other than on income and value added taxes)	382	349	-9%
Other expenses	457	510	12%
Other Operating Cash Costs	**1,067**	**1,084**	**2%**

Other Operating Cash Costs, which comprised 8% of the Group's Total Operating Cash Costs, were up 2% to RUB 1,084 million in the first six months of 2018 compared to the same period the previous year. The rise in this cost primarily reflected a decrease in Taxes (other than income tax and value added taxes), predominantly property tax, which was more than offset by an increase in Other expenses.

Total Operating Non-Cash Costs

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

The following table provides a breakdown of the Total Operating Non-Cash Costs for the six months ended 30 June 2018 and 2017.

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
Depreciation of property, plant and equipment	2,467	2,438	-1%
Amortisation of intangible assets	370	348	-6%
Loss on derecognition arising on capital repairs	287	195	-32%
Impairment charge for receivables	0.2	20	NM
Net loss on sale of property, plant and equipment	25	4	-84%
Total Operating Non-Cash Costs	**3,149**	**3,005**	**-5%**

Total Operating Non-Cash Costs were down 5% year on year to RUB 3,005 million in the first six months of 2018, mainly reflecting a 32% year-on-year decline in Loss on the derecognition arising on capital repairs[8] to RUB 195 million reflecting the lower number of capital repairs undertaken in the reporting period.

Adjusted EBITDA (non-GAAP financial measure)

Adjusted EBITDA (a non-GAAP financial measure) represents EBITDA excluding "Net foreign exchange transaction gains/(losses) on financing activities", "Share of profit/(loss) of associate", "Other gains - net", "Net (gain)/loss on sale of property, plant and equipment", "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 in the first six months of 2018 reached RUB 16,516 million, up 37% over the same period last year.

The Adjusted EBITDA Margin expanded to 55% in the first half of 2018 from 48% in the same period the previous year on the back of a 19% year-on-year increase in Adjusted Revenue and an only 2% year-on-year rise in Total Operating Cash Costs.

The following table provides details on Adjusted EBITDA for the six months ended 30 June 2018 and 2017, and its reconciliation to EBITDA and Profit for the period.

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
Profit for the period	**6,694**	**9,831**	**47%**
Plus (Minus)			
Income tax expense	2,015	3,117	55%
Finance costs – net	862	607	-30%
Net foreign exchange transaction losses on financing activities	(142)	(25)	-82%
Amortisation of intangible assets	370	348	-6%
Depreciation of property, plant and equipment	2,467	2,438	-1%
EBITDA	**12,266**	**16,316**	**33%**
Minus (Plus)			
Loss on derecognition arising on capital repairs	(287)	(195)	-32%
Net foreign exchange transaction losses on financing activities	(142)	(25)	-82%
Other gains – net	17	24	39%
Net loss on sale of property, plant and equipment	(25)	(4)	-84%
Reversal of impairment of intangible assets	630	-	-100%
Adjusted EBITDA	**12,073**	**16,516**	**37%**

[8] The cost of each major periodic capital repair (including the replacement of significant components) is recognised in the carrying amount of the relevant item of rolling stock repaired and separately depreciated. Simultaneously, the carrying amount of the repaired rolling stock that is attributable to the previous periodic capital repair and/or significant component replacement, if any, is derecognised and debited in "Cost of sales" in the income statement as "Loss on derecognition arising on capital repairs" for the period during which the repair was carried out.

Finance income and costs

The following table provides a breakdown of Finance income and costs for the six months ended 30 June 2018 and 2017.

	H1 2017 RUB mln	H1 2018 RUB mln	Change %
Included in finance costs:			
Bank borrowings	(948)	(630)	-34%
Finance leases	-	(11)	NM
Non-convertible bond	-	(130)	NM
Total interest expense	(948)	(772)	-19%
Other finance costs	(5)	(11)	117%
Total finance costs	**(954)**	**(783)**	**-18%**
Included in finance income:			
Bank balances	51	98	90%
Short term deposits	160	77	-52%
Finance leases – third parties	20	25	23%
Loans to third parties	2	1	-43%
Total interest income calculated using the effective interest rate method	233	200	-14%
Total finance income	**233**	**200**	**-14%**
Net foreign exchange transaction gains/(losses) on borrowings and other liabilities	26	(58)	NM
Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets	(168)	33	NM
Net foreign exchange transaction losses on financing activities	**(142)**	**(25)**	**-82%**
Net finance costs	**(862)**	**(607)**	**-30%**

Total finance costs

The decline in the Group's weighted average effective interest rate over the period led to an 18% year-on-year decrease in Total finance costs to RUB 783 million in the first six months of 2018.

Total finance income

In the first six months of 2018, the Group's total finance income was down 14% year on year to RUB 200 million, largely reflecting a decrease in the interest rate on short-term bank deposits, which was partially offset by an increase in the amount of bank balances.

Net foreign exchange transaction losses on financing activities

Net foreign exchange transaction losses on financing activities (including available cash and cash equivalents denominated in foreign currency and dividend payable) were down 82% year on year to RUB 25 million, reflecting the lower foreign exchange volatility compared to the same period the previous year.

Profit before income tax

The Group reported Profit before income tax of RUB 12,948 million in the first six months of 2018, an increase of 49% compared to the same period the previous year. This was driven by the following factors:

- A 42% year-on-year rise in the Group's Operating profit to RUB 13,555 million, largely due to the factors described above;
- A 30% year-on-year reduction in Net finance costs to RUB 607 million.

Income tax expense

Income tax expense increased 55% year on year to RUB 3,117 million in the first six months of 2018, reflecting the 49% year-on-year rise in the Group's Profit before income tax.

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average interim tax rate used for the six months ended 30 June 2018 was 24.07% (30 June 2017: 23.14%).

Profit for the period

The Group's Profit for the period grew 47% year on year to RUB 9,831 million in the first six months of 2018, reflecting the factors described above.

Profit for the period attributable to the owners of the Company increased 51% year on year to RUB 8,812 million primarily benefitting from the positive contribution from the wholly-owned gondola business which delivered a strong performance as described above.

LIQUIDITY AND CAPITAL RESOURCES

In the first six months of 2018, the Group's capital expenditure consisted primarily of maintenance CAPEX (including capital repairs) and the selective acquisition of gondola cars, petrochemical tank containers and related flat cars. The Group was able to meet its liquidity and capital expenditure needs comfortably through operating cash flow, cash and cash equivalents available at 31 December 2017, and proceeds from borrowings and finance leases.

The Group manages its liquidity based on expected cash flows. As at 30 June 2018, the Group had Net Working Capital of RUB 1,221 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 six months ended 30 June 2018 and 2017.

	H1 2017 RUB mln	**H1 2018 RUB mln**
Cash flows from operating activities	12,090	16,540
Changes in working capital:		
Inventories	20	187
Trade receivables	291	83
Other assets	964	293
Other receivables	(70)	(32)
Trade and other payables	(321)	(640)
Contract liabilities	-	(1)
Cash generated from operations	12,973	16,430
Tax paid	(1,889)	(3,340)
Net cash from operating activities	**11,084**	**13,090**
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,081)	(2,992)
Proceeds from disposal of property plant and equipment	243	38
Loan repayments received from third parties	6	3
Interest received	232	200
Receipts from finance lease receivable	10	15
Net cash used in investing activities	**(1,590)**	**(2,736)**
Cash flows from financing activities		
Net cash inflows from borrowings and financial leases:	4,195	431
Proceeds from bank borrowings	*9,750*	*5,011*
Proceeds from issue of non-convertible unsecured bonds	-	*5,000*
Repayments of borrowings	*(5,555)*	*(8,735)*
Finance lease principal payments	-	*(844)*
Interest paid	(951)	(694)
Dividends paid to non-controlling interests in subsidiaries	(1,600)	(921)
Dividends paid to owners of the Company	(7,007)	(8,017)
Net cash used in financing activities	**(5,363)**	**(9,200)**
Net increase in cash and cash equivalents	**4,132**	**1,154**
Effect of exchange rate changes on cash and cash equivalents	(132)	76
Cash and cash equivalents at beginning of the period	4,773	4,966
Cash and cash equivalents at end of the period	**8,773**	**6,197**

Net cash from operating activities

In the first six month of 2018, Net cash from operating activities rose 18% year on year to RUB 13,090 million, reflecting a 27% year-on-year increase in Cash generated from operations (after “Changes in working capital”), primarily resulting from the factors described above, offset in part by a 77% year-on-year increase in Tax paid on the back of increased taxable profits.

Net cash used in investing activities

Net cash used in investing activities was RUB 2,736 million, 72% higher than in the same period the previous year primarily due to an increase in expansion CAPEX.

Purchases of property, plant and equipment (on a cash basis) rose 44% to RUB 2,992 million due to greater expansion CAPEX, as well as lower maintenance CAPEX amid a decrease in the number of capital repairs in the reporting period.

As a part of capital expenditures in the reporting period were financed with a finance lease, the related Finance lease principal payments are reflected in Net cash used in financing activity and described below.

Net cash used in financing activities

Net cash used in financing activities was RUB 9,200 million in the first six months of 2018, an increase of 72% compared to the same period the previous year. This was due to a combination of the following factors:

- Net cash inflows from borrowings and finance leases[9] was RUB 431 million, compared to RUB 4,195 million in the same period the previous year, reflecting the net effect of proceeds and repayment of borrowings and financial leases broadly balancing each other. As a part of capital expenditure was financed with a finance lease, the initial Finance lease principal payments of RUB 844 million were booked in the reporting period. The additional related Finance lease liabilities of RUB 1,929 million will be amortised over the next five years;
- 27% year-on-year decrease in Interest paid to RUB 694 million in first six months of 2018 due to the improvement in the Group’s weighted average effective interest rate over the reporting period;
- The increase in Dividends paid to owners of the Company to RUB 8,017 million compared to RUB 7,007 million in the first six months of the previous year;
- Dividends paid to non-controlling interests in subsidiaries declined to RUB 921 million in the first six months of 2018 compared to RUB 1,600 million in the same period the previous year. This was because in the first half of 2017 the dividends were paid in respect of the full year 2016, while in the first half of 2018 they were paid in respect of the second half of 2017 only (interim dividends in respect of the first half of 2017 were paid earlier in the second half of 2017).

Free Cash Flow

Free Cash Flow (a non-GAAP financial measure) is calculated as “Cash generated from operations” (after “Changes in working capital”) less “Tax paid”, “Purchases of property, plant and equipment” (which includes maintenance CAPEX), “Purchases of intangible assets”, “Acquisition of subsidiary undertakings - net of cash acquired”, “Finance lease principal payments” and “Interest paid”.

The Group’s Free Cash Flow was RUB 8,560 million, up 6% compared to the same period the previous year. This was mostly related to a combination of the following factors:

- Cash generated from operations (after “Changes in working capital”) increased 27% to RUB 16,430 million primarily due to the factors described above;

[9] Net Cash inflows (outflows) from borrowings and financial leases (a non-GAAP financial measure) defined as the balance between the following line items: “Proceeds from bank borrowings”, “Proceeds from issue of non-convertible unsecured bonds”, “Repayments of borrowings” and “Finance lease principal payments”.

- Partially offset by a 77% year-on-year increase in Tax paid, a 44% year-on-year increase in the Purchase of property, plant and equipment (including maintenance CAPEX) along with the initial Finance lease principal payments[10];
- Interest paid reduced 27% year on year.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for the six months ended 30 June 2018 and 2017, and its reconciliation to Cash generated from operations.

	H1 2017 RUB mln	**H1 2018 RUB mln**	**Change %**
Cash generated from operations (after "Changes in working capital")	12,973	16,430	27%
Tax paid	(1,889)	(3,340)	77%
Purchases of property, plant and equipment	(2,081)	(2,992)	44%
Finance lease principal payments	-	(844)	NM
Interest paid	(951)	(694)	-27%
Free Cash Flow	**8,052**	**8,560**	**6%**
Minus			
Adjusted Profit Attributable to Non-controlling Interests	845	1,019	21%
Attributable Free Cash Flow	**7,206**	**7,541**	**5%**

Capital expenditure

The Group's capital expenditure (including maintenance CAPEX) on an accrual basis was RUB 5,562 million in the first six months of 2018, an increase of 175% compared to the same period the previous year.

This higher capital expenditure reflects larger expansion CAPEX including selective acquisitions of gondola cars, petrochemical tank containers and related flat cars which was partially offset by a lower number of capital repairs in the reporting period. The expansion of the fleet was in response to strong demand and in order to support the new long-term contracts.

In the first six months of 2018, the Group acquired 1,802 units (including 1,202 gondola cars, 300 petrochemical tank containers and 300 flat cars) compared to 479 units (including 219 gondola cars and 260 petrochemical tank containers) in the same period the previous year.

Capital resources

As of 30 June 2018, the Group's financial indebtedness consisted of bank borrowings, non-convertible unsecured bonds and finance lease liabilities for an aggregate principal amount of RUB 19,614 million (including accrued interest of RUB 171 million*).

The Group's Net Debt was RUB 13,417 million as of 30 June 2018, an 18% increase from the level of Net Debt at the end of 2017 primarily reflecting increased expansion CAPEX and dividend payments. The Group's leverage remained low with Net Debt to Adjusted EBITDA for the twelve months ended 30 June 2018 at 0.4x.

The following table sets out the details on the Group's total debt, Net Debt and Net Debt to Adjusted EBITDA at 30 June 2018 and 31 December 2017, and reconciliation of Net Debt to Total debt.

	As of 31 December 2017 RUB mln	**As of 30 June 2018 RUB mln**	**Change %**
Total debt	16,331	19,614	20%
Minus			
Cash and cash equivalents	4,966	6,197	25%
Net Debt	**11,365**	**13,417**	**18%**
Net Debt to Adjusted EBITDA	**0.4x**	**0.4x**[11]	**-**

[10] In the reporting period the part of capital expenditures were financed with a finance lease with initial Finance lease principal payments of RUB 844 million booked in reporting period. The additional related Finance lease liabilities of RUB 1,929 million will be amortised over the next five years.

[11] Net Debt to Adjusted EBITDA for the twelve months ended 30 June 2018.

Rouble-denominated borrowings accounted for 100% of the Group's debt portfolio as of the end of 30 June 2018. The Russian rouble is the functional currency of the Company.

The weighted average effective interest rate further reduced to 7.9% as of 30 June 2018 compared to 9.4% as of the end of 2017. The vast majority of the Group's debt had fixed interest rates as of 30 June 2018.

The Group has a balanced maturity profile, supported by the Group's strong cash flow generation, available cash and cash equivalents, as well as undrawn borrowing facilities in the amount of RUB 4,230 million as of 30 June 2018.

The following table gives the maturity profile of the Group's borrowings (including accrued interest of RUB 171 million*) as of 30 June 2018.

	As of 30 June 2018 RUB mln
Q3 2018	1,815*
Q4 2018	1,353*
Q1 2019	1,406*
Q2 2019	981*
H2 2019	1,909*
2020	2,858*
2021	4,058*
2022-2023	5,234*
Total	**19,614**

PRESENTATION OF INFORMATION

The financial information presented in this announcement is derived from the condensed consolidated interim financial information (unaudited) of Globaltrans Investment PLC ("the Company" or, together with its consolidated subsidiaries, "Globaltrans" or "the Group") as at and for the six months ended 30 June 2018 and 2017 and prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the consolidated Management report and consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap. 113.

The Group's condensed consolidated interim financial information (unaudited) as at and for the six months ended 30 June 2018 and 2017 along with selected historical financial and operational information are available at Globaltrans' corporate website (www.globaltrans.com).

The presentation currency of the Group's consolidated financial statements is the Russian rouble ("RUB").

In this announcement, the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as "non-GAAP measures") as supplemental measures of the Group's operating performance. The management believes that these non-GAAP 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.

The Company also reports certain operational information to illustrate the changes in the Group's operational and financial performance during the reporting periods.

Certain financial information which is derived from management accounts is marked in this announcement with an asterisk {*}.

Information (non-GAAP 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 announcement. Reconciliations of the non-GAAP measures to the closest EU IFRS measures are included in the body of this announcement.

Rounding adjustments have been made in calculating some of the financial and operational information included in this announcement. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

The Group has obtained certain statistical, market and pricing information that is presented in this announcement on such topics as the Russian 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 is able to ascertain from information published by such third-party sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Group has not independently verified this third-party information. In addition, the official data published by Russian governmental agencies may be substantially less complete or researched than that of more developed countries.

All non-GAAP financial and operational information presented in this announcement 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 and condensed consolidated interim financial information reported under EU IFRS, which are available the Globaltrans’ corporate website www.globaltrans.com.

DEFINITIONS

Terms that require definitions are marked with capital letters in this announcement and their definitions are provided below in alphabetical order:

Adjusted EBITDA (a non-GAAP financial measure) represents EBITDA excluding “Net foreign exchange transaction (gains)/losses on financing activities”, “Share of profit/(loss) of associate”, “Other gains - net”, “Net (gain)/loss on sale of property, plant and equipment”, “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-GAAP financial measure) is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Adjusted Profit Attributable to Non-controlling Interests (a non-GAAP 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-GAAP financial measure) is calculated as “Total revenue” less the following “pass through” items “Infrastructure and locomotive tariffs: loaded trips” and “Services provided by other transportation organisations”.

Attributable Free Cash Flow (a non-GAAP 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 tank containers used in petrochemical business).

EBITDA (a non-GAAP 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” and “Amortisation of intangible assets”.

Empty Run or Empty Runs means movement of railcars without cargo for the whole or a substantial part of the journey.

Empty Run Costs (a non-GAAP financial measure meaning costs payable to RZD for forwarding empty railcars) is derived from management accounts and presented as part of the “Infrastructure and locomotive tariffs: empty run trips and other tariffs” component of “Cost of sales” reported under EU IFRS. Empty Run Costs do not include costs of relocation of rolling stock to and from maintenance, purchased rolling stock in transition to its first place of commercial utilisation, rolling stock leased in or leased out, Engaged Fleet, flat cars and tank containers used in petrochemical business.

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 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 (a non-GAAP financial measure) is calculated as "Cash generated from operations" (after "Changes in working capital") less "Tax paid", "Purchases of property, plant and equipment" (which includes maintenance CAPEX), "Purchases of intangible assets", "Acquisition of subsidiary undertakings - net of cash acquired", "Finance lease principal payments" and "Interest paid".

Freight Rail Turnover is a measure of freight carriage activity over a particular period calculated as the sum of tonnage of each loaded trip multiplied by the distance of each loaded trip, expressed in tonnes-km. It excludes volumes transported by Engaged Fleet and the performance of petrochemical tank container segment, unless otherwise stated.

Infrastructure and Locomotive Tariffs - Other Tariffs (a non-GAAP 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 including the empty run costs attributable to the petrochemical tank container business.

Leased-in Fleet is defined as fleet leased in under operating leases, including railcars, locomotives and petrochemical tank containers.

Leased-out Fleet is defined as fleet leased out to third parties under operating leases (excluding flat cars and tank containers used in petrochemical business).

Leverage Ratio or Net Debt to Adjusted EBITDA (a non-GAAP 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.

Net Debt (a non-GAAP financial measure) is defined as the sum of total borrowings (including interest accrued) less "Cash and cash equivalents".

Net Revenue from Engaged Fleet (a non-GAAP financial measure, 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 tariff charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips") less the cost of attracting fleet from third-party operators (included in the EU IFRS line item "Services provided by other transportation organisations").

Net Revenue from Operation of Rolling Stock (a non-GAAP financial measure, derived from management accounts) is defined as the sum of "Revenue from railway transportation - operators services (tariff borne by the Group)" and "Revenue from railway transportation - operators services (tariff borne by the client)" less "Infrastructure and locomotive tariffs: loaded trips", "Services provided by other transportation organisation" and Net Revenue from Engaged Fleet.

Net Working Capital (a non-GAAP financial measure) is calculated as the sum of the current portions of "Inventories", "Current income tax assets", "Trade receivables – net", "Prepayments - third parties" (net of the non-current portion of "Prepayments for property, plant and equipment – third parties"), "Prepayments - related parties", "Other receivables" (net of "Provision for impairment of other receivables") 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", "Advances from related parties" and "Current tax liabilities".

Total Operating Cash Costs (a non-GAAP financial measure) represent operating cost items payable in cash and calculated as "Total cost of sales, selling and marketing costs and administrative expenses" less the "pass through" items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations" and non-cash items: "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Impairment charge for receivables", "Impairment of property, plant and equipment", "Net (gain)/loss on sale of property, plant and equipment" and "Loss on derecognition arising on capital repairs".

Total Operating Non-Cash Costs (a non-GAAP financial measure) include cost items such as “Depreciation of property, plant and equipment”, “Amortisation of intangible assets”, “Loss on derecognition arising on capital repairs”, “Impairment charge for receivables”, “Impairment of property, plant and equipment” and “Net (gain)/loss on sale of property, plant and equipment”.

Other Operating Cash Costs (a non-GAAP financial measure) include cost items such as “Advertising and promotion”, “Auditors’ remuneration”, “Communication costs”, “Information services”, “Legal, consulting and other professional fees”, “Rental of tank containers”, “Operating lease rentals - 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 petrochemical tank containers, unless otherwise stated, and excludes Engaged Fleet.

Share of Empty Run Kilometres paid by Globaltrans is defined as the percentage of empty run kilometres paid by Globaltrans divided by the total amount of empty run kilometres incurred by the fleet operated by Globaltrans (not including relocation of rolling stock to and from maintenance, purchased rolling stock in transition to its first place of commercial utilisation, and rolling stock leased-out, Engaged Fleet, flat cars and tank containers used in petrochemical business) in the relevant period.

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 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.

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, unless otherwise stated.

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