Annual Report & Accounts 2019

Globaltrans

Russia's leading freight rail group

Globaltrans at a Glance

Globaltrans is a **leading freight rail transportation group** with operations across Russia, Belarus, Ukraine, Kazakhstan and other countries. The Group operates one of the largest railcar fleets in the region, providing sophisticated transport logistics for major companies operating in key industries: metals, mining, oil products and oil, and construction. Since 2008, Globaltrans has been listed on the Main Market of the London Stock Exchange (ticker symbol: **GLTR**).

Large fleet
>70,000 units
consisting mainly of gondola and tank cars

Focus on outsourcing contracts
with blue-chip clients

Best-in-class
24/7
logistics delivering industry leading operational performance

Opportunistic expansion strategy
to achieve strong returns on invested capital

>10-year track record
of first-rate corporate governance

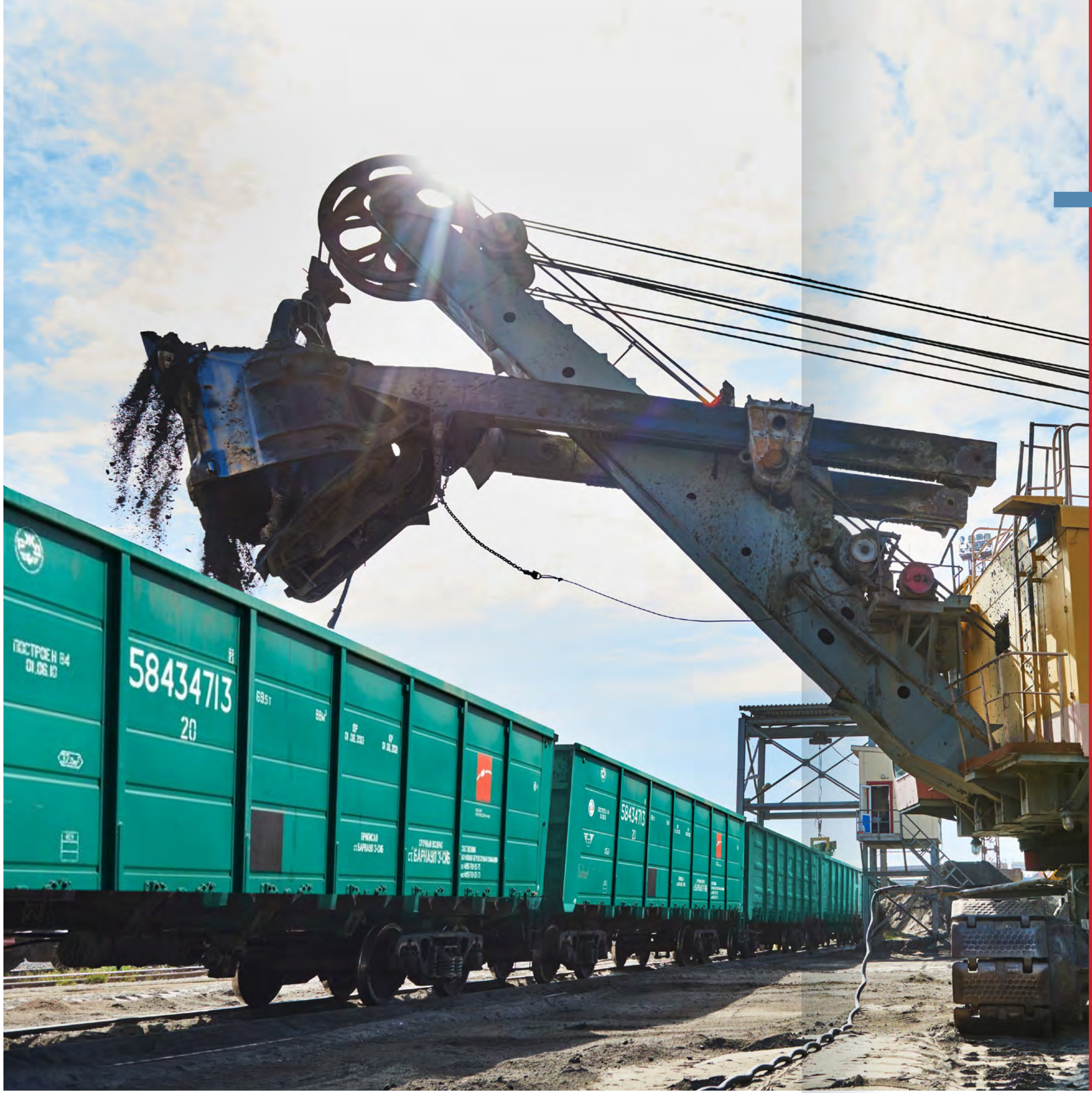
Clear emphasis on delivering shareholder returns
with a dividend policy aimed at distributing cash not used for business expansion

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 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 2019 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 Cypriot and 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-GAAP financial information" (i.e. measures not recognised by EU IFRS or IFRS) as supplementary explanations of the Group's operating performance. Information (non-GAAP 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-GAAP 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 of this Annual Report.



CHAPTER 1

Overview

Highlights of 2019

+3.5%
Year-on-year rise in **Transportation Volumes**

7.8%
Market Share
(2018: 7.4%)

+9%
Year-on-year increase in **Average Price per Trip**

66%
Share of **Net Revenue from Operation of Rolling Stock** contributed by service contracts

+20%
Year-on-year growth in **Adjusted EBITDA**

57%
Adjusted EBITDA Margin
(2018: 54%)

+16%
Year-on-year increase in **Profit for the year**

0.60x
Net Debt to Adjusted EBITDA
(end of 2018: 0.56x)

RUB93.1
Total dividend per share/GDR in respect of 2019
(+1% year-on-year)[2]

"2019 has been another excellent year for Globaltrans. It was a year which saw the Group sustain its recent growth momentum to deliver outstanding performance in volatile market conditions and reward its shareholders with strong dividend.

Our financial results provide further proof of the strength of our business strategy and operating model. We successfully grew our Market Share and outperformed the industry whilst maintaining our track record of delivering consistent profitable growth. That growth momentum saw the Group extend important service contracts, sign new long-term partnership, and expand its presence in key niche areas."

Valery Shpakov

Chief Executive Officer

The summary information on pages 4 and 5 covers the Group's key financial and operating performance indicators. These include Non-GAAP measures that the Group believes are helpful to investors in analysing the Group's performance and are well understood in the freight rail transportation industry.

The key Non-GAAP financial metrics are not a substitute for the IFRS financial information included and discussed in the Financial Review section of this Annual Report.

Market outperformance, Market Share gains, strong pricing, new long-term contract secured and other major service contracts extended

- Market outperformance in Transportation Volumes[1] (up 3.5% year on year compared to the overall Russian market decline of 0.9% year on year).
- Market Share increased to 7.8% (2018: 7.4%).
- Strong pricing maintained with Average Price per Trip up 9% year on year.
- New long-term contract secured with Gazprom Neft, major service contracts with MMK and Metalloinvest extended.
- Operational excellence maintained. At 42% (2018: 38%), Globaltrans' Empty Run Ratio for gondola cars remains one of the lowest in the Russian market.
- Total Fleet increased 2% to 70,720 units at year-end 2019. Share of Owned Fleet stood at 96%.

Excellent financial results

- Total revenue rose 9% year on year to RUB 95.0 billion.
- Operating profit rose 19% year on year to RUB 32.1 billion.
- Profit for the year climbed 16% year on year to RUB 22.7 billion.
- Adjusted Revenue grew 13% year on year to RUB 68.8 billion supported by growth in all key business segments.
- Total Operating Cash Costs increased 5% year on year due to cost inflation and higher Empty Runs.
- Adjusted EBITDA Margin expanded to 57% (2018: 54%) with Adjusted EBITDA up 20% year on year to RUB 39.6 billion.

Continued strong cash generation and low leverage

- Operating cash flows before working capital changes grew 19% year on year to RUB 39.5 billion.
- Strong Free Cash Flow of RUB 12.8 billion (up 4% year on year) despite a RUB 4.1 billion working capital build-up (of which RUB 1.9 billion* was one-off) and RUB 1.1 billion increase in Total CAPEX.
- Leverage kept at low level with year-end Net Debt to Adjusted EBITDA at 0.60x (2018 end: 0.56x).

Strong 2019 total shareholder remuneration, attractive interim 2020 dividend targeted

- Total dividend payments in respect of 2019 slightly higher than the prior year at RUB 16.6 billion or RUB 93.1 per share/GDR[2].
- Payouts reflect the Group's dividend policy and its intention to maintain an efficient capital structure and return excess capital to shareholders.
- Solid foundations to pay strong dividends with about RUB 8.3 billion of dividends targeted in respect of the first half of 2020.

1 The Group's Freight Rail Turnover increased 0.6% year on year.

2 Including interim, final and special dividends; Global Depositary Receipts (GDRs).

Our Business

What We Do

Sophisticated rail transportation solutions

We provide freight rail transportation services along with railcar leasing and ancillary services in Russia, Belarus, Ukraine, Kazakhstan and other countries.

Large modern fleet

Servicing leading industrial businesses, we operate one of the largest railcar fleets in Russia with over 70,000 units operating round-the-clock 24/7.

Strong position in priority cargo segments

Our Market Share of Russia's overall freight rail transportation volumes in 2019 was 7.8% and we have strong Market Shares in some priority cargo segments: metallurgical cargoes (22%) and oil products and oil (9.5%).

More details of the Group's results are contained in our **Operational Performance** on pages **32** to **38**

How We Do It

We work with over 500 customers in a range of industries. Our main freight cargo segments in terms of Net Revenue from Operation of Rolling Stock are: metallurgical cargoes (41%), oil products and oil (32%), coal (14%), and construction materials (5%).

We provide our customers with high-value freight transportation and logistics solutions and we accomplish this by focusing on:

Operational excellence

We offer industry-leading logistics and sophisticated route management systems. This combination enables the Group to deliver best-in-class service, high levels of fleet utilisation and low Empty Runs, which in turn deliver efficiency and drive profitability.

High-quality customer base

We are trusted partners for our clients, who range from large industrial groups to smaller, more specialised companies. We focus on long-term outsourcing partnerships, whereby we handle most of a client's freight rail logistics. We currently have outsourcing contracts with six major industrial groups: Rosneft, Metalloinvest, MMK, Gazprom Neft, TMK and ChelPipe Group. These contracts together contributed 66% of the Group's Net Revenue from Operation of Rolling Stock in 2019.

Globaltrans' Market Share of overall Russia's freight rail transportation volumes by cargo, 2019

Market Share of overall Russia's freight rail transportation volumes	7.8%
Metallurgical cargoes (including ferrous metals, scrap metal and ores)	22.0%
Oil products and oil	9.5%
Construction materials (including cement)	4.8%
Coal (including coke)	3.2%

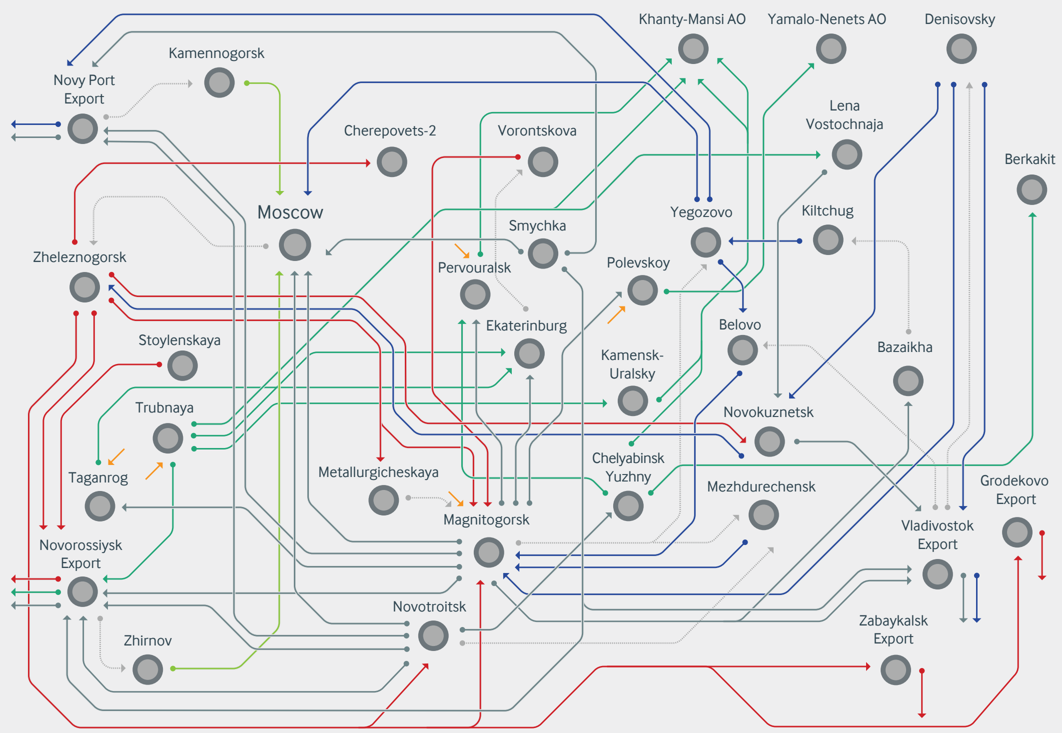
Source: Globaltrans, Rosstat

22%
Market Share in metallurgical cargoes

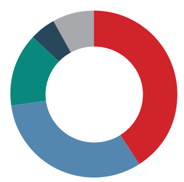
Gondola logistics key illustrative routes

45,620 gondola cars

65% of Total Fleet



Net Revenue from Operation of Rolling Stock by cargo, 2019



- 41% Metallurgical cargoes (including ferrous metals, scrap metal and iron ore)
- 32% Oil products and oil
- 14% Coal (including coke)
- 5% Construction materials (including cement)
- 8% Other

Source: Globaltrans

Globaltrans' Empty Run Ratio (for gondola cars, 2015–2019)

2019	42%
2018	38%
2017	37%
2016	38%
2015	39%

Source: Globaltrans

42%
The Group's gondola Empty Run Ratio

Our Operating Platform

Our powerful operating platform provides customers with a reliable, flexible, full-service offering anchored on world-class logistics that make their operations more efficient and more profitable.

We Offer

Expertise in complex freight rail logistics

Our experts employ advanced systems that incorporate sophisticated route planning and cargo management logistics creating 'win-wins' for our customers, who save time and money, and for our Group, which benefits from greater productivity, driving profitability.

Industry leading operational efficiency

Our expertise in complex freight logistics delivers industry-leading levels of operational efficiency and one of the sector's lowest Empty Run Ratios for gondola cars. The hub of our logistics operations is our dispatching centre, which monitors, manages, and maintains all aspects of our fleet operations, 24 hours a day, seven days a week.

Specialist expertise in long-term partnerships

Our experience of managing complex long-term outsourcing contracts offers our customers tailored freight rail solutions that improve the speed and reliability of cargo offtake and reduce their costs.

Large modern fleet

We operate a Total Fleet of 70,720 units, split between universal gondola cars (65% of total) and tank cars (28% of total) with the balance made up of specialised containers and flat cars. Our Owned Fleet is among the most modern in the industry with an average age of 11.5 years and is supported by a comprehensive repair and maintenance programme. Our Owned Fleet (96% of Total Fleet) is complemented by our Leased-In Fleet (4% of Total Fleet), enabling the Group to retain maximum operational flexibility whilst ensuring the resilience of the business.

Our own locomotive fleet

Our fleet of 75 mainline locomotives is used largely to transport oil products and oil in "block trains" – where all cargo on the train is shipped from a single loading point to a single off-loading destination. Running client-specific block trains removes time-consuming delays associated with offloading individual railcar cargoes at multiple destination points. This greatly increases our railcars' average daily distances, improving both delivery times and railcar utilisation.

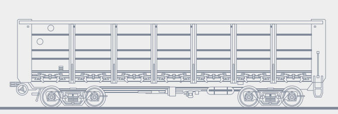
70,720 units

Total Fleet

11.5 years

Average age of Owned Fleet

Our Fleet



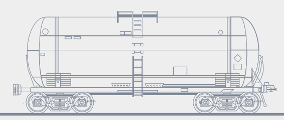
Gondola cars

A gondola car is an open-top, high-sided universal railcar designed to carry a variety of bulk cargoes, such as metallurgical cargoes, coal or construction materials.

Gondolas are the backbone of the Group's fleet and their versatility means that they can be quickly redeployed between different bulk cargoes in response to changes in demand.

45,620 units

65% of Total Fleet



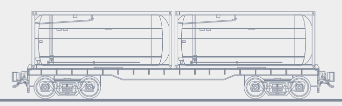
Tank cars

A tank car is designed to carry liquid cargoes including oil and petroleum products, chemicals, liquefied gas and other liquid substances.

The Group's tank cars are principally used to transport oil products and oil.

19,736 units

28% of Total Fleet



Specialised containers

Intermodal containers are designed to be moved between different modes of transportation without any handling of the freight itself.

The majority of the Group's containers are tank containers used to transport petrochemicals. The Group also operates specialised containers for transporting high-quality steel products.

3,194 units

5% of Total Fleet

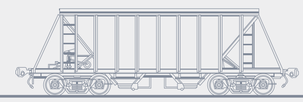
Flat cars

Flat cars consist of a platform without sides or top.

The Group uses its flat cars mostly to carry specialised containers.

1,873 units

3% of Total Fleet

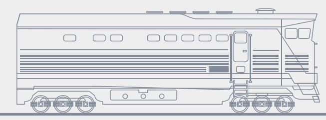


Other railcars

Globaltrans' fleet of other railcars primarily consists of hopper cars.

222 units

0.3% of Total Fleet



Locomotives

Globaltrans operates its own fleet of mainline locomotives, which haul block trains (cargo or client specific Group-operated trains all bound for the same direction).

Our locomotives are principally engaged in the transportation of oil products and oil.

75 units

0.1% of Total Fleet

Trusted Partner

Globaltrans has over 500 industrial clients in the metals and mining, oil products and oil and construction sectors whose businesses rely on the Group's logistics skill, deep sector experience and modern fleet. The Group is a trusted outsourcing partner to some of Russia's leading companies providing a significant proportion of their varied freight rail transportation needs through extensive service contracts.

Metalloinvest

Andrey Varichev,
General Director,
HC Metalloinvest

"Rail transportations are critical to Metalloinvest. They ensure the smooth operation of supply chains within the Group and the delivery of products to our customers.

Globaltrans has successfully managed Metalloinvest's rail freight transportation requirements for more than seven years, transporting concentrate, pellets, briquettes, pig iron and steel both within Russia and outside it.

The Globaltrans team are all highly experienced industry experts with the deep knowledge and understanding of the rail industry. The company has established itself as a reliable partner, which is able to solve the most complex tasks, providing a high level of service."

MAGNITOGORSK IRON & STEEL WORKS

Sergey Nenashev,
Chief Commercial Officer,
PAO MMK

"Rail business is tightly bound with the steelmaking industry. Rail transport drives our success by linking MMK to vendors and customers and interconnecting our numerous subsidiaries within the MMK Group.

For the past seven years, Globaltrans has been responsible for transporting MMK's steel cargoes to our customers domestically as well as to our export destinations. Over this time, Globaltrans has performed as a trusted and efficient transportation partner. Their broad regional network and large up-to-date fleet ensure quick customer response and guarantee the level of service that we require at MMK."

GAZPROM NEFT

Alexander Nevsky,
Head of the Logistics and Transport,
Gazprom Neft

"At Gazprom Neft we have worked with Globaltrans since 2004. As our preferred transportation partner, their capabilities and expertise have, over many years, enabled us to deliver cargo to our customers efficiently and on schedule, and to address multiple other issues that arise during transportation.

The fact that Globaltrans provides block trains to underpin our transport arrangements is an indisputable advantage, ensuring the best possible delivery times for our cargo. We are very happy to continue our cooperation and we appreciate the premium service provided by the Globaltrans team."

TMK

Sergey Marchenko,
Deputy General Director for Procurement and Logistics, PAO TMK

"We are one of the world's leading producers of tubular products for the oil and gas industry, and our production sites and our customers' locations are scattered across a wide geographical area. So for TMK, being able to manage our cargo flow efficiently and access a guaranteed supply of rolling stock is a top priority.

Over the course of our cooperation, Globaltrans has frequently proved itself to be a highly professional and reliable transportation partner, providing us with rail freight services of the highest quality. We value Globaltrans' ability to provide its clients with an individually-tailored service that solves complex tasks fully and on time. The Group has helped us to enhance the efficiency of our logistics and maintain our transportation security."

CHELPIPE GROUP

Boris Kovalenkov,
General Director,
ChelPipe Group

"At ChelPipe Group we are one of the country's biggest producers of steel pipes, so we understand how important efficient logistics solutions are for our business.

We started our partnership with Globaltrans back in 2018, and we have been working closely with them ever since. Their logistics expertise has been instrumental in helping us improve our transportation planning and the accuracy of our transportation cost forecasting and has helped us to service our key production sites more efficiently. It also means that we can now achieve a high degree of adaptability around our internal processes and external transportation needs, enabling us to respond faster to an ever-changing market and economic environment."

500+ clients

Globaltrans has over 500 industrial clients in metals and mining, oil products and oil and construction sectors

66%

Share of Net Revenue from Operation of Rolling Stock contributed by service contracts

Largest clients

by share of Net Revenue from Operation of Rolling Stock, 2019 (including their affiliates and suppliers)

23%	Rosneft
21%	Metalloinvest
12%	MMK
5%	Gazprom Neft
3%	TAIF
3%	TMK
2%	UGMK-Trans
2%	Evraz
1%	Severstal
1%	ChelPipe
26%	Other (including small and medium enterprises)

Our Strategy

Vision

Our vision is to develop our position as a leading independent freight rail group with operations in Russia, Belarus, Ukraine, Kazakhstan and other countries and to be the partner of choice for blue-chip industrial customers.

Strategy

Our strategy is to grow our business by partnering with and offering cost-effective, reliable, and innovative freight transportation solutions to our clients.

Our ability to grow and compete successfully is supported by our business model that favours disciplined opportunistic growth, operational excellence, innovation, and strong capital discipline. Together these underpin our ability to create sustainable value for our shareholders, employees and other stakeholders.

Our independence, entrepreneurial spirit and extensive sector experience are central to delivering this strategy. Along with our sizeable modern fleet and advanced logistics platform, they form our key competitive advantages. By focusing on long-term outsourcing partnerships, we use our deep understanding of our clients' needs to improve our service quality whilst 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 such opportunities are unavailable. All growth opportunities, both organic and non-organic, are carefully screened against strict returns criteria. Retaining a strong balance sheet is fundamental for us, ensuring we can seize the right opportunities and still remain flexible to any changes in the business or market environment.

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 to excel in everything that we do

Prioritise safety

Acting safely and responsibly at all times is our number one priority

Respect people

We respect the rights of all employees and invest in their training and development

Uphold good governance

We aim to manage our business responsibly for the benefit of all stakeholders

Protect our environment

We value our communities and the world around us and treat them with the respect and consideration they deserve

Key financial results

Adjusted Revenue — RUB mln (+13%)

2019	68,840
2018	60,859
2017	52,094

Adjusted EBITDA — RUB mln (+20%)

2019	39,552
2018	33,070
2017	25,789

Adjusted EBITDA Margin — %

2019	57%
2018	54%
2017	50%

Net Debt to Adjusted EBITDA — year-end

2019	0.60
2018	0.56
2017	0.44

Total dividends — RUB per share/GDR[1] (+1%)

2019	93.10
2018	92.40
2017	89.65

Source: Globaltrans

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

Our History

Over 15 years of Growth and Leadership

Globaltrans grew out of the rail freight sector of the early 2000s in Russia and was the result of a merger in 2004 of two entrepreneurial-led businesses. Since then it has grown to become one of the leading freight rail transportation groups in Russia and the CIS. Through a combination of strong organic growth, targeted acquisitions, and opportunistic fleet expansion, we have created a profitable company with best-in-class capabilities.

The Group was the first freight rail group focused on Russia to list on an international stock exchange, floating on the London Stock Exchange in 2008. Since that Initial Public Offering (IPO), the Group has grown rapidly and we now operate a fleet that is three times larger than at the time of our IPO.

2004

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

2008 — >26 th units Total Fleet

- Successful IPO on the London Stock Exchange.
- Ukrainian subsidiary created and Estonian tank car leasing business acquired.

2009 — >37 th units Total Fleet

- Secondary Public Offering (SPO) to fund further business expansion.
- Acquisition of 50% stake in BaltTransServis[1], increasing the Group's presence in the oil products and oil sector.

2010 — >50 th units Total Fleet

- Organic expansion of the business – purchases of new rolling stock and the expansion of leased-in fleet.

2012

- Acquired Metalloinvesttrans, captive freight rail operator of Metalloinvest, a leading producer of hot briquetted iron (HBI), iron ore products and high-quality steel.
- Signed industry's first ever long-term outsourcing contract with Metalloinvest.
- Successful SPO to fund further business expansion.

2013

- Acquired MMK-Trans, the captive freight rail operator of MMK Group, one of the world's largest steel producers.
- Signed long-term outsourcing contract with MMK.
- Created single 24/7 gondola dispatching centre.

2014

- Group corporate structure simplified to drive efficiency and cut costs.
- Formed specialised SyntezRail subsidiary with partners to transport petrochemicals in tank containers.

2015

2016

- Extended long-term partnerships with Rosneft (five years) and with Metalloinvest (three years).

2017 — >66 th units Total Fleet

- Enhanced dividend policy introduced linking dividends to Attributable Free Cash Flow and Leverage Ratio.

2018 — >69 th units Total Fleet

- Group celebrated 10th anniversary of its Main Market listing on the London Stock Exchange.
- Partnership with MMK extended to end September 2020.
- Two new five-year contracts signed: with TMK, a leading global manufacturer and supplier of steel pipes for the oil and gas industry and; ChelPipe Group, a leading Russian manufacturer of pipe products and provider of integrated solutions for fuel and energy companies.

2019 — >70 th units Total Fleet

- Service contracts extended with MMK (to end September 2022) and Metalloinvest (to end 2020), in line with the Group's strategy to develop its outsourcing client partnerships.
- New three-year service contract (to end June 2022) signed with Gazprom Neft, a long-standing client of the Group.
- New service for the steel industry launched, transporting high-quality, rolled steel in specialised containers.

[1] Increased to 60% in 2011.

DIRECTORS' RESPONSIBILITY

Each of the Directors confirms that, to the best of his or her knowledge, the Strategic Report presented on pages **18** to **79** 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 Tolmachev
Director

CHAPTER 2

Strategic Report

Chairman's Statement

Sergey Maltsev

Chairman
Chief Strategy Officer
Co-founder and shareholder

RUB 16.6 bln

Total 2019 dividends, including interim, final and special

RUB 93.1

Total dividends per share/GDR in respect of 2019

Globaltrans enjoyed another successful year in 2019 with revenue, EBITDA and profitability all at record levels. The foundation for this result was a strong trading performance, which saw the Group growing business volumes ahead of the market, strengthening its Market Share, extending the portfolio of long-term partnerships and sealing important contract extensions.

Dear Shareholders,

The results were all the more pleasing as they were delivered in a period when the sector battled demand volatility and rail network bottlenecks caused by a number of ongoing major rail infrastructure expansion projects. As I have remarked before, moving freight cargo is a highly complex operation and we are experts at it, providing services that help our clients to improve their own performance whilst reducing their costs. Our performance in 2019 affirmed our position as one of the leaders in our industry and the partner of choice for our customers. These results also highlight that elusive factor, management excellence. The timely move to purchase additional rolling stock in 2018 meant the Group was able to drive greater volumes through the business without compromising service levels to our clients. At the same time management was again able to grow our business while keeping costs in check.

Our outsourcing contracts also continued to flourish and add value. We continued the implementation phase on two major contracts that we had signed in 2018 with TMK and Chelpipe Group. We also sealed contract extensions with two existing customers, MMK and Metalloinvest and signed a three-year service contract with Gazprom Neft, our long-standing client. When existing customers extend contracts, it is a welcome signal that we are meeting or exceeding expectations.

Board and governance

Strong governance is critical to the sustainable success of the Company and business. One of my key responsibilities as Chairman is to set the tone for the Group and ensure good governance. I consider that our Board is well balanced and, in terms of governance, functioning effectively. By maintaining high standards, we can enhance business performance and support value creation for our shareholders.

It was with great sadness that the Board learned of the death in May 2019 of Michael Zampelas, our Senior Independent Non-executive director and former Chairman. Michael joined the Board at the time of the IPO in 2008 and was Chairman for five years until 2018. He made an invaluable contribution to the Group's development, most notably during his time as Chairman. It was a privilege to know him and work alongside him and he will be greatly missed.

Dr. Johann Durrer took over as Senior Independent Director in May 2019 and in September 2019, Vasilis Hadjivassiliou, formerly a partner of PricewaterhouseCoopers, Cyprus, was elected to the Board as an Independent Non-executive Director. I welcome Vasilis to the Board and I look forward to working with him.

Companies today are judged by their trustworthiness and openness as much as by their financial results. We devote considerable time to our investor communications to ensure that our business is properly understood and there is clarity around our strategy and objectives. It is therefore a source of pride that our efforts have been publicly recognised by investors. In 2019, the Company earned the distinction of being named a "Most Honoured Company" in the Institutional Investor 2019 Emerging EMEA Executive team rankings. The Group was awarded top rankings in the transportation sector for its CEO and CFO, and for its investor relations programme.

Further details on our governance structures and processes are set out in our **Corporate Governance Report** on pages **88** to **95**

Overview
Strategic Report
Governance
Financial Statements
Additional Information

Industry fundamentals

Russia's future economic prosperity remains inextricably linked to the health of its rail network, which accounts for about 87% of all non-pipeline freight turnover. Rail freight has been one of the great success stories of deregulation in Russia and as we enter a new decade, the long-term prospects for the sector remain attractive.

Looking ahead, as the economy seeks to pivot towards Asia, the need for reliable freight rail transportation becomes even more pressing. The provision of adequate freight carrying capacity on the rail network to respond to demand will be a key enabler for further growth. Without greater capacity, Russia will struggle to accommodate the expected growth in commodity flows to Asia. In response, the government and JSC "Russian Railways" (RZD) have been steadily upgrading the carrying capacity of the rail network, focusing particularly on expanding the network's Far Eastern routes. The companies that stand most to gain from these initiatives will be those rail operators that, like Globaltrans, have the management expertise, the client relationships and the fleet and logistics capabilities to successfully handle greater freight volumes.

In the short-term, the industry faces a challenging time, made more difficult by the ongoing spread of COVID-19 (coronavirus). The markets we serve are predicted to remain volatile, and as rail freight services operate in response to customer and supply chain demands, this is likely to make the task of planning freight services rather challenging. However as our performance in 2019 has again shown, Globaltrans has all the experience and expertise needed to navigate difficult conditions.

More details of the Group's progress in sustainable development are contained in our **Sustainability** section on pages 70 to 79

Sustainability

Freight rail also has a positive story to tell with regard to sustainability and climate change. On average, trains are more fuel efficient than trucks. That means that moving freight by rail instead of by road can contribute less to greenhouse gas emission. Investment in new infrastructure and next-generation technology should help to further the sector's green credentials.

At Globaltrans, our goal is to lead the way in moving freight in an environmentally responsible way. We recognise our operations have an impact on the environment and we are working to reduce our carbon footprint and help our customers do the same.

Capital allocation and dividends

We recognise the importance our shareholders attach to receiving a reliable dividend stream. This was made clear in our dividend policy introduced in 2017 that stated that any excess capital not required for the expansion of the business would be returned to shareholders, subject to Leverage Ratio. And we have done just that, paying solid dividends enabled by our robust Free Cash Flow generation.

In 2019, our strong results and low leverage enabled us again to reward our shareholders with an attractive dividend for the year. Total 2019 dividends, including interim, final and special, amounted to RUB 16.6 billion, equivalent to RUB 93.1 per share/GDR, slightly ahead of the previous year and equivalent to about 152% of the Group's Attributable Free Cash Flow.

The Board is targeting a total interim dividend, including a special dividend, of about RUB 8.3 billion in respect of the first half of 2020, which reflects our confidence in the business and its future prospects.

Summary

2019 was a good year for Globaltrans and, on behalf of the Board, I would like to thank all our colleagues for their hard work and effort.

The Group enjoys a leading competitive position in its markets underpinned by a proven business model. We have a clear strategy to achieve sustainable value growth over time and a strong Board and Executive team to implement it.

The Board is closely monitoring the rapidly evolving COVID-19 outbreak. Our focus is on ensuring the safety of our employees and supporting our customers. We are fortunate to have a highly skilled management team in place who have successfully steered our Company through market volatility before and we remain confident they will do so again.

Sergey Maltsev
Chairman
Chief Strategy Officer
Co-founder and shareholder

Our Approach to Dividends

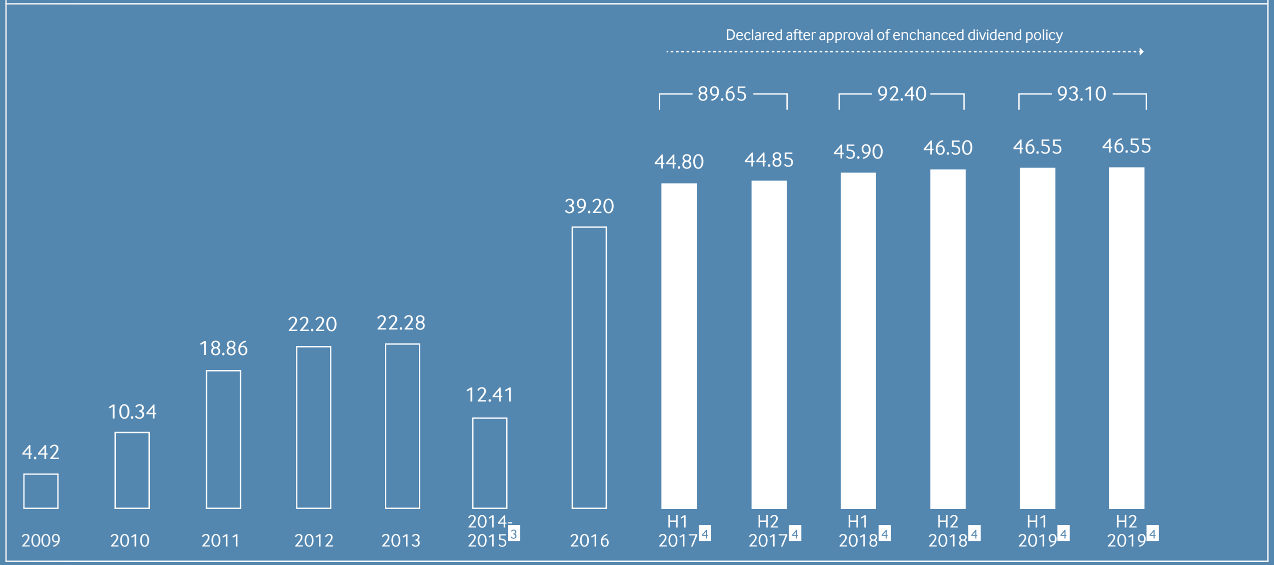
The Group's dividend policy strikes a balance between investing in business expansion and delivering returns to shareholders. This means:

- With a focus 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; and
- Having a clear formula linking dividends to Attributable Free Cash Flow and Leverage Ratio[1] providing flexibility and transparency in capital allocation.

Leverage Ratio	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%
2.0x or higher	0% or more

To view the dividend policy, please visit our corporate website **www.globaltrans.com**.

Dividend history, RUB per share/GDR, in respect of related financial year/period[2]



1 The Board of Directors of Globaltrans reserves the right to recommend to the general meeting of shareholders the dividend 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.

CEO Review

Valery Shpakov

Chief Executive Officer

RUB39.6bln

Adjusted EBITDA

57%

Adjusted EBITDA Margin

2019 was another excellent year for Globaltrans with record financial results and continued operational efficiency. In the face of a mixed freight rail market, we delivered strong momentum in our own business, successfully executing against our objectives, securing new outsourcing contract along with important existing contract extensions and maintaining our track record of profitable growth.

Dear Shareholders,

We were able to grow volumes, increase our Market Share and significantly expand our presence in the specialised container freight segment. These results provide further validation of our business model with its focus on operational excellence, client service, careful cost management and prudent capital allocation.

Results highlights

We delivered a record set of financial results in 2019. This was a great achievement, particularly when set against the mixed market conditions and record prior year comparators.

Adjusted Revenue increased 13% year on year to RUB 68.8 billion, supported by solid performance from both our gondola and tank car operations. As usual, we were able to deploy our entire fleet, including 2.5 thousand units purchased in 2019.

By efficiently leveraging our operating platform, we were able to deliver solid growth in Transportation Volumes of 3.5%. Along with strong pricing, this drove our revenue growth, which we are pleased to say, again outpaced the increase in our costs.

Adjusted EBITDA was up 20% year on year to a record RUB 39.6 billion with Profit for the year 16% higher at RUB 22.7 billion. We further expanded our margin in 2019 with our Adjusted EBITDA Margin increasing to 57% from 54% in the prior year. We kept costs well managed, restricting the increase in Total Operating Cash Costs to just 5% despite underlying inflationary pressures.

Operating cash flows before working capital were also strongly ahead during the year up 19% year on year to RUB 39.5 billion.

Free Cash Flow remained solid at RUB 12.8 billion, up 4% compared to the prior year, despite higher CAPEX for the period and a partial one-off build-up of working capital. The higher CAPEX figure was mostly due to greater than anticipated capital expenditure on maintenance, caused by speculative cost inflation in certain replacement spare parts.

The financial profile of the Group remained robust. Net Debt increased but leverage remained at very conservative levels, with the Net Debt to Adjusted EBITDA ratio at 0.60 times broadly in line with the prior year.

On the back of this strong performance, we were able to slightly increase the level of distributable total dividends in 2019 (including interim, final and special) to RUB 93.1 per share/GDR (2018: RUB 92.4 per share/GDR).

Our markets

The performance of the freight rail industry was mixed in 2019. After several years of growth, the total volume of rail freight moved in Russia fell by 0.9% year on year. Performance varied somewhat across the main cargo categories. In the non-oil (bulk) cargo sector, overall volumes were fairly stable with just a 0.7% decline year on year. Coal volumes (including coke) fell 1% year on year with global coal price weakness affecting rail volumes. In the metallurgical segment (including ferrous metals, scrap metal and ores) volumes also saw a drop of 1% year on year, with pressure in ferrous metals partially offset by solid iron ore shipments. However, construction materials fared better posting a slight increase in volumes for the period, up 1% year on year. Overall freight rail volumes in the oil products and oil segment dropped 2% year on year largely on the back of scheduled repair and maintenance works at some refineries and a decrease in heavy fuel oil volumes combined with the launch of new pipelines.

Overall growth in freight rail turnover (measured in tonnes-km) was broadly flat, rising 0.2% year on year. It should be noted that the industry has enjoyed a period of very strong growth over the last few years, and the freight rail turnover figure for 2019 still represents a five-year high for the industry.

The overall pricing environment in 2019 was largely favourable. In the gondola segment of the market, rates were generally healthy, supported by stable volumes. There was however, increasing pressure on pricing during the second half of the year largely reflecting an oversupply of new gondolas combined with volatility in demand. In contrast, the tank segment experienced healthy pricing conditions, supported by balanced supply and demand.

Our performance

Operationally, it was a challenging year for the Company, as we had to manage a decrease in average speeds on the overall network and a substantial shift in the logistics patterns of our key clients. The first was largely caused by a number of major rail infrastructure renewal and extension projects that affected network operations.

At Globaltrans we are well versed in managing our business in adverse conditions and we again managed to outperform the overall market, growing our Transportation Volumes 3.5% year on year, against a market that fell by 0.9%. Our volumes grew both in our bulk cargo segment, which improved by 3% year on year, and in the oil products and oil segment which grew 6% year on year. The Group's Freight Rail Turnover also increased, advancing 0.6% year on year. Notably we also strengthened our Market Share which rose to 7.8% from 7.4% in the previous year.

Having completed a major rebalancing of the fleet in 2018 by replacing leased-in gondolas with owned units, we reaped the benefit of the additional capacity we had added to our gondola fleet. We were able to quickly deploy all of the additional units into service, meaning we could meet our existing commitments and support the start of the ramp-up in operations for two major service contracts we signed in 2018 with TMK and ChelPipe Group.

We continued to develop our outsourcing strategy, signing a new three-year service contract with Gazprom Neft, a long-standing client that contributed 5% of the Group's 2019 Net Revenue from Operation of Rolling Stock. In addition, we secured two important contract extensions with major customers.

Our service contract with MMK was extended until the end of September 2022, while Metalloinvest extended its agreement through to the end of 2020. In both cases, the contracts stipulate that Globaltrans will transport at least 70% of each company's rail freight. Outsourcing contracts are a central feature of our operating model and securing large, long-term, contracted volumes provides a solid level of protection in difficult markets, underpinning our revenues. Outsourcing contracts accounted for 66% of the Group's Net Revenue from Operation of Rolling Stock in 2019.

Despite second half headwinds in the gondola segment, we achieved further solid growth in pricing in 2019 with the Group's Average Price per Trip up 9% year on year, supported by our superior logistics capabilities and the quality of our service offer to clients.

We were able to adapt to and profit from the shift in client logistics patterns seen during the year because of the size and flexibility of our operating platform. Predictably, the volatility in logistics patterns had an impact on our ability to efficiently manage Empty Runs. Consequently, there was a rise in our gondola Empty Run Ratio which increased to 42% from 38% in 2018, and yet is still one of the lowest in our industry.

At Globaltrans we are well versed in managing our business in adverse conditions and we again managed to outperform the overall market, growing our Transportation Volumes 3.5% year on year, against the market that fell by 0.9%.

Capital expenditure

We have a very clear policy about capital allocation: all investments must meet strict returns criteria in keeping with our aim of delivering sustainable value growth through the cycle. Total CAPEX, including maintenance CAPEX, amounted to RUB 14.0 billion, 9% higher than the previous year which, as I mentioned, was largely due to higher than anticipated maintenance capital expenditure (up from RUB 3.5 billion* in 2018 to RUB 6.9 billion*) related to speculative price rises for certain spare parts. As anticipated, the expansion CAPEX was moderate, a decline from RUB 9.4 billion* in 2018 to RUB 7.1 billion*.

The bulk of our expansion investment in 2019 was to support the further growth of our SyntezRail subsidiary. SyntezRail, which celebrated its fifth anniversary in 2019, operates about 4.9 thousand units (including specialised containers and flat cars) for clients involved in the petrochemical, metallurgical and industrial sectors. SyntezRail's range of specialist transport solutions is expanding; in 2019, a new service for the steel industry was launched, transporting high-quality, rolled steel in specialised containers. This has been well received by clients, and we plan to expand our presence in this niche. Net Revenue from Specialised Container Transportation increased 45% year on year in 2019, contributing 2% of the Group's Adjusted Revenue.

We also strengthened our tank operations, where we now operate our own fleet of 75 locomotives. We made a one-off purchase of ten brand-new, efficient mainline locomotives as part of our drive to modernise our locomotive fleet. Our rail tank customers want faster, better and more reliable services. The addition of these locomotives to our fleet will help achieve that, improving reliability, reducing repair and maintenance costs, increasing fuel efficiency and reducing emissions.

In total, we acquired 2,502 units over 2019, including 700 flat cars and 1,154 specialised container units. We also acquired 638 gondolas alongside ten locomotives.

Outlook

The market has got off to a mixed start in 2020, as the issues that weighed on the industry in 2019, namely pricing pressure in the gondola segment and volatile demand in bulk cargoes, look set to persist. In light of this, our planned expansion CAPEX needs for this year are modest, which will result in a sizeable cut in our overall investment spend in 2020. We are budgeting for a small incremental addition of fewer than 1,000 units, primarily for our niche operations, and consisting mainly of flat cars and specialised container units.

We are closely monitoring the potential economic impact of COVID-19 (coronavirus) on the freight rail transport sector and our business. Our primary concern is the welfare of our staff and appropriate measures are in place to ensure their health and safety. We are also working hard to mitigate the potential impact on our operations and those of our clients, however at this stage it remains difficult to assess the operational and financial impact of COVID-19 on the Group.

While the market environment has become more difficult, and COVID-19 is now an additional factor generating uncertainty, our proven business model and entrepreneurial can-do culture give me confidence that we are well placed to navigate the current volatility and deliver another year of progress on our plans. Our approach to capital allocation remains unchanged and, as our actions prove, we continue to prioritise our shareholders by returning excess capital to them in the form of a reliable dividend stream.

Valery Shpakov
Chief Executive Officer

Market Review

Russia's rail network at a glance

17.6 mln
Russia covers 17 million square kilometres, which is more than 10% of the Earth's land mass

10,000 km
Served from east to west

4,000 km
Served from north to south

85,500 km
Third-longest rail track in the world

87%
of the country's overall freight turnover, excluding pipeline traffic, travels by rail

2.6 tn
Overall freight rail turnover in 2019 (tonnes-km)

1.3 bln
Freight transported in 2019 (tonnes)

1.2 mln
Number of freight railcars operating at the end of 2019

Rail network is fundamental to Russia's economic prosperity

Russia's rail network, at over 85,500 km of track is the third largest in the world and is the backbone of the country's economy, accounting for about 87% of the country's overall freight turnover. Russia's huge territory – over 10% of the world's land mass – and large reserves of natural resources means that a functioning rail network has long been fundamental to the country's prosperity. It helps bind the country's regions together, connects businesses to markets and is the bridge that links Russia to the global economy.

Over 2.6 trillion tonnes-km a year, around 1.3 billion tonnes of freight cargo, is carried on the network annually. Freight rail volumes consist largely of commodities such as coal, oil products and oil, metals, ores and construction materials.

Russia's rolling stock fleet as at year-end 2019 totalled 1.2 million units. Gondola cars that are used to carry a wide variety of cargoes including metals, ores, crushed stone, coal and timber accounted for just under half of the total railcar fleet, 48%, or 557 thousand units.

Tank cars, used mainly to transport oil products and oil, are the second most common type of railcar in Russia and accounted for about 21% of the fleet (or 247 thousand units) as at year-end 2019. The remaining 31% of the fleet consists of other types of rolling stock including flat cars, which are mainly used to ship containers, and hopper cars that transport a variety of specialised cargoes such as fertilisers, cement and grain.

1.3 bln tonnes

of freight cargo is carried on the network annually

Deregulation has transformed the freight rail market

Market reforms, first introduced in 2001 to attract private investment and encourage competition in the freight transportation, have helped to transform the sector, modernising working practices, increasing efficiency, and improving the economics of the industry.

The market environment continues to evolve with private freight rail operators significantly expanding their fleets. Private freight rail operators represented almost 85% of all Russian railcars in 2019, up from about 30% at the end of 2005.

While the Russian state railway company JSC Russian Railways (RZD) retains its monopoly over rail track infrastructure, and remains the largest provider of locomotive traction services, third-party rail operators are free to access the rail network on an equal basis. The pricing for rail freight services is also deregulated with the exception of those elements that are provided by RZD (such as infrastructure and locomotive traction for loaded and empty trips).

85%

Share of private freight rail operators

Russia's freight rail turnover, 2015–2019 — billion tonnes-km +0.2%

2019	2,602
2018	2,597
2017	2,493
2016	2,344
2015	2,306

Source: Rosstat

Russia's freight rail transportation volumes, 2015–2019 — million tonnes −0.9%

2019	1,279
2018	1,292
2017	1,266
2016	1,227
2015	1,218

Source: Rosstat

+0.2%

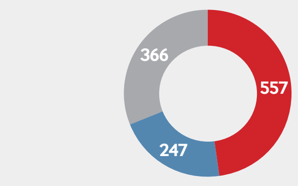
Russia's freight rail turnover growth

Total Russia's railcar fleet at year-end, 2015–2019 — thousand units +5%

2019	1,170
2018	1,113
2017	1,078
2016	1,073
2015	1,151

Source: RZD, Company estimations

Total Russia's railcar fleet by car type, at the end of 2019 — thousand units



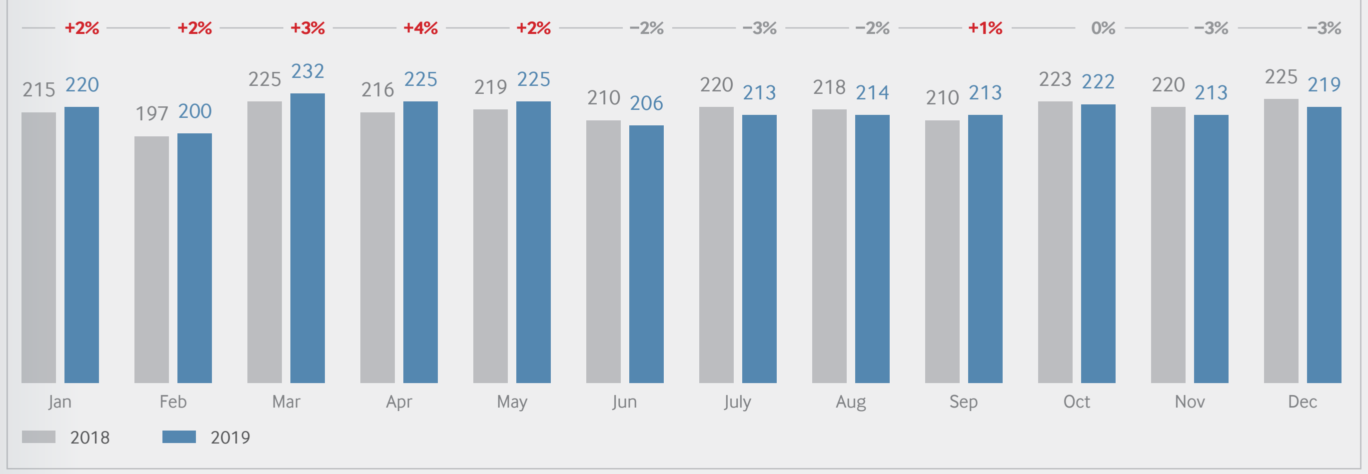
48% Gondola cars
21% Tank cars
31% Other railcars

Source: RZD, Company estimations

1,170 th units

Total Russia's railcar fleet

Russia's monthly freight rail turnover, 2018–2019 — billion tonnes-km



Source: Rosstat

The market in 2019

Overall industry demand in 2019 remained solid despite unsupportive and volatile macro-economic conditions. Although industrial production in Russia increased 2.4% year on year, progress was uneven with considerable volatility being seen on a monthly basis. Added to this, a number of industries endured difficult trading conditions caused by volatile end markets which in turn put additional pressure on demand.

The freight rail industry recorded a slight rise in freight rail turnover in 2019, up 0.2% year on year to 2,602 billion tonnes-km. While transportation volumes nudged down slightly, this was compensated by an increase in average distances travelled. Freight transportation volumes fell by 0.9% year on year to 1,279 million tonnes, reflecting volatility in demand across different segments through the year.

Average speeds across the rail network continued to decline in 2019 impacted by ongoing large infrastructure projects aimed at removing bottlenecks in parts of the rail network and expanding the rail network eastwards as part of the government's commitment to support greater volumes of exports to Asian markets.

Non-oil (bulk) cargo segment

In the non-oil (bulk) cargo segment, performance was muted with the sector recording a slight fall in volumes of 0.7% year on year. This decline reflected demand volatility in a number of key commodities including coal and metals.

Coal (including coke) was the largest cargo segment, making up about 30% of Russia's overall freight volumes in 2019. Coal volumes dipped slightly, falling 1% year on year, as a decline in domestic demand due to milder winter weather more than offset a slight increase in thermal coal export volumes.

Metallurgical cargo volumes (including ferrous metals, scrap metal and ores) were also slightly down declining 1% year on year. Volume patterns differed markedly by cargo: iron ore volumes grew 3% year on year driven by favorable global demand trends and pricing whereas ferrous metal volumes were impacted by lower export demand only partially offset by solid domestic demand and fell 6% year on year. This segment accounted for 18% of overall Russian freight rail volumes in 2019.

In the construction materials segment, volumes grew in line with the level of overall construction activity in the economy, with volumes up 1% year on year.

Within the gondola segment, pricing conditions were generally solid over the first part of the year but started to deteriorate during the second half of 2019 reflecting largely volatility in demand in a number of cargo segments.

Oil products and oil segment

The oil products and oil transport segment recorded a volume decline of 2% year on year. This largely reflected the impact of scheduled repair and maintenance works at a number of refineries over the summer months, a decrease in heavy fuel oil volumes combined with launch of new pipelines. The pricing environment in the tank segment remained healthy during 2019 on the back of favorable supply and demand dynamics. This segment accounted for 18% of overall Russian freight rail volumes in 2019.

2,602
bln tonnes-km

Russia's freight rail turnover

Russia's freight rail transportation volumes by cargo, 2015–2019 — million tonnes

Coal (including coke)	−1%
2019	383
2018	386
2017	373
2016	343
2015	336

Source: Rosstat

Oil products and oil	−2%
2019	232
2018	237
2017	236
2016	236
2015	251

Source: Rosstat

Metallurgical cargoes (including ferrous metals, scrap metal and ores)	−1%
2019	228
2018	231
2017	219
2016	217
2015	216

Source: Rosstat

Construction materials (including cement)	+1%
2019	150
2018	149
2017	160
2016	168
2015	160

Source: Rosstat

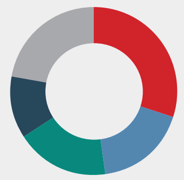
30%

Coal (including coke) was the largest cargo segment

18%

Share of metallurgical cargo in overall Russian freight rail volumes

Breakdown of Russia's freight rail transportation volumes by cargo, 2019



- **30%** Coal (including coke)
- **18%** Oil products and oil
- **18%** Metallurgical cargoes (including ferrous metals, scrap metal, ores)
- **12%** Construction materials (including cement)
- **22%** Other

1,279
mln tonnes

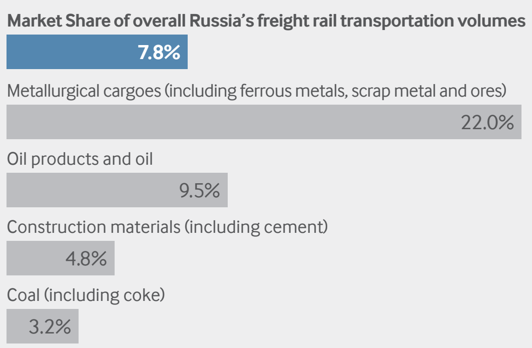
Russia's freight rail transportation volumes

Source: Rosstat

Operational Performance

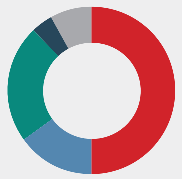
Globaltrans produced a solid operational performance in 2019 driven by its superior service offering, strong operating platform and large outsourcing contracts. The Group outperformed the broader market, growing its volumes ahead of market and increasing its Market Share. Furthermore, Globaltrans signed a new long-term contract and secured other important contract extensions, whilst maintaining an Empty Run Ratio at industry-leading levels and improving its Average Price per Trip.

Globaltrans' Market Share of overall Russia's freight rail transportation volumes by cargo, 2019



Source: Globaltrans, Rosstat

Breakdown of Globaltrans' Freight Rail Turnover by cargo, 2019



- 50% Metallurgical cargoes (including ferrous metals, scrap metal and iron ore)
- 15% Oil products and oil
- 23% Coal (including coke)
- 4% Construction materials (including cement)
- 8% Other

Source: Globaltrans

Key operational information, 2018–2019

	2018	2019	Change
Freight Rail Turnover, billion tonnes-km (excluding Engaged Fleet)	146.2	147.1	0.6%
Transportation Volume, million tonnes (excluding Engaged Fleet)	88.5	91.6	3.5%
Average Price per Trip, RUB	41,950	45,807	9%
Average Rolling Stock Operated, units	53,562	56,845	6%
Average Distance of Loaded Trip, km	1,644	1,591	-3%
Average Number of Loaded Trips per Railcar	25.6	25.0	-3%
Total Empty Run Ratio, %	46%	49%	–
Empty Run Ratio for gondola cars, %	38%	42%	–
Share of Empty Run kms paid by Globaltrans	89%	89%	–
Total Fleet, units (year-end)	69,023	70,720	2%
— Owned Fleet, units (year-end)	65,405	67,669	3%
— Leased-in Fleet, units (year-end)	3,618	3,051	-16%
Leased-out Fleet (year-end)	7,627	6,842	-10%
Average age of Owned Fleet (year-end)	11.0	11.5	–
Total headcount (year-end)	1,549	1,640	6%

Source: Globaltrans

Market outperformance in Transportation Volumes[1] (up 3.5% year on year compared to the overall Russian market decline of 0.9% year on year).

- Market Share increased to 7.8% (2018: 7.4%).
- Volumes grew in the segments for bulk (up 3% year on year) and oil products and oil (up 6% year on year).
- Freight Rail Turnover[1] increased 0.6% year on year mainly reflecting a 3% year-on-year decline in Average Distance of Loaded Trip on the back of changed client logistics.
- Average Number of Loaded Trips per Railcar decreased 3% year on year primarily due to changed client logistics and a deterioration in average speeds on the Russian Railways rail network, caused mainly by ongoing major rail infrastructure modernisation projects.

Strong pricing maintained with Average Price per Trip up 9% year on year.

- Broadly stable Average Price per Trip in the second half of 2019, despite headwinds in the gondola segment and supported by healthy pricing in tank cars.

Total Fleet increased 2% to 70,720 units with the share of Owned Fleet at 96%.

- Limited acquisitions in 2019 with 2,502 units delivered in the year, driving Owned Fleet to 67,669 units[2].
- Leased-in Fleet reduced 16% compared to the end of 2018 to 3,051 units (mostly tank cars).
- Average Rolling Stock Operated was up 6% year on year to 56,845 units.

New long-term contract secured with Gazprom Neft, major service contracts extended. Service contracts contributed 66% of the Group's Net Revenue from Operation of Rolling Stock.

- New three-year service contract to the end of June 2022 signed with Gazprom Neft, a long-standing client that contributed 5% of the Group's 2019 Net Revenue from Operation of Rolling Stock.
- MMK service contract extended until the end of September 2022; Globaltrans will continue to transport at least 70% of MMK's rail freight.
- Metalloinvest service contract extended until the end of 2020; Globaltrans will transport at least 70% of Metalloinvest's rail freight, providing both parties with flexibility and aligning the contract with general market practice.
- Volumes serviced under the contract with TMK increased to a minimum of 75%.
- Net Revenue from Operation of Rolling Stock from new five-year contracts signed with TMK and ChelPipe Group in 2018 was up 60% year on year.

Operational excellence maintained despite volatility in clients' logistics.

- Substantial shift in clients' logistics patterns drove anticipated increase in Empty Run Ratio for gondola cars in the first half of 2019, which remained stable thereafter.
- As anticipated, the Empty Run Ratio for gondola cars increased to 42% (2018: 38%) yet remained one of the lowest on the Russian market.
- Total Empty Run Ratio (for all types of rolling stock) rose to 49% (2018: 46%).
- Share of Empty Run Kilometers paid by Globaltrans remained stable year on year at 89%.

[1] Excluding Engaged Fleet. The Group's Transportation Volumes and Freight Rail Turnover including Engaged Fleet were up 3.5% and 1.7% year on year respectively.

[2] In 2019 the Group took delivery of 2,502 units (including 1,154 specialised containers, 700 flat cars, 638 gondola cars and 10 locomotives) and disposed of 238 units (mostly tank and flat cars).

Market outperformance and Market Share gains

The Group grew its Transportation Volumes 3.5% year on year to 91.6 million tonnes compared to the overall Russian freight market where transportation volumes shrank 0.9% over the same period. Core cargo segments showed strong momentum, with the bulk cargo and oil products and oil segments reporting volumes ahead by 3% and 6% year on year respectively.

The Group's Freight Rail Turnover was slightly higher at 147.1 billion tonnes-km, an increase of 0.6% year on year, as changes to customer transport patterns resulted in shorter average journeys.

The key operational metrics including Engaged Fleet also increased with Transportation Volumes and Freight Rail Turnover up 3.5% and 1.7% year on year respectively.

The Group strengthened its Market Share of the overall industry transportation volumes to 7.8% compared to 7.4% in the previous year.

Asset utilisation was strong, with the Globaltrans fleet fully deployed in operations in 2019. As a result, the Average Rolling Stock Operated by the Group increased 6% year on year to 56,845 units in 2019 from 53,562 in 2018.

Average Number of Loaded Trips per Railcar declined 3% year on year to 25.0 trips per annum. This reflected volatility in client logistics and a decrease in average speeds on the RZD rail network; the result of ongoing major rail infrastructure expansion projects whose objective is to expand the network's freight-carrying capacity to the Russian Far East regions. The Average Distance of Loaded Trips also decreased, down 3% year on year.

Bulk cargo segment

The bulk cargo segment, which covers main cargo categories such as coal, metals and construction materials, is the backbone of the Group's freight operations. In 2019, the segment contributed about 85% of the Group's total Freight Rail Turnover and 76% of Transportation Volumes.

The Group's bulk cargo volumes grew 3% year on year to reach 69.7 million tonnes, outperforming the market, which saw a decrease in bulk cargo (non-oil) volumes of about 0.7% year on year. Solid volume gains in the coal and construction segments were partially offset by modest declines recorded in transport volumes in the metallurgical segment. The Group's Freight Rail Turnover in this segment was stable, in line with the previous year.

Metallurgical cargoes (including ferrous metals, scrap metal and iron ore) remain the Group's largest individual operating category.

+3%

Year-on-year increase in the Group's bulk cargo volumes

Globaltrans' Freight Rail Turnover, 2018–2019 (billion tonnes-km)

	2018	2019	Change
Metallurgical cargoes (including ferrous metal, scrap metal and iron ore)	79.0	73.1	-7%
Oil products and oil	21.2	22.0	4%
Coal (including coke)	29.5	33.8	14%
Construction materials (including cement)	5.8	6.3	10%
Other	10.7	11.8	11%
TOTAL	**146.2**	**147.1**	**0.6%**

Source: Globaltrans

Globaltrans has a strong presence in this segment through its large outsourcing contracts with major customers, with the Group servicing the majority of their freight transport requirements. Globaltrans held a 22% Market Share in the segment in 2019 and accounted for 48% of the Group's Transportation Volumes in the reporting year. In 2019, the Group's Transportation Volumes declined 3% year on year to 43.9 million tonnes in this category, the result of volumes volatility for ferrous metals, which was only partially offset by a rise in iron ore shipments. The Group's Freight Rail Turnover in this segment declined 7% year on year.

The Group's performance in the coal segment (including thermal and coking coal) was strong in 2019, with coal volumes up 19% year on year, with 11.4 million tonnes transported by the Group. As a category, coal made up 12% of the Group's Transportation Volumes in 2019. The Group's Market Share in this segment was 3.2% with Freight Rail Turnover from the segment up 14% year on year.

In the construction materials segment (including cement), the Group also grew its Transportation Volumes, increasing them 11% year on year to 7.1 million tonnes. In 2019, the construction materials segment contributed 8% of the Group's Transportation Volumes, and the Group held a 4.8% Market Share. Freight Rail Turnover in this segment was up 10% year on year.

Globaltrans is also involved in the transportation of other bulk cargoes. This category includes non-ferrous ores, slags, timber and others. The Group's combined transportation volumes from these cargoes increased 8% year on year to 7.3 million tonnes. The Group's Freight Rail Turnover generated by other cargoes increased 11% year on year.

Because of the size of Russia, construction sites tend to be widely dispersed. Consequently, construction materials and other bulk cargoes are key shipments for gondolas travelling on return routes thus helping to minimise the incidence of Empty Runs.

Oil products and oil

In the oil products and oil segment Globaltrans provides transportation services to several major oil companies and a number of small and medium-sized players. In 2019, the Group's Transportation Volumes in this segment grew 6% year on year to reach 21.9 million tonnes, significantly outperforming the market which declined by 2% year on year. Volume growth was supported by an increase in the tank fleet in operation as some leased out units were switched and put into operation for the Group.

On certain routes the Group runs block trains for clients, consisting exclusively of company-operated tank cars and locomotives. This is a customised service for clients that results in faster, more reliable cargo shipments for them. Globaltrans had a 9.5% Market Share in this segment in 2019.

+6%

Year-on-year increase in the Group's oil products and oil volumes

Globaltrans' Transportation Volume, 2018–2019 (million tonnes)

	2018	2019	Change
Metallurgical cargoes (including ferrous metal, scrap metal and iron ore)	45.0	43.9	-3%
Oil products and oil	20.7	21.9	6%
Coal (including coke)	9.6	11.4	19%
Construction materials (including cement)	6.4	7.1	11%
Other	6.8	7.3	8%
TOTAL	**88.5**	**91.6**	**3.5%**

Source: Globaltrans

Operational excellence maintained despite volatility in clients' logistics

Operational excellence, continuously improving the business performance day by day, is part of the DNA of a high performance logistics business like Globaltrans. The Group has consistently proved itself one of the industry's most reliable operators by leveraging its in-depth understanding of customers' transport patterns and supply chains, providing its customer with sophisticated logistics solutions, and remaining highly efficient.

High productivity demands efficient management of routes and careful matching of inbound and outbound freight. The Empty Run Ratio is one of the Group's key operational metrics used to measure the efficiency of its logistics. Converting Empty Runs into loaded shipments increases revenue, as more cargo can be carried, and reduces costs, as rolling stock units travel empty less often.

2019 saw a substantial change in the logistics patterns of a number of key customers. Due to its powerful operating platform, the Group was able to quickly adapt to the changed circumstances whilst retaining its high levels of productivity and client service. The resulting dislocation to logistics patterns caused the Group's gondola Empty Run Ratio to increase to 42% from 38% in the previous year. Despite this, Globaltrans' gondola Empty Run Ratio in 2019 remained among the lowest in the Russian market. As a result, the Group's Total Empty Run Ratio, which encompasses its entire rolling stock, increased to 49% from 46% in 2018. However, the share of Empty Run Kilometres paid by Globaltrans held steady at 89%.

Globaltrans' Total Empty Run Ratio
(for all types of rolling stock, 2015–2019)

2019	49%
2018	46%
2017	45%
2016	48%
2015	51%

Source: Globaltrans

Globaltrans' Empty Run Ratio
(for gondola cars, 2015–2019)

2019	42%
2018	38%
2017	37%
2016	38%
2015	39%

42%

The Group's gondola Empty Run Ratio

Strong pricing maintained

The Group benefitted from a supportive pricing environment for most of the reporting year; this reflected healthy demand for the Group's services in both its gondola and tank segments. The Group's differentiated customer proposition, based on its best-in-class service offering and sophisticated operating model, helped drive a 9% year on year increase in the Average Price per Trip to RUB 45,807, even though the bulk cargo segment experienced some pricing pressure in the second half of the year.

The combination of rising business volumes and strong pricing drove growth in revenues, with the Group growing its Net Revenue from Operation of Rolling Stock by 13% year on year to RUB 64,994 million*. Net revenue increases were recorded in all of the Group's business segments with net revenue in bulk cargo rising 15% year on year, while in the oil products and oil segments revenues were up 9% year on year.

+13%

year-on-year increase in Net Revenue from Operation of Rolling Stock

New long-term contract secured with Gazprom Neft, other major service contracts extended

Globaltrans continues to pursue its strategy of long-term client partnerships which the Group pioneered in 2012. The Company's wide geographical presence, modern asset base and reputation for operational excellence makes it an attractive long-term strategic partner for companies that require specialist, freight solutions. The integrated partnership model creates a win-win for both the client and Globaltrans. The client benefits from reduced freight costs and greater operational flexibility, while for Globaltrans such contracts secure predictable volumes, enabling efficient logistics and driving efficient long-term deployment of assets.

In 2019, the Group secured a new three-year service contract to the end of June 2022 with Gazprom Neft, a long-standing client of the Group.

As a result, Globaltrans has established outsourcing partnerships with six leading Russian blue-chip companies: Metalloinvest, MMK, TMK and ChelPipe Group in the metallurgical industry and Rosneft and Gazprom Neft in the oil products and oil sector. This outsourcing client portfolio contributed 66% of the Group's Net Revenue from Operation of Rolling Stock in 2019. The Group also works with other well-respected companies such as TAIF, UGMK-Trans, Evraz and Severstal. The Group provides freight services to a total of over 500 businesses in Russia, Belarus, Ukraine, Kazakhstan and other countries.

In 2019, a key focus for the Group was the efficient ramp-up in operations to support the two new five-year service contracts with TMK and ChelPipe Group, signed in 2018.

As a result, there was a substantial expansion in the Group's business volumes with Net Revenue from Operation of Rolling Stock related to these service contracts up 60% year on year.

In addition, the Group signed important contract extensions with two of its major metallurgical customers, MMK and Metalloinvest. The MMK contract was extended until the end of September 2022, with Globaltrans contracting to carry at least 70% of the client's rail freight. The Group also renewed its contract with Metalloinvest, which was prolonged until the end of 2020, ensuring Globaltrans will transport at least 70% of Metalloinvest's freight rail needs, providing both parties with flexibility and aligning the contract with general market practice.

Breakdown of Globaltrans' Net Revenue from Operation of Rolling Stock by largest clients, 2018–2019 (including their affiliates and suppliers)

	2018	2019
Rosneft	23%	23%
Metalloinvest	17%	21%
MMK	16%	12%
Gazprom Neft	5%	5%
TAIF	3%	3%
TMK	2%	3%
UGMK-Trans	2%	2%
Evraz	4%	2%
Severstal	1%	1%
ChelPipe	1%	1%
Other (including small and medium enterprises)	26%	26%

Source: Globaltrans

66%

Share of Net Revenue from Operation of Rolling Stock contributed by service contracts

Continued fleet expansion

96%

Share of Globaltrans' Owned Fleet

Scale allows Globaltrans to service large clients with complex and sophisticated logistics. Having expanded the fleet considerably in 2018 in response to new contract wins, and as part of a rebalancing exercise that saw expensive leased-in units replaced by wholly owned units, investment in the fleet in 2019 was largely confined to individual specialist niches. This involved, for example, further modernisation of the locomotive fleet and the acquisition of specialised containers and flat cars for transporting high-quality steel.

Purchasing activity during 2019 was modest with the Group taking delivery of 2,502 units in total including 1,154 specialised containers, 700 flat cars, 638 gondola cars and 10 mainline locomotives. At the same time, the Group disposed of 238 units (mostly tank and flat cars).

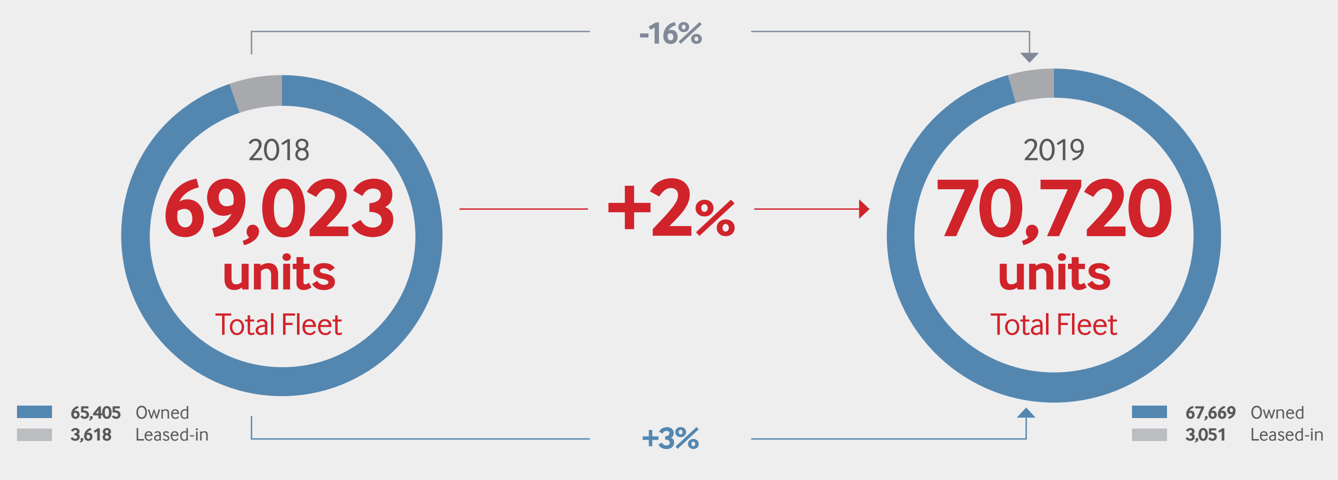
As at year-end 2019, the Group's Total Fleet amounted to 70,720 units, an increase of 2% over the prior year period. The Group's Owned Fleet stood at 67,669 units, having grown by 3% over 2019. The share of Owned Fleet increased to 96% versus 95% as at year-end 2018. Meanwhile, the Leased-in Fleet shrank by 16% as the Group decreased the number of tank cars it leased. The total Leased-in Fleet amounted to 3,051 units as at the end of 2019. In terms of the fleet composition in 2019, universal gondola cars remained the largest segment accounting for 65% of the Total Fleet.

Tank cars, used primarily to transport oil products and oil, accounted for 28% of the Total Fleet. The average age of the Globaltrans' Owned Fleet at the end of 2019 stood at 11.5 years per unit, making the fleet one of the most modern in the industry.

Over 90% of the Group's total fleet continues to be deployed in its core freight rail transportation business, while the balance is mostly represented by leased-out tank cars.

Globaltrans' Total Fleet by type, end-2019 (units)

	Owned	Leased-in	Total	% of total
Gondola cars	45,516	104	45,620	65%
Tank cars	17,767	1,969	19,736	28%
Locomotives	75	–	75	0.1%
Specialised containers (including petrochemical and other)	2,814	380	3,194	5%
Flat cars	1,407	466	1,873	3%
Other railcars (including hopper cars, etc)	90	132	222	0.3%
TOTAL	**67,669**	**3,051**	**70,720**	**100%**

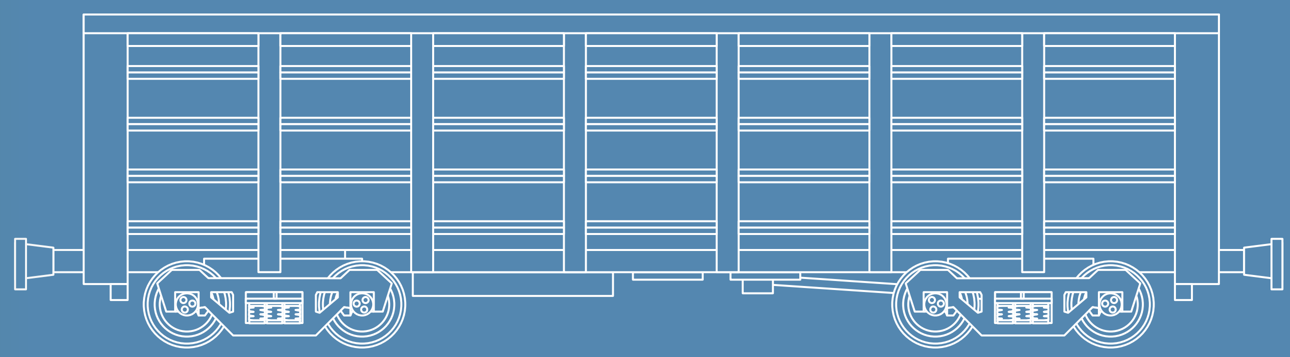


Gondola cars

Globaltrans' Fleet

45,620 gondolas

65% of Total Fleet



A gondola car is an open-top, high-sided universal railcar designed to carry a variety of bulk cargoes, such as metallurgical cargoes, coal or construction materials. Gondolas are the backbone of the Group's fleet and their versatility means that they can be quickly redeployed between different bulk cargoes in response to changes in demand.

GENERAL CARGOES

- Coal
- Ferrous metals
- Ores
- Crushed stones
- Construction materials

Technical specification (illustrative)

Payload capacity, t	70
Tare weight, t	24
Maximum static load of wheel set on rails, kN (tf)	230.3 (23.5)
Body space, m³	88
Base, mm	8,650
Design speed, km/h	120
Number of unloading hatches	14
Useful life, years	22

Financial Review

"It is pleasing to report that the Group delivered excellent financial results in 2019, with strong revenue and profit growth, driven by performance improvement together with cost management measures. Our underlying cash flow was again a feature of our results, enabling us to fund further strong cash dividends to shareholders while continuing to moderately invest in the business. We achieved these excellent results whilst maintaining a solid financial profile and low leverage."

Alexander Shenets
Chief Financial Officer

Excellent financial results, continued strong cash generation and low leverage.

- Total revenue rose 9% year on year to RUB 95.0 billion.
- Operating profit rose 19% year on year to RUB 32.1 billion.
- Profit for the year climbed 16% year on year to RUB 22.7 billion.
- Cash flows from operating activities (before changes in working capital) up 19% year on year to RUB 39.5 billion.
- Adjusted Revenue up 13% year on year to RUB 68.8 billion supported by growth across all key business segments.
- Total Operating Cash Costs increased 5% year on year due to cost inflation and higher Empty Runs.
- Adjusted EBITDA Margin expanded to 57% (2018: 54%) with Adjusted EBITDA up 20% year on year to RUB 39.6 billion.
- Strong Free Cash Flow at RUB 12.8 billion (up 4% year on year) despite a RUB 4.1 billion build-up of working capital (of which RUB 1.9 billion* was one-off) and RUB 1.1 billion increase in Total CAPEX.
- Leverage continued to be held at a low level with Net Debt to Adjusted EBITDA at 0.60x at the end of 2019 (2018 end: 0.56x).

Results in detail

The following tables provide the Group's key financial and operational information for the years ended 31 December 2019 and 2018.

EU IFRS financial information

	2018 RUB mln	2019 RUB mln	Change %
Revenue	86,773	**94,994**	9%
Total cost of sales, selling and marketing costs and administrative expenses	(60,004)	**(62,908)**	5%
Operating profit	26,901	**32,120**	19%
Finance costs – net	(1,441)	**(2,375)**	65%
Profit before income tax	25,460	**29,745**	17%
Income tax expense	(5,876)	**(7,091)**	21%
Profit for the year	19,583	**22,653**	16%
Profit attributable to:			
— Owners of the Company	17,672	**20,808**	18%
— Non-controlling interests	1,911	**1,846**	-3%
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share)	98.87	**116.41**	18%
Cash flows from operating activities (before changes in working capital)	33,087	**39,506**	19%
Cash generated from operations (after changes in working capital)	32,602	**35,422**	9%
Tax paid	(5,766)	**(6,018)**	4%
Net cash from operating activities	26,837	**29,404**	10%
Net cash used in investing activities	(10,645)	**(12,765)**	20%
Net cash used in financing activities	(14,003)	**(16,939)**	21%

Non-GAAP financial information

	2018 RUB mln	2019 RUB mln	Change %
Adjusted Revenue	60,859	**68,840**	13%
Including			
— Net Revenue from Operation of Rolling Stock	57,600*	**64,994***	13%
— Net Revenue from Specialised Container Transportation	1,122*	**1,623***	45%
— Operating lease of rolling stock	1,394	**1,634**	17%
Total Operating Cash Costs	27,894	**29,409**	5%
Including			
— Empty Run Cost	12,956*	**14,752***	14%
— Employee benefit expense	4,367	**4,483**	3%
— Repairs and maintenance	3,821	**4,403**	15%
— Fuel and spare parts – locomotives	1,935	**1,914**	-1%
Adjusted EBITDA	33,070	**39,552**	20%
Adjusted EBITDA Margin, %	54%	**57%**	–
Total CAPEX (including maintenance CAPEX)	12,889	**14,006**	9%
Free Cash Flow	12,314	**12,762**	4%
Attributable Free Cash Flow	10,403	**10,916**	5%

Debt profile

	As of 31 December 2018 RUB mln	As of 31 December 2019 RUB mln	Change %
Total debt	25,729	**30,095**	17%
Cash and cash equivalents	7,130	**6,522**	-9%
Net Debt	18,599	**23,574**	27%
Net Debt to Adjusted EBITDA (x)	0.56	**0.60**	–

Revenue

The Group's Total revenue increased 9% year on year to RUB 94,994 million in 2019, resulting primarily from the 13% year-on-year rise in Adjusted Revenue. Net Revenue from Operation of Rolling Stock (a key component of Adjusted Revenue) increased 13% year on year with a strong performance from the Group's freight rail transportation business.

The following table provides details of Total revenue, broken down by revenue-generating activity, for the years ended 31 December 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Railway transportation – operators services (tariff borne by the Group)[1]	48,130	**49,141**	2%
Railway transportation – operators services (tariff borne by the client)	35,690	**42,018**	18%
Revenue from specialised container transportation	1,247	**1,815**	45%
Operating leasing of rolling stock	1,394	**1,634**	17%
Other	311	**386**	24%
Total revenue	86,773	**94,994**	9%

Adjusted Revenue

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

The Group's Adjusted Revenue rose 13% year on year to RUB 68,840 million, primarily due to the 13% year-on-year increase in Net Revenue from Operation of Rolling Stock and supported by a strong performance in both the gondola and tank car segments.

The following table provides details of Adjusted Revenue for the years ended 31 December 2019 and 2018 and its reconciliation to Total revenue.

	2018 RUB mln	2019 RUB mln	Change %
Total revenue	86,773	**94,994**	9%
Minus pass-through items			
— Infrastructure and locomotive tariffs: loaded trips	22,682	**22,020**	-3%
— Services provided by other transportation organisations	3,231	**4,134**	28%
Adjusted Revenue	60,859	**68,840**	13%

[1] Includes "Infrastructure and locomotive tariffs: loaded trips" for 2019 of RUB 22,020 million (2018: RUB 22,682 million) and "Services provided by other transportation organisations" of RUB 4,134 million (2018: RUB 3,231 million).

The principal components of Adjusted Revenue include: (i) Net Revenue from Operation of Rolling Stock, (ii) Net Revenue from Specialised Container Transportation, (iii) Revenue from operating lease of rolling stock, (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 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Net Revenue from Operation of Rolling Stock	57,600*[1]	**64,994***	13%
Net Revenue from Specialised Container Transportation	1,122*	**1,623***	45%
Operating lease of rolling stock	1,394	**1,634**	17%
Net Revenue from Engaged Fleet	432*	**202***	-53%
Other	311	**386**	24%
Adjusted Revenue	60,859	**68,840**	13%

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 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 contributed 94% of the Group's Adjusted Revenue in 2019, climbed 13% year on year to RUB 64,994 million*, with a strong performance across the key business segments of rail transportation in gondola and tank cars.

- Average Price per Trip rose 9% year on year to RUB 45,807 on the back of solid pricing in both gondola and tank car segments.
- Average Rolling Stock Operated increased 6% year on year to 56,845 units due to fleet acquisition along with the transition of some leased-out tank cars into operation.
- Average Number of Loaded Trips per Railcar was down 3% year on year primarily due to changed client logistics and a deterioration in average speeds on the RZD rail network, caused principally by ongoing major rail infrastructure modernisation projects.

Net Revenue from Specialised Container Transportation

Net Revenue from Specialised Container Transportation is a non-GAAP 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 rose 45% year on year to RUB 1,623 million* in 2019 benefitting from the sizable fleet expansion. This revenue contributed 2% of the Group's Adjusted Revenue in the reporting year. The Group's total fleet employed in this segment amounted to 4,879 units at the end of 2019 including specialised containers and flat cars. This business segment is mostly focused on rail transportation of petrochemicals and high-quality steel and has EVRAZ, SayanskKhimPlast, KuibyshevAzot, Bashkir Soda Company and NLMK among its key clients.

Revenue from operating leasing of rolling stock

Revenue from operating leasing of rolling stock, which contributed 2% of the Group's Adjusted Revenue in 2019, rose 17% year on year to RUB 1,634 million, reflecting the favourable tank car leasing market conditions.

[1] Data for 2018 was restated due to segregation of Net Revenue from Specialised Container Transportation.

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 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").

In 2019, Net Revenue from the Engaged Fleet, comprising less than 1% of the Group's Adjusted Revenue, fell 53% year on year to RUB 202 million* largely reflecting a decline in the number of Engaged Fleet operations in the tank car segment due to substitution by owned units.

Other revenue

Other revenue (1% of the Group's Adjusted Revenue), which includes the revenues generated by the Group's auxiliary business activities, including freight forwarding, repair and maintenance services provided to third parties, and other, rose 24% year on year to RUB 386 million in 2019.

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 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Cost of sales	55,154	**58,833**	7%
Selling and marketing costs	221	**216**	-2%
Administrative expenses	4,629	**3,859**	-17%
Total cost of sales, selling and marketing costs and administrative expenses	60,004	**62,908**	5%

In 2019, the Group's Total cost of sales, selling and marketing costs and administrative expenses were RUB 62,908 million, up 5% year on year, due to the factors described below.

- Pass-through cost items (a combination of "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations") increased 1% year on year to RUB 26,154 million.
- The Group's Total cost of sales, selling and marketing costs and administrative expenses adjusted for pass-through cost items rose 8% year on year to RUB 36,754 million in 2019, which reflected:
  - Ongoing efficient cost management with Total Operating Cash Costs rising just 5% year on year to RUB 29,409 million despite continued cost pressures (related primarily to the rise in the regulated RZD infrastructure and locomotive traction tariffs for empty trips, a higher level of Empty Runs stemming from changes to client logistics and increased repairs and maintenance costs), which were mitigated by lower-than-inflation growth in Employee benefit expense, a decline in costs related to the usage of own locomotives and a decline in Other Operating Cash Costs in large part due to the cancellation of property tax on movable assets in Russia.
  - Total Operating Non-Cash Costs climbed 19% year on year to RUB 7,345 million for the most part due to an asset-expansion driven increase in the Depreciation of property, plant and equipment and the application of the IFRS 16 "Leases".

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:

	2018 RUB mln	2019 RUB mln	Change %
Pass-through cost items	25,913	**26,154**	1%
— Infrastructure and locomotive tariffs: loaded trips	22,682	**22,020**	-3%
— Services provided by other transportation organisations	3,231	**4,134**	28%
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for pass-through cost items)	34,091	**36,754**	8%
Total Operating Cash Costs	27,894	**29,409**	5%
— Empty Run Costs	12,956*	**14,752***	14%
— Employee benefit expense	4,367	**4,483**	3%
— Repairs and maintenance	3,821	**4,403**	15%
— Fuel and spare parts – locomotives	1,935	**1,914**	-1%
— Infrastructure and Locomotive Tariffs – Other Tariffs	892*	**987***	11%
— Engagement of locomotive crews	795	**775**	-3%
— Expense relating to short-term leases (rolling stock)	–	**722**	NM
— Operating lease rentals – rolling stock	827	–	-100%
— Other Operating Cash Costs	2,300	**1,372**	-40%
Total Operating Non-Cash Costs	6,197	**7,345**	19%
— Depreciation of property, plant and equipment	5,111	**5,795**	13%
— Amortisation of intangible assets	697	**697**	0%
— Loss on derecognition arising on capital repairs	377	**472**	25%
— Depreciation of right-of-use assets (IFRS 16)	–	**424**	NM
— Net impairment losses on trade and other receivables	30	**13**	-57%
— Net (gain)/loss on sale of property, plant and equipment	(27)	**10**	NM
— Impairment/(reversal of impairment) of property, plant and equipment	10	**(65)**	NM
Total cost of sales, selling and marketing costs and administrative expenses	60,004	**62,908**	5%

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[1] and is reflected in equal amounts in both the Group's Total revenue and Cost of sales. This cost item decreased 3% year on year to RUB 22,020 million in 2019 reflecting largely changes in clients' logistics.

[1] 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, and bears credit risk and controls the flow of receipts and payments.

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 28% year on year to RUB 4,134 million in 2019 principally due to increase in Engaged Fleet operations in the gondola segment.

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 rose 5% year on year to RUB 29,409 million in 2019 due to a combination of factors described below.

The following table provides a breakdown of the Total Operating Cash Costs for the years ended 31 December 2019 and 2018.

	2019 % of total	2018 RUB mln	2019 RUB mln	Change %
Empty Run Costs	**50%**	12,956*	**14,752***	14%
Employee benefit expense	**15%**	4,367	**4,483**	3%
Repairs and maintenance	**15%**	3,821	**4,403**	15%
Fuel and spare parts – locomotives	**7%**	1,935	**1,914**	-1%
Infrastructure and Locomotive Tariffs – Other Tariffs	**3%**	892*	**987***	11%
Engagement of locomotive crews	**3%**	795	**775**	-3%
Expense relating to short-term leases (rolling stock)	**2%**	–	**722**	NM
Operating lease rentals – rolling stock	**0%**	827	–	-100%
Other Operating Cash Costs	**5%**	2,300	**1,372**	-40%
Total Operating Cash Costs	**100%**	27,894	**29,409**	5%

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.

Empty Run Costs accounted for 50% of the Group's Total Operating Cash Costs in 2019. This cost item increased 14% year on year to RUB 14,752 million* in 2019 due to a combination of the following factors:

- Higher regulated RZD tariffs for the traction of empty railcars (up 9.8% year on year for gondola cars and 3.6% year on year for all other types of rolling stock).
- As anticipated, the Empty Run Ratio for gondola cars rose to 42% (2018: 38%) contributing to a Total Empty Run Ratio (for all types of rolling stock) of 49% (2018: 46%).
- Share of Empty Run Kilometres paid by Globaltrans continued to be stable at 89% compared to the previous year.

Employee benefit expense

Employee benefit expense, comprising 15% of the Group's Total Operating Cash Costs, rose 3% year on year to RUB 4,483 million in 2019 due to a combination of inflation driven growth in wages and salaries and a related increase in social insurance costs, as well as a 2% year-on-year rise in average headcount due to the move to have in-house locomotive crews, which were partially offset by a reduction in bonuses.

Repairs and maintenance

Repairs and maintenance costs, which comprised 15% of the Group's Total Operating Cash Costs in 2019, grew 15% year on year to RUB 4,403 million primarily due to the increase in the cost of both certain spare parts and repair works along with an increase in the number of mileage-based depot repairs.

Fuel and spare parts – locomotives

Fuel and spare parts – locomotives expenses, which accounted for 7% of the Group's Total Operating Cash Costs, were RUB 1,914 million in 2019, 1% lower compared to the previous year as inflationary growth in the cost of fuel was more than offset by changed client logistics driving lower fuel consumption.

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 the specialised container transportation business.

Infrastructure and Locomotive Tariffs – Other Tariffs, representing 3% of the Group's Total Operating Cash Costs, were RUB 987 million* in 2019, up 11% year on year, impacted by the rise in regulated RZD tariffs and the higher costs of relocating rolling stock to and from maintenance due to an increase in the number of mileage-based depot repairs.

Engagement of locomotive crews

Costs related to the engagement of locomotive crews from RZD (3% of the Group's Total Operating Cash Costs) were 3% lower year on year at RUB 775 million in 2019 following changes to client logistics.

Expense relating to short-term leases (rolling stock)/Operating lease rentals – rolling stock

From 1 January 2019 the Group adopted IFRS 16 "Leases", which resulted in changes in the Group's accounting for leases.

Under IFRS 16, the Group accounts for short-term leases (with a term of twelve months or less) and leases of low value assets by recognising the lease payments as an expense on a straight-line basis. In 2019, the Expense relating to short-term leases (rolling stock), mainly for leased-in tank cars, was RUB 722 million, comprising 2% of the Group's Total Operating Cash Costs. In 2018, costs related to the short-term leases of rolling stock were included in Operating lease rentals – rolling stock and were RUB 827 million.

The Group's non-cancellable lease contracts with terms exceeding twelve months (primarily related to the leasing of offices and certain specialised rolling stock) are recognised as both right-of-use-assets or property, plant and equipment and corresponding lease liabilities on the balance sheet and depreciated over the term of lease period. Please refer to the Group's management report and consolidated financial statements for the year ended 31 December 2019 for more details on the adoption of IFRS 16.

Other Operating Cash Costs

Other Operating Cash Costs (a non-GAAP financial measure) include the following cost items: "Advertising and promotion", "Auditors' remuneration", "Communication costs", "Information services", "Legal, consulting and other professional fees", "Rental of tank-containers", "Operating lease rentals – office", Expense relating to short-term leases – office (IFRS 16)", "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 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Expense relating to short-term leases – office (IFRS 16)	–	**139**	NM
Auditors' remuneration	59	**55**	-7%
Legal, consulting and other professional fees	70	**48**	-31%
Advertising and promotion	38	**39**	3%
Communication costs	33	**35**	4%
Information services	27	**19**	-30%
Rental of tank-containers	44	**–**	-100%
Operating lease rentals – office	183	**–**	-100%
Taxes (other than on income and value added taxes)	681	**(9)**	NM
Other expenses	1,165	**1,046**	-10%
Other Operating Cash Costs	2,300	**1,372**	-40%

Other Operating Cash Costs, which represented 5% of the Group's Total Operating Cash Costs, dropped 40% to RUB 1,372 million in 2019 compared to the previous year. The decline was mainly due to a decrease in Taxes (other than income tax and value added taxes) resulting from the cancellation of property tax on movable assets in Russia.

Total Operating Non-Cash Costs

Total Operating Non-Cash Costs (a non-GAAP 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 (IFRS 16)", "Net impairment losses on trade and other receivables", "Impairment/(reversal of 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 years ended 31 December 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Depreciation of property, plant and equipment	5,111	**5,795**	13%
Amortisation of intangible assets	697	**697**	0%
Loss on derecognition arising on capital repairs[1]	377	**472**	25%
Depreciation of right-of-use assets (IFRS 16)	–	**424**	NM
Net impairment losses on trade and other receivables	30	**13**	-57%
Net (gain)/loss on sale of property, plant and equipment	(27)	**10**	NM
Impairment/(reversal of impairment) of property, plant and equipment	10	**(65)**	NM
Total Operating Non-Cash Costs	6,197	**7,345**	19%

Total Operating Non-Cash Costs increased 19% year on year to RUB 7,345 million in 2019, largely due to the 13% year-on-year rise in Depreciation of property, plant and equipment (reflecting the growth in the Group's Owned Fleet) and the application of the IFRS 16 "Leases".

1 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.

Adjusted EBITDA (non-GAAP financial measure)

EBITDA (a non-GAAP financial measure) represents "Profit for the year" before "Income tax expense", "Finance costs – net" (excluding "Net foreign exchange transaction (gains)/losses on financing activities"), "Depreciation of property, plant and equipment", "Amortisation of intangible assets" and "Depreciation of right-of-use assets (IFRS 16)".

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 losses/(gains) – net", "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 in 2019 was RUB 39,552 million, up 20% on the previous year. The Adjusted EBITDA Margin expanded to 57% in 2019 from 54% in 2018 following 13% year-on-year growth in Adjusted Revenue and a 5% year-on-year increase in Total Operating Cash Costs.

The following table provides details on Adjusted EBITDA for the years ended 31 December 2019 and 2018, and its reconciliation to EBITDA and Profit for the year.

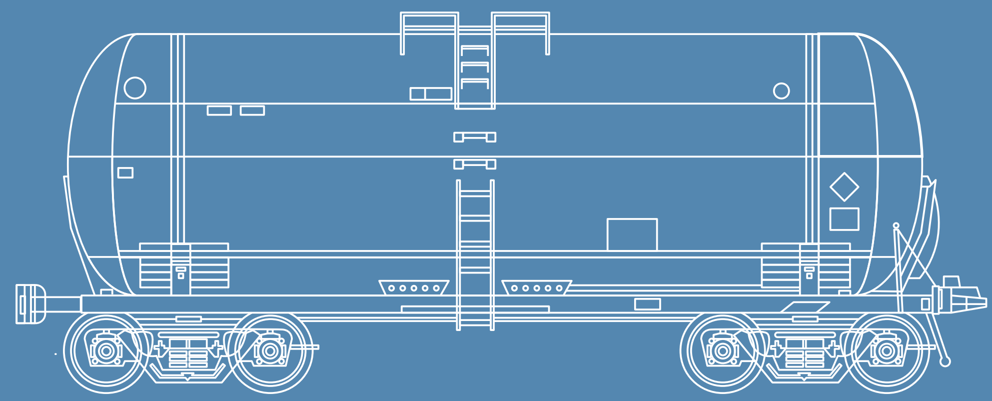
	2018 RUB mln	2019 RUB mln	Change %
Profit for the year	19,583	**22,653**	16%
Plus (Minus)			
— Income tax expense	5,876	**7,091**	21%
— Finance costs – net	1,441	**2,375**	65%
— Net foreign exchange transaction losses on financing activities	(40)	**(380)**	844%
— Amortisation of intangible assets	697	**697**	0%
— Depreciation of right-of-use assets (IFRS 16)	–	**424**	NM
— Depreciation of property, plant and equipment	5,111	**5,795**	13%
EBITDA	32,668	**38,656**	18%
Plus (Minus)			
— Loss on derecognition arising on capital repairs	377	**472**	25%
— Net foreign exchange transaction losses on financing activities	40	**380**	844%
— Other losses – net	1	**99**	NM
— Impairment/(reversal of impairment) of property, plant and equipment	10	**(65)**	NM
— Net (gain)/loss on sale of property, plant and equipment	(27)	**10**	NM
Adjusted EBITDA	33,070	**39,552**	20%

Tank cars

Globaltrans' Fleet

19,736 tank cars

28% of Total Fleet



A tank car is designed to carry liquid cargoes including oil and petroleum products, chemicals, liquefied gas and other liquid substances. The Group's tank cars are principally used to transport oil products and oil.

GENERAL CARGOES

- Oil products (fuel oil, diesel, gasoline, etc.)
- Crude oil

Technical specification (illustrative)	
Payload capacity, t	66
Tare weight, t	26.95
Maximum static load of wheel set on rails, kN (tf)	230.3 (23.5)
Boiler space, m³	76.3
Base, mm	7,800
Design speed, km/h	120
Useful life, years	32

Finance income and costs

The following table provides a breakdown of Finance income and costs for the years ended 31 December 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Interest expense:			
— Bank borrowings	(1,344)	**(1,456)**	8%
— Non-convertible bonds	(315)	**(743)**	136%
— Interest expense on loans	–	**(5)**	NM
— Other interest expense	–	**(9)**	NM
Total interest expense calculated using the effective interest rate method	(1,659)	**(2,214)**	33%
— Leases with financial institutions (2018: Finance leases)	(108)	**(165)**	53%
— Lease liabilities (IFRS 16)	–	**(118)**	NM
Total interest expense	(1,767)	**(2,497)**	41%
— Other finance costs	(11)	**(32)**	191%
Total finance costs	(1,778)	**(2,529)**	42%
Interest income:			
— Bank balances	141	**122**	-13%
— Short term deposits	193	**374**	94%
— Loans to third parties	1.4	**0.6**	-57%
Total interest income calculated using the effective interest rate method	335	**497**	48%
— Finance leases – third parties	42	**37**	-13%
Total finance income	377	**534**	41%
Net foreign exchange transaction gains on borrowings and other liabilities	36	**207**	481%
Net foreign exchange transaction losses on cash and cash equivalents and other monetary assets	(76)	**(587)**	674%
Net foreign exchange transaction losses on financing activities	(40)	**(380)**	844%
Net finance costs	(1,441)	**(2,375)**	65%

Finance costs

Total finance costs grew 42% year on year to RUB 2,529 million in 2019 following a rise in the Group's total borrowings, a slight year-on-year increase in the weighted average effective interest rate and the application of the IFRS 16 "Leases".

Finance income

In 2019, the Group's Total finance income rose 41% year on year to RUB 534 million, mainly due to the higher amount of short-term deposits.

Net foreign exchange transaction losses on financing activities

In 2019 the Group had Net foreign exchange transaction losses on financing activities of RUB 380 million compared to RUB 40 million in the previous year primarily resulting from foreign exchange volatility on the available cash and cash equivalents denominated in foreign currency.

Profit before income tax

The Group reported Profit before income tax of RUB 29,745 million in 2019, up 17% compared to the previous year, reflecting:

- 19% year-on-year increase in the Group's Operating profit to RUB 32,120 million, resulting primarily from the factors described above.
- Partially offset by a 65% year-on-year increase in Net finance costs to RUB 2,375 million.

Income tax expense

Income tax expense grew 21% year on year to RUB 7,091 million in 2019 reflecting a 17% year-on-year rise in Profit before income tax and a slight increase in the weighted average annual income tax rate for 2019 to 23.8% compared to 23.1% in 2018.

Profit for the year

The Group's Profit for the year was 16% higher year on year at RUB 22,653 million reflecting the factors described above.

Profit for the year attributable to the owners of the Company climbed 18% year on year to RUB 20,808 million due to the strong business performance.

Liquidity and Capital Resources

In 2019, the Group's capital expenditure consisted primarily of maintenance CAPEX (including capital repairs) and the selective acquisition of rolling stock, specialised containers and locomotives.

The Group was able to meet its liquidity and capital expenditure needs comfortably through operating cash flow, available cash and cash equivalents and proceeds from borrowings and bond issues.

The Group manages its liquidity based on expected cash flows. As at 31 December 2019, the Group had Net Working Capital of RUB 6,710 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 2019 and 2018.

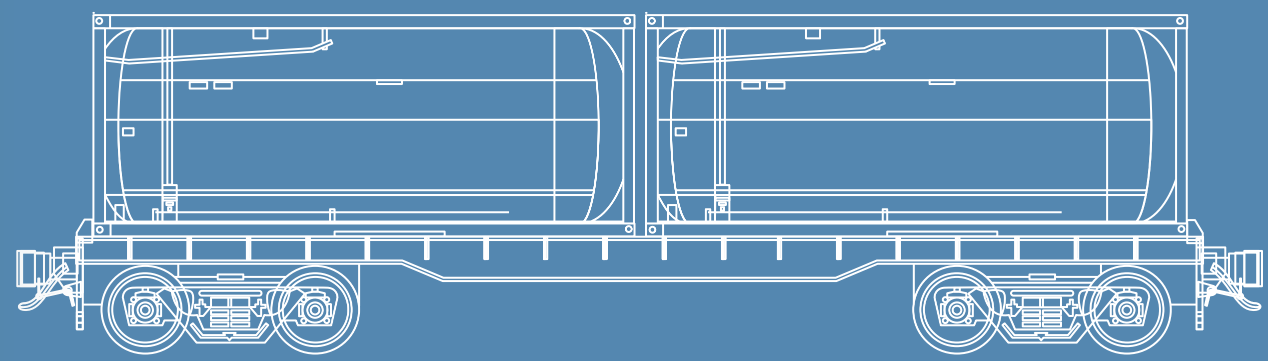
	2018 RUB mln	2019 RUB mln
Cash flows from operating activities	33,087	**39,506**
Changes in working capital:	(485)	**(4,084)**
— Inventories	170	**(394)**
— Trade receivables	(317)	**(713)**
— Other assets	(1,042)	**(1,299)**
— Other receivables	(66)	**10**
— Trade and other payables	263	**(270)**
— Contract liabilities	508	**(1,418)**
Cash generated from operations	32,602	**35,422**
Tax paid	(5,766)	**(6,018)**
Net cash from operating activities	26,837	**29,404**
Cash flows from investing activities		
— Purchases of property, plant and equipment	(11,568)	**(13,516)**
— Purchases of intangible assets	(0.1)	**(0.8)**
— Proceeds from sale of property, plant and equipment	410	**92**
— Interest received	377	**534**
— Receipts from finance lease receivable	129	**124**
— Loan repayments received from third parties	6	**3**
Net cash used in investing activities	(10,645)	**(12,765)**
Cash flows from financing activities		
— Net cash inflows from borrowings and financial leases:	5,748	**4,183**
Proceeds from bank borrowings	15,197	**10,408**
Proceeds from issue of non-convertible unsecured bonds	5,000	**5,000**
Repayments of borrowings	(13,128)	**(10,737)**
Principal elements of lease payments for leases with financial institutions (2018: Finance lease principal payments)	(1,321)	**(489)**
— Interest paid on bank borrowings and non-convertible unsecured bonds	(1,533)	**(2,018)**
— Interest paid on leases with financial institutions (2018: Interest paid on finance leases)	(100)	**(167)**
— Interest paid on lease liabilities (IFRS 16)	–	**(112)**
— Principal elements of lease payments (IFRS 16)	–	**(340)**
— Dividends paid to owners of the Company	(16,221)	**(16,632)**
— Dividends paid to non-controlling interests in subsidiaries	(1,723)	**(1,602)**
— Payments from non-controlling interests for share capital increase of subsidiary	–	**200**
— Acquisition of non-controlling interest	(6)	**–**
— Payments to non-controlling interests	(169)	**(451)**
Net cash used in financing activities	(14,003)	**(16,939)**
Net increase/(decrease) in cash and cash equivalents	2,188	**(300)**
— Exchange losses on cash and cash equivalents	(24)	**(308)**
— Cash and cash equivalents at beginning of the year	4,966	**7,130**
Cash and cash equivalents at end of the year	7,130	**6,522**

Tank containers

Globaltrans' Fleet

3,194
specialised containers[1]

5% of Total Fleet



Intermodal containers are designed to be moved between different modes of transportation without any handling of the freight itself. The majority of the Group's containers are tank containers used to transport petrochemicals. The Group also operates specialised containers for transporting high-quality steel products.

GENERAL CARGOES

- Distillate oil
- Gasoline
- Naphtha
- Coal tar
- Paraffins
- Liquid caprolactam
- Benzene
- Ethyl benzene
- Kerosene

Technical specification (illustrative)	
Size, ft	20
Body space, m³	25
Tare weight, kg	3,700
Gross weight, kg	36,000
Operating temperature	between –40° and +70° C

[1] Including petrochemical and other specialised containers.

Net cash from operating activities

Net cash from operating activities increased 10% year on year to RUB 29,404 million, reflecting the combination of the following factors:

- Cash flows from operating activities increased 19% year on year to RUB 39,506 million.
- RUB 4,084 million increase in working capital with RUB 1,890 million* due to one-off prepayments for wheels to be used during 2020.
- Tax paid was 4% higher year on year at RUB 6,018 million mainly as a result of the increase in the taxable profits in the reporting year.

Net cash used in investing activities

Net cash used in investing activities rose 20% year on year to RUB 12,765 million. This resulted from increased capital expenditure in the reporting year. Purchases of property, plant and equipment (on a cash basis; including maintenance CAPEX) were up 17% to RUB 13,516 million resulting primarily from a higher-than-expected rise in maintenance CAPEX from RUB 3,520 million* in 2018 to RUB 6,908 million* in 2019 largely due to the speculative increase in the cost of wheel pairs.

Net cash used in financing activities

Net cash used in financing activities was RUB 16,939 million in 2019, 21% higher compared to the previous year. This was due to a combination of the following factors:

- Net cash inflows from borrowings and finance leases[1] were RUB 4,183 million compared to RUB 5,748 million in 2018.
- Interest paid (including "Interest paid on bank borrowings and non-convertible unsecured bonds" and "Interest paid on leases with financial institutions") increased 34% year on year to RUB 2,185 million in 2019 due to the rise in the Group's total borrowings along with the slightly higher weighted average effective interest rate.
- The increase in Dividends paid to owners of the Company to RUB 16,632 million compared to RUB 16,221 million in 2019 on the back of the continued strong business performance.
- Dividends paid to non-controlling interests in subsidiaries fell to RUB 1,602 million in 2019 compared to RUB 1,723 million in 2018.

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" (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 (IFRS 16)", "Interest paid on lease liabilities (IFRS 16)", "Interest paid on bank borrowings and non-convertible unsecured bonds" and "Interest paid on leases with financial institutions".

The Group's Free Cash Flow was RUB 12,762 million in 2019, up 4% compared to the previous year. This was mostly related to the factors below.

- Cash generated from operations (after "Changes in working capital") rose 9% or RUB 2,820 million to RUB 35,422 million despite a RUB 4,084 million build-up of working capital (of which RUB 1,890 million* was one-off), partially offset by the combination of:
- 9% or RUB 1,117 million year-on-year increase in Total CAPEX (including "Purchase of property, plant and equipment", "Principal elements of lease payments for leases with financial institutions" and "Purchases of intangible assets") to RUB 14,006 million.
- 4% or RUB 253 million year-on-year increase in Tax paid to RUB 6,018 million as described above.
- 34% or RUB 552 million year-on-year increase in Interest paid (including "Interest paid on bank borrowings and non-convertible unsecured bonds" and "Interest paid on leases with financial institutions") to RUB 2,185 million.
- RUB 340 million of Principal elements of lease payments (IFRS 16) and RUB 112 million of Interest paid on lease liabilities (IFRS 16) booked in 2019 due to the application of IFRS 16 "Leases".

[1] 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 "Principal elements of lease payments for leases with financial institutions".

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for the years ended 31 December 2019 and 2018, and its reconciliation to Cash generated from operations.

	2018 RUB mln	2019 RUB mln	Change %
Cash generated from operations (after "Changes in working capital")	32,602	**35,422**	9%
Total CAPEX (including maintenance CAPEX)	(12,889)	**(14,006)**	9%
Purchases of property, plant and equipment	(11,568)	***(13,516)***	*17%*
Principal elements of lease payments for leases with financial institutions (2018: Finance lease principal payments)	(1,321)	***(489)***	*-63%*
Purchases of intangible assets	(0.1)	***(0.8)***	*656%*
Tax paid	(5,766)	**(6,018)**	4%
Interest paid on bank borrowings and non-convertible unsecured bonds	(1,533)	**(2,018)**	32%
Interest paid on leases with financial institutions (2018: Interest paid on finance leases)	(100)	**(167)**	67%
Principal elements of lease payments (IFRS 16)	–	**(340)**	NM
Interest paid on lease liabilities (IFRS 16)	–	**(112)**	NM
Free Cash Flow	12,314	**12,762**	**4%**
Minus			
Adjusted Profit Attributable to Non-controlling Interests	1,911	**1,846**	-3%
Attributable Free Cash Flow	10,403	**10,916**	**5%**

Capital expenditure

Total CAPEX (a non-GAAP financial measure) 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" (as part of the capital expenditures was financed with a finance lease).

The Group's Total CAPEX (on cash basis, including maintenance CAPEX) rose 9% to RUB 14,006 million[2] in 2019, compared to the previous year. The increase in capital expenditures was primarily due to the following factors:

- A higher-than-expected rise in maintenance CAPEX from RUB 3,520 million* in 2018 to RUB 6,908 million* in 2019 largely due to the speculative increase in the cost of wheel pairs.
- A decrease in expansion CAPEX from RUB 9,369 million* in 2018 to RUB 7,098 million* in 2019, reflecting moderate investments.

In 2019, the Group took delivery of 2,502 units (including 1,154 specialised containers, 700 flat cars, 638 gondola cars and 10 locomotives) compared to 4,747 units in the previous year.

[2] The Group's capital expenditure (including maintenance CAPEX) on an accrual basis was RUB 14,136 million in 2019 compared to RUB 14,527 million in the previous year. The difference between capital expenditure given on a cash basis and on an accrual basis is principally because of a time lag between prepayments for and delivery of rolling stock and due to a part of the capital expenditure being financed with leases with financial institutions.

The following table sets out the principal components of the Group's Total CAPEX for the years ended 31 December 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Purchase of property, plant and equipment	11,568	**13,516**	17%
Principal elements of lease payments for leases with financial institutions	1,321	**489**	-63%
Purchased of intangible assets	0.1	**0.8**	656%
Total CAPEX	12,889	**14,006**	9%

Capital resources

As of 31 December 2019, the Group's financial indebtedness consisted of borrowings, non-convertible unsecured bonds and finance lease liabilities for an aggregate principal amount of RUB 30,095 million (including accrued interest of RUB 396 million*).

Under IFRS 16, Lease liabilities of RUB 1,531 million were recognised on the balance sheet as of 31 December 2019[1] which primarily related to the long-term leasing of offices and certain specialised fleet.

The Group's Net Debt was RUB 23,574 million as of 31 December 2019, 27% higher than at the end of 2018.

The following table sets out details on the Group's total debt, Net Debt and Net Debt to Adjusted EBITDA at 31 December 2019 and 2018, and the reconciliation of Net Debt to Total debt.

	As of 31 December 2018 RUB mln	As of 31 December 2019 RUB mln	Change %
Total debt	25,729	**30,095**	17%
Minus			
Cash and cash equivalents	7,130	**6,522**	-9%
Net Debt	18,599	**23,574**	27%
Net Debt to Adjusted EBITDA	0.56	**0.60**	–

Rouble-denominated borrowings accounted for 100% of the Group's debt portfolio as of 31 December 2019. The Russian rouble is the functional currency of the Company.

The weighted average effective interest rate rose to 8.1% as of 31 December 2019 compared to 7.9% as of the end of 2018. The vast majority of the Group's debt had fixed interest rates as of the end of the reporting year.

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 of RUB 4,665 million as of 31 December 2019.

1 Not included in Total debt.

The following table gives the maturity profile of the Group's borrowings (including accrued interest of RUB 396 million*) as of 31 December 2019.

	As of 31 December 2019 RUB mln
Q1 2020	1,848*
Q2 2020	2,074*
Q3 2020	1,821*
Q4 2020	2,058*
2021	9,019*
2022	6,708*
2023	4,980*
2024	1,588*
Total	**30,095**

Related party transactions

For the purposes of the 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[2], has a shareholding in the Company of 5.1% as at 31 December 2019 (31 December 2018: 5.8%). Goldriver Resources Ltd, controlled by member of key management of the Group[3], has a shareholding in the Company of 4.0% as at 31 December 2019 (31 December 2018: 4.7%). As at 31 December 2019, 0.2% (2018: 0.2%) of the shares of the Company are controlled by Directors and key management of the Company.

The following table gives a summary of transactions, which were carried out with related parties for the years ended 31 December 2019 and 2018.

	2018 RUB mln	2019 RUB mln
Key management personnel compensation[4]	1,912	**1,501**

The following table gives the year-end balances with related parties arising from sale of shares/purchases of services.

	2018 RUB mln	2019 RUB mln
Other receivable from related parties	200	**–**
Accrued key management remuneration – current	648	**539**
Accrued key management remuneration – non-current	115	**82**

More information is available in Note 35 to the Group's Consolidated Management Report and Consolidated Financial Statements included in the Financial Statements section of this Annual Report.

2 Beneficially owned by Alexander Eliseev, Non-executive Director, co-founder and shareholder of Globaltrans.

3 Beneficially owned by Sergey Maltsev, Chairman of the Board, Executive Director, Chief Strategy Officer, co-founder and shareholder of Globaltrans.

4 The key management compensation includes directors' remuneration paid to the directors of the Company by the Group amounting to RUB 508 million (2018: RUB 409 million).

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.

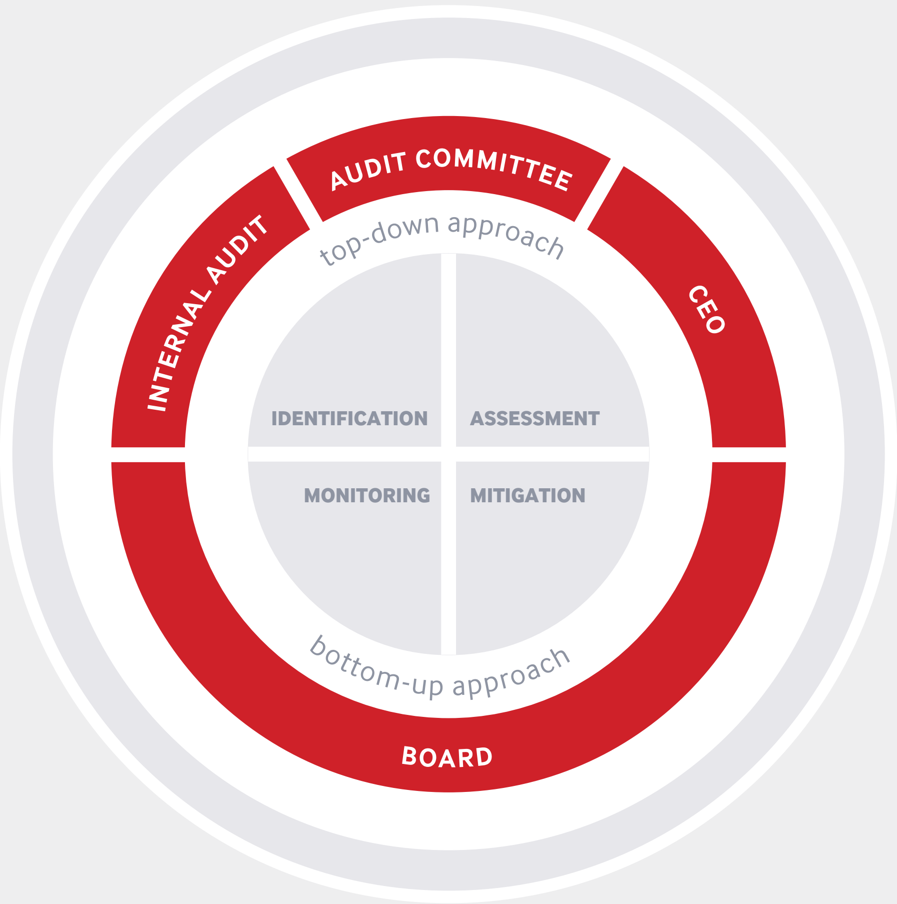
The Board, as part of its role in providing strategic oversight and stewardship of the Company, is responsible for maintaining a sound risk management and internal control system.

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 and management and, where possible, mitigation of risks.

The oversight of risk management is delegated to the Audit Committee. In addition, 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 review 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.

1 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.

2 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.

3 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.

4 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.

5 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.

6 Integrated into the Group's business

Risk management should be embedded in all 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.

7 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.

8 Clear and understandable

Risk management principles, methods and tools should be clear and easily understood by the Group's employees.

9 Evolving

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

Principal risks and uncertainties

Globaltrans has grouped the risks that it considers to be 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. 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, as well as on the trading price of its Global Depositary Receipts ("GDRs"). We monitor and assess risks on an ongoing basis and we make efforts to control and mitigate such risks.

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

Risk	Description	Controls and mitigating factors
General economic situation and operating environment	The Group and its subsidiaries operate 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 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. In addition to the human impact, the spread of Coronavirus (COVID-19) affects global businesses and may lead to trade wars and turbulence in different currencies. The Group's outlook for 2020 may be impacted by the Coronavirus outbreak, which has significantly lowered visibility on what to expect in 2020. 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. The political turmoil experienced within Ukraine and sanctions imposed by the United States and the European Union on Russia, and by Russia on other countries, have had a negative impact on the Russian economy. The potential decrease in demand for 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, any deterioration in or threat to their financial condition and/or the temporary closure of certain markets may decrease demand for the Group's services and/or negatively impact the Group's logistics. In addition, the political instability in Ukraine could have a negative impact on the Group's business and assets in Ukraine and/or on the ability of the Group's customers to carry on business in Ukraine.	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 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 and intangible 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 the global outbreak of Coronavirus (COVID-19) and is ready to act depending on the development of the situation.

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

Risk	Description	Controls and mitigating factors
Regulatory risk and relations with government authorities and state-owned enterprises	The Group is subject to regulatory risks relating to the operation of the Russian railway transportation market and 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 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 the manner in which it conducts its operations or less effective access to services dependent upon government authorities. 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.	The 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 usage of infrastructure and locomotive traction by providing that these changes are adequately passed on to the Group's customers where possible.
Growth strategies	Business growth can be constrained by an increase in prices for new rolling stock and spare parts, overproduction of rolling stock, 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.	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, including by developing transportation of petrochemicals and other niche projects. 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.

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

Risk	Description	Controls and mitigating factors
Competition and customer concentration	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 around 74% of the Group's Net Revenue from Operation of Rolling Stock in 2019. 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.	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. Around 66% of the Group's Net Revenue from Operation of Rolling Stock in 2019 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 2019, the share of small and medium companies amounted to 26% of Net Revenue from Operation of Rolling Stock (2018: 26%). In addition, the Group's marketing function regularly monitors competitors' business strategies, their use of technology, their price strategies and industry trends.
Locomotive traction	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.	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.

OPERATIONAL: RISKS THAT INFLUENCE THE GROUP'S OPERATIONAL EFFICIENCY

Risk	Description	Controls and mitigating factors
Infrastructure	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.	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.
Employees	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.	Adequate remuneration packages, which are in line with or in excess of 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	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.	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.

OPERATIONAL: RISKS THAT INFLUENCE THE GROUP'S OPERATIONAL EFFICIENCY (CONTINUED)

Risk	Description	Controls and mitigating factors
Operational performance	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.	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.
IT availability/ continuity	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. 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.	Local IT specialists have introduced solutions to maintain the availability of IT services 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.
Risks of terrorist attacks, natural disasters or other catastrophic events beyond the Group's control	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 in 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.	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

Risk	Description	Controls and mitigating factors
Pending and potential legal actions	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	The Group runs its operations in compliance with tax, currency, 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.
Compliance with sanctions	The Group functions in a number of jurisdictions, including Cyprus, Russia, Estonia, Finland and Ukraine. In addition, the Group has GDRs listed on the London Stock Exchange. Thus, the Group is obliged to comply with sanction legislation applicable in each jurisdiction as well as the US, UK and EU regulations, which may change from time to time.	The legal and compliance teams of the Group together with the external lawyers monitor the applicable requirements in each of jurisdictions, including US personal and sectoral sanctions (SDN OFAC, SSI OFAC and CAATSA), and the appropriate controls are in place to ensure that all subsidiaries of the Group comply with applicable regulations.
Fiscal risk	Local tax, currency and customs legislation, especially in Russia, other emerging markets and Cyprus, may be subject to varying interpretations, inconsistencies between federal laws, regional and local laws, rules and regulations, frequent changes and a lack of judicial and administrative guidance on interpreting legislation.	The Group has controls in place, including highly qualified and experienced personnel, to monitor changes in legislation and determine the appropriate 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.

FINANCIAL: RISKS THAT INFLUENCE THE GROUP'S FINANCIAL PERFORMANCE

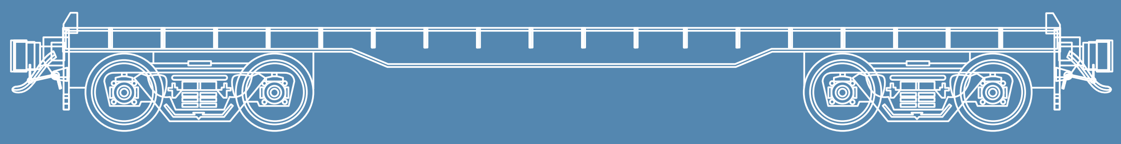
Risk	Description	Controls and mitigating factors
Currency risks	Currently, the Group has a negligible share of borrowings and lease liabilities denominated in US dollars and does not have formal arrangements for hedging this foreign exchange risk. However, the Group may keep bank balances in US dollars 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. The Group is also exposed to the effects of currency fluctuations between the Russian rouble (the presentational currency of the Group's financial results and the functional currency of the Company as well as of its Cypriot and Russian subsidiaries) and the Euro (the functional currency of the Group's Estonian subsidiaries), and between the Russian rouble and the Ukrainian Hryvnia (the functional currency of the Group's Ukrainian subsidiary).	A large proportion of the Group's revenues and expenses are denominated and settled in Russian roubles. 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 nearly 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 2019, all the Group's debt was denominated in Russian roubles.
Interest-rate risks	The Group's income and operating cash flows are exposed to changes in market interest rates. These arise mainly from floating rate lease liabilities and borrowings. An increase in market interest rates in Russia may negatively influence the Group's profits.	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 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 2019, nearly all of the Group's debt was at fixed interest rates. Management also considers alternative means of financing.
Credit risk	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 71% of the Group's trade and other receivables as of 31 December 2019 and around 74% of the Group's Net Revenue from Operation of Rolling Stock in 2019.	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.
Liquidity risk	The Group's business is capital-intensive. The political turmoil experienced within Ukraine and sanctions imposed by the United States and the European Union on Russia have had a negative impact on the Russian financial markets and 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.	The Group has a budgeting policy in place that allows the 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.

Flat cars

Globaltrans' Fleet

1,873 flat cars

3% of Total Fleet



Flat cars consist of a platform without sides or top.
The Group uses its flat cars mostly to carry specialised containers.

GENERAL CARGOES

- Heavyweight containers
- Tank containers
- Other specialised containers

Technical specification (illustrative)	
Payload capacity, t	72
Tare weight, t	19.5 +/- 0.25
Maximum static load of wheel set on rails, kN (tf)	230.3 (23.5)
Base, mm	9,720
Design speed, km/h	120
Container pins	16
Rail nominal gauge,mm	1,520
Useful life, years	32

Sustainability

Our approach

Our report has been prepared in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI) and in line with the non-financial and diversity disclosure information contained in the EU's 2014/95/EU Directive.

We defined our sustainability report's content by applying the relevant GRI Reporting Principles. 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 details within this Sustainability section 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 2019.

Stakeholder engagement

Globaltrans recognises the importance of stakeholder engagement for its long-term success. We place great emphasis on ensuring that our stakeholders are provided with the information they need about our policies, practices and strategic direction. We believe that relationships built on trust and dialogue lead to better business decisions and help underpin the Group's ability to act sustainably and deliver consistent value to all stakeholders: employees, investors, customers, government and regulators, media and local communities.

Communication with stakeholders is an ongoing process throughout the year. This includes regular engagement with financial stakeholders via one-to-one and group meetings, results presentations, investor roadshows and attendance at conferences. More generally, results, acquisitions, appointments and contract wins are published on the Group's website. The corporate website is the main repository of information about the Company. In addition, our approach encourages regular dialogue with governments, regulators and local authorities at all levels, led by our Government Relations team and supported by management.

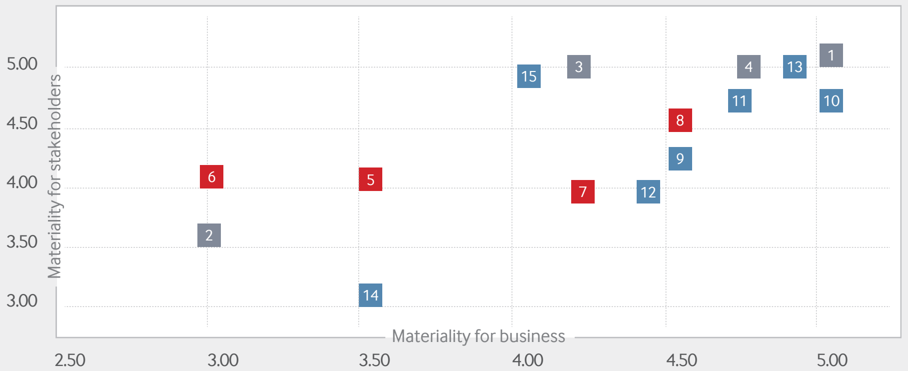
How it works:

Step 1.
Identification of material topics
We identified material topics relevant to the Group's business operation by carefully reviewing and analysing our internal regulations, non-financial reports issued by peer companies and global sustainability trends.

Step 2.
Prioritisation of material topics
To develop a broader and more fulfilled stakeholder engagement process, the Group gathered both external and internal feedback (employees, shareholders, investors, clients) on the materiality of sustainability issues for the Group.

Step 3.
Preparation of materiality matrix
We developed a materiality matrix to identify those topics that are deemed most important/significant 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 Responsible water use and reduction of water consumption

7 Reduction of energy consumption

8 Non-compliance with environmental laws and regulations

Social impact

9 Employment, staff and management relationship

10 Employee education and development

11 Employee motivation

12 Diversity and equal opportunity

13 Occupational health and safety

14 Corporate volunteering

15 Charity

Source: Globaltrans

STAKEHOLDER ENGAGEMENT MECHANISMS

Stakeholder group	Mechanisms of stakeholder engagement	Outcomes in 2019
Employees	Labour-management consultations Staff surveys Corporate booklets, information boards Networking events Regular, direct communication between managers, teams and individuals Career development, training and performance reviews	Provision of social benefits and guarantees, including medical insurance Improved working conditions 28,447 hours of training Increased number of health and safety checks Zero fatalities, 2 minor accidents and zero cases of occupational illness
Shareholders and investors	Open, effective and transparent communication Investor Relations website Dedicated Investor Relations team General Meetings of Shareholders Corporate reporting, webcasts Broker-hosted investor events and roadshows, conference calls and Company-initiated roadshows	Information disclosure on a semi-annual basis Analyst and investor conference calls and webcasts Non-deal roadshows in the UK, Europe and the US. Over 300 meetings held with investors in 2019 Regular dividend payments[1] Publication of the Annual Report and integrated sustainability report Globaltrans was awarded "Most Honored Company" by Institutional Investor
Customers and business partners	Face-to-face formal and informal meetings, as well as formal consultations Customer analytics, customer evaluation system Conferences and forums Customer satisfaction surveys Transparent supply chain	Service contracts extensions with two major metallurgical customers, MMK and Metalloinvest New long-term contract with Gazprom Neft secured Maintained long-term partnerships with clients – 66% of the Group's 2019 Net Revenue from Operation of Rolling Stock was covered by service contracts Strengthened customer privacy and data security
Government, regulators and professional authorities	Regular communication with regulators/policy makers on issues affecting the freight rail transportation industry Industry and regulatory forums	Participation in industry associations including the Council of Railway Operators and the Russian Union of Transport Workers
Local communities	Corporate philanthropy and charitable contributions Community investment	Contributions supporting the socioeconomic development of our communities Regular contributions to aid various charitable projects
Media	Communication with media representatives Transparent disclosure through various channels Dedicated Media section on corporate website Dedicated media relations contacts Press-conferences and exhibitions	Distribution of news and information announcements Providing access to results calls with CEO and CFO Responding to media queries Participation at events and exhibitions (e.g. the annual TransRussia Exhibition for Transport and Logistics Services and Technologies)

[1] Total dividends in respect of 2019 amounted to RUB 16.6 billion (including interim, final and special dividends).

Ethics and behaviour

In 2008, the Group established its ethics programme to define the values, standards and behaviours expected of everyone who works for Globaltrans. These are formally enshrined in our **Code of Ethics and Conduct** which defines the way we think and should act as an organisation, helping to drive consistent responsibility and behaviours across the Group. The Code also describes the Group's principles with respect to confidential information, anti-bribery, conflicts of interest and reporting concerns.

All Globaltrans employees are expected to know, use and behave in accordance with our Code, and are required to sign an acknowledgement to this effect. We have zero tolerance for any behaviour that is contrary to the core values contained within the Code.

Tolerance

Understanding and respecting diverse cultures and people with different views

Impartiality

Acting objectively and professionally

Respect

Acknowledging people's abilities, qualities and achievements and complying with all applicable labour laws

Equality for all

Creating opportunities and a working environment that excludes any form of discrimination

Safety

Compliance with required rules to create a safe and healthy workplace

Globaltrans has an active process of compliance, monitoring and reporting. We strive to ensure that all our policies are clear, publicly available and communicated to all employees.

As part of our ongoing commitment to improving the Group's overall compliance, the Board has formally adopted Group-wide policies covering: Human Rights, Freedom of Association, Diversity and Inclusion, and Supplier Conduct.

The Group's **Human Rights Policy** sets out our commitment to promoting respect for human rights in line with internationally accepted standards. We expect all our employees, suppliers and customers to share this commitment. In order to support and promote acceptance and compliance among our people, in line with our values, we regularly evaluate human rights issues, conduct any necessary training, and integrate the results into our business activities.

Our **Diversity and Inclusion Policy** sets out what having a diverse workforce and inclusive workplace means to us as an organisation. At Globaltrans we value difference and promote respect and dignity for all people. We acknowledge the benefits which different backgrounds, skills and perspectives can bring and actively seek to increase diversity in our business. We target career development across a range of employees to support this aim. Inclusion is based on respect and we care about our employees, customers and the communities we serve and treat them professionally, fairly and equally.

Our **Freedom of Association Policy** recognises the fundamental right of Globaltrans employees to form and join workers' organisations without interference and to engage in collective bargaining. We respect our employees' choice on the matter and are committed to maintaining a constructive regular dialogue with them and their representatives.

At Globaltrans, we treat our suppliers fairly and choose to work with those suppliers who conduct their businesses in a just and ethical manner. In 2020 we formally introduced our **Supplier Code of Conduct**, based on the UN Global Compact's principles, which sets out the standards we expect them to comply with when conducting their business operations.

Globaltrans does not tolerate bribery and corruption in any form. Our policy on this issue is summarised in our **Anti-Fraud Policy**. We have established rules and procedures for dealing with suspected violations, overseen by a team responsible for internal controls and investigations. Each employee is required to understand the types of violations that may occur within the area of his/her responsibility and closely monitor for any indications of potential non-compliance.

The Group's **Whistleblowing Policy** governs the investigation and reporting of improper activities, including non-compliance with our Code of Ethics and Conduct. We actively encourage employees to speak up and report any concerns that they may have regarding workplace issues. We provide confidential, safe and secure mechanisms to report any suspected violations of the Group's standards.

The Group's executive management meets regularly to discuss, among other things, anti-fraud and anti-corruption measures. During 2019, there were no reported cases within the Group of alleged fraud, bribery or corruption.

We respect and protect the privacy of personal information of our stakeholders and comply with the EU general data protection regulation, adopted by the EU Parliament in April 2016. The Group has adopted a **Privacy Policy** which can be viewed on the Group's website.

Covid-19

From the start of 2020, like many other companies, Globaltrans has adapted to measures undertaken by nations to address the global spread of coronavirus (Covid-19). While this is a new situation for the Group and the world, we have taken the necessary steps to keep our staff and clients safe, closely following recommendations and requirements. At the same time, we are playing our part to ensure that rail freight keeps moving as it is vital for the supply of goods within Russia and abroad. The Group continues to function at full capacity and to meet its contractual obligations with clients, all while safeguarding the interests of our employees, clients and other stakeholders.

Risk Management

To satisfy regulatory obligations and meet stakeholder expectations, Globaltrans is constantly seeking to improve how it controls, manages and mitigates the impact of non-financial risks, comprised of strategic, operational and compliance risks.

Further details are set out on pages 60 to 68

Key ESG activities:

Corporate governance

We have in place a corporate governance framework that is in line with the highest international standards. This supports the Board in its objective to provide effective, transparent and ethical oversight of the Group and to take decisions that will create value for all the Group's stakeholders, as well as that promote the long-term interests and welfare of the Group and the communities where it operates.

Employees

We believe the role of a responsible employer is to create and sustain a place of work that is safe, allows people to work with dignity and respect, offers a rewarding and fair-minded work culture, presents opportunities to grow and develop and, importantly, that complies fully with all relevant employment legislation.

Environment

Minimising the adverse impact of Globaltrans' activities on the environment is at the that heart of our business and is principally achieved by employing more energy efficient practices across the Group, reducing carbon emissions and emphasising the importance of recycling.

Communities

We impact our communities at every level – through our employees and the opportunities our business can create for them, through the economic value created by our Company, through participation in community initiatives and through direct support of good causes through charitable giving.

Employees

Globaltrans aspires to be a great place to work. Our business performance and future success depends on our ability to attract, develop and retain talented individuals at all levels. We strive to be an employer of choice by providing attractive job opportunities, investing in training and development, rewarding performance and creating a supportive and respectful working environment.

We are committed to ensuring the safety and wellbeing of our people no matter where they are working. We maintain well-run and safe sites and operate a zero tolerance approach to any form of hostility, harassment or unprofessional behaviour.

We have comprehensive human resources strategies and policies for managing our employee and labour relations:

- Human Rights policy
- Diversity and Inclusion policy
- Internal Code of Labour Conduct
- Freedom of Association policy
- Workplace Safety Guidelines, Fire Instructions
- Job description
- Code of Ethics and Conduct
- Compensation and benefits policy
- Regulations on the protection of personal data of employees
- Regulations on business trips
- Anti-Fraud policy
- Regulations on contractual work

The average employee headcount in 2019 rose 2% year on year to 1,569 employees. The overall headcount at the end of the year increased 6% compared to 2018 to 1,640[1]. New Forwarding Company and BaltTransServis continued to employ the most people within the Group.

Diversity

We value a diverse workforce and respect differences regardless of an individual's age, disability, ethnicity, nationality, gender, race, colour, religion or sexual orientation. The Group is committed to creating equality of opportunity and an inclusive work environment in which all our people are treated fairly and with respect and dignity. We have zero tolerance for any form of discrimination. Our approach to diversity is set out in our newly published Diversity and Inclusion Policy, violations of which are grounds for disciplinary action.

While the historic nature of the freight rail transportation industry means that the majority of our workforce is male, we continue to explore ways to encourage greater female representation. As at year-end 2019, females made up 36% of our workforce. At board and senior management level, women represented 13% of the Board of Directors (two board members) and 10% of senior management (one senior executive).

In line with our commitment to equality and impartiality, we seek to select the best candidates based on performance, skills, experience and qualifications. We aim to offer equal pay opportunities for both women and men.

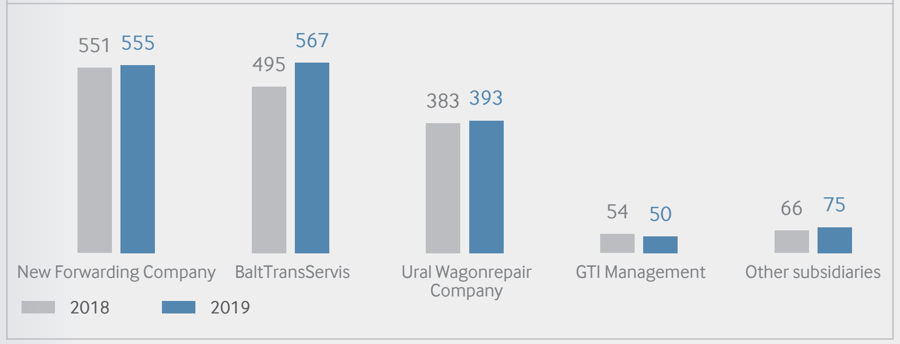
Training and education

Developing our employees' skills is essential in order to keep pace with change and meet current and future business needs. We encourage every employee to take advantage of the learning and development opportunities we offer at Globaltrans.

We have many different types of programmes tailored to individuals' work requirements. These range from structured training courses, workshops and seminars through on-line learning and individual coaching. During 2019, 343 employees undertook training and the Group spent a total of 28,447 hours on training and development. During the year, training was provided in a range of areas including accounting, business administration, environmental safety, information security, health and safety, financial management and marketing.

[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 2019, 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.

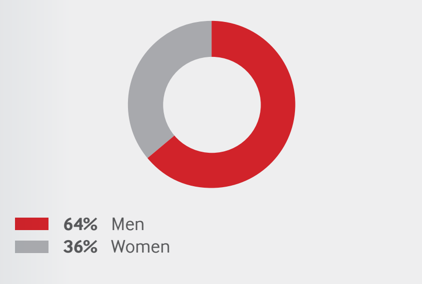
Headcount by companies in 2019 and 2018 (at year-end)



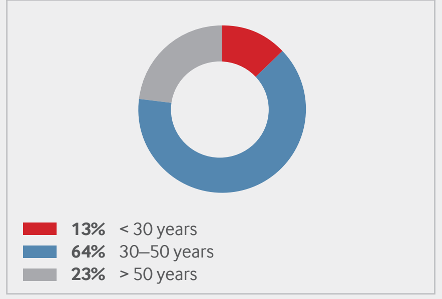
1,640 employees

The overall headcount at the end of the year

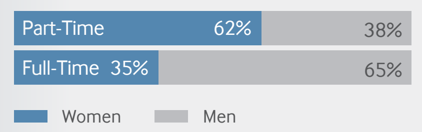
Headcount by gender in 2019 (at year-end)



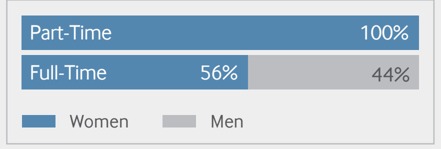
Headcount by age in 2019 (at year-end)



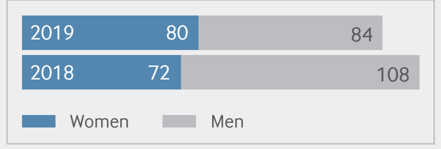
Permanent contract



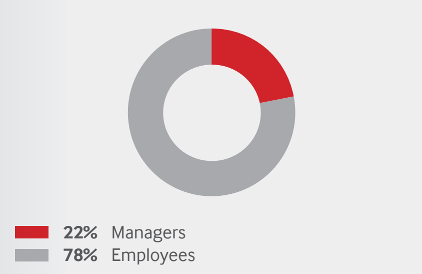
Temporary contract



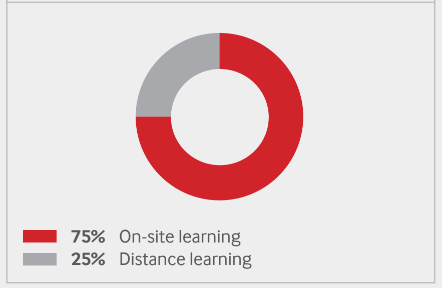
Average training hours by gender



Distribution of training among employees by employee categories in 2019



Main types of training formats in 2019



28,447 training hours

Motivation

We operate in a competitive and dynamic market so having the right team is absolutely critical to our future success as a business. Ensuring that colleagues are engaged, motivated and happy is at the heart of our people strategy.

We offer a competitive reward package for our employees which encourages high performance and helps us attract and retain key talent. Employee benefits include health insurance, childcare support, additional holidays and other benefits. Eligible employees can participate in the various incentivisation schemes that the Group operates for different groups of employees.

We continually benchmark our rewards packages against our industry peers in order to ensure we continue to attract and retain the best talent. We are committed to retaining a motivated and productive workforce that values being a part of Globaltrans and believe our success can be measured by our low level of staff turnover of only 14% (11% among men and 3% among women).

Corporate culture and internal communications

Globaltrans aims to provide its people with a great working environment based on a strong collaborative culture of shared values where everyone feels valued and each member of staff plays their part in the team, working collegiately with others to get better results. That is why teamwork and collaboration are at the core of our business.

Listening and responding to our employees is a priority. We actively encourage employee involvement as we want each individual to feel that their views are heard and that they are empowered at work. We conduct regular employee surveys to identify those issues that most concern employees and to then respond to the feedback. Some of the Group's subsidiaries have employee hotlines to enable them to deal quickly and effectively with employees' concerns or questions. Our protocols stipulate that each and every call to a hotline is dealt with and no communication is left unanswered.

We also regularly hold sports, cultural and leisure events for our employees and their families. These help to foster a sense of community, increase employee engagement and promote better teamwork.

Health and safety

Globaltrans is dedicated to providing a safe and healthy working environment and improving the quality of work-life for all its employees. We believe that integrating wellbeing into our work practices serves to create a positive environment and culture that contributes to our business success. We are committed to operating in a zero-harm work environment and to ensuring that our people, suppliers and partners share this commitment.

The Group ensures all safety procedures are carried out and that they are compliant with all policies and legislation.

To guarantee that safety compliance is met, our Group companies have implemented the following policies:

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

We actively promote our safety culture by encouraging our people to take the initiative in managing health and safety risks. We do this through a programme of education, training, instruction, and supervision.

We actively train our people in occupational safety as part of our drive to develop a workplace culture of awareness and responsibility. We also carry regular spot-checks at our operations to ensure that they continue to meet high safety standards. In 2019, we significantly upped our focus on safety performance across the Group, more than doubling the number of workplace safety checks we carried out to 769 visits (2018: 373 visits):

- 414 locations in New Forwarding Company;
- 355 locations in BaltTransServis.

We remain committed to a zero-harm work environment. In 2019 there were no fatalities and just two minor reported incidents involving two workers at BaltTransServis. All incidents are thoroughly investigated and findings shared across the Group.

Environment

We believe that business success should not come at a cost to the environment. We are committed to following sustainable business practices that limit the impact our operations have on the environment. By doing so and encouraging our employees, customers and suppliers to follow suit, we help deliver sustainable value for society.

In 2019, Globaltrans continued to refresh our environmental strategy, focusing on improving the transparency and effectiveness of our sustainability performance. We established a formal **Environmental and Energy Policy** to reinforce our commitment to doing business sustainably and introduced internal reporting systems to monitor group-wide environmental performance.

We comply with all requirements of applicable legislation, including local and internal regulations. We had no incidents of non-compliance with environmental laws and regulations in the reporting period.

We seek to be an eco-friendly company in other ways too, with a focus on improvement in our energy efficiency, the rational use of water and reducing our paper and fuel consumption, the results of which are set out below[1].

Energy usage

As a responsible business, we are committed to promoting efficient and wise use of our energy sources. Given the particular nature of the industry, the Group's operations consume energy from various sources, namely fuel (petrol, diesel, and gas) and electricity. To reduce energy consumption we are constantly developing our approach to effective energy management. In 2019, we again reduced our energy consumption in three key areas and further energy optimisation measures are planned. The significant decline in electricity consumption came as a result of the Group relocating a number of offices to a single office building in 2019.

Petrol consumption — litres per employee −17%
2018–2019

Diesel consumption — litres per employee −5%
2018–2019

Total consumption of energy resources by type, 2018–2019

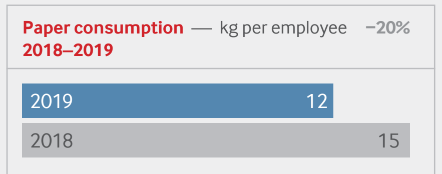
	2018	2019	Change
Electricity (KWh)	7,347,827	4,795,686	-35%
Diesel (litres)	54,752,185	53,184,738	-3%
Petroleum (litres)	250,051	210,715	-16%

−35%
decrease in total consumption of electricity

[1] While the Company is making great strides in collecting, processing and presenting information on rational use of water, energy and paper the process is on-going and there is still insufficient data to fully demonstrate the trends occurring in all of its business units. Addressing this remains a key focus for the Group.

−3%

Decrease of GHG emissions



Use of water

Our operations do not consume significant amounts of water. Nevertheless, we want to raise awareness about the importance of water conservation within the business and among employees. We implemented internal environmental management systems in 2018 to improve the monitoring of water usage and progress continues to be made. Both BaltTransServis and Ukrainian New Forwarding Company made further reductions in their use of water in 2019:

- Total consumption of cold water by BaltTransServis decreased 6% year on year.
- Total consumption of cold water by Ukrainian New Forwarding Company decreased 7% year on year.

The system for capturing and processing water use data elsewhere across the Group remains under development, but we have made considerable progress. Further improvements to the monitoring system around water quality and consumption are planned.

Paper Recycling

We are keen to reduce the negative environmental impact of paper consumption. As an organisation, Globaltrans consumes significant amounts of paper and as our business volumes grow, the need for more documentation is likely to grow with it.

We continue to promote the merits of a green workplace, encouraging staff across the Group to recycle waste paper, monitoring usage particularly with regard to photocopying, and introducing the use of electronic documentation. The new initiatives are leading to a significant reduction in paper consumption, with paper consumption per employee reducing by 20% in 2019. Recycling continues to be an area of focus across all our business units.

Greenhouse gas management

Rail remains one of the greenest, most fuel-efficient modes of transport with, for instance, just one litre of fuel needed to move one tonne of freight over a distance of about 200 km by rail. Nevertheless, we continue to focus on measures to reduce the greenhouse gas emissions associated with our operations. We achieve this by constantly seeking ways to reduce our energy consumption, by ensuring optimal efficiency in how we manage our railcar fleet, and through innovation and investment in new rolling stock and services.

Operating a modern, well-maintained fleet is key to minimising our environmental footprint. A strong focus for us over the last year has been our locomotive fleet, as diesel locomotives are the biggest contributor to our GHG emissions. In 2019, to further improve our operational and environmental performance, we acquired 10 new modern diesel locomotives, bringing our total fleet of locomotives to 75 units as of the end of 2019. These new locomotives are significantly more fuel efficient, cleaner and more reliable. The other key driver to reducing GHG emissions is operational efficiency, in particular, reducing the incidence of Empty Runs as there is a direct environmental impact from having trains moving while carrying empty railcars. Globaltrans continues to lead the industry, delivering one of the lowest Empty Run Ratios for gondola cars in the sector.

Since 2018, we have undertaken an annual data capture exercise for the purposes of measuring and reporting our GHG emissions. In 2019, GHG emissions from the Group's locomotive fleet were 161,299 tonnes of CO_2 equivalent[1], a pleasing 3% lower than in 2018 (166,129 tonnes of CO_2 equivalent). Whilst we can rightly be considered a low emitter of CO_2, we recognise there is more work to do in improving our environmental management system. We remain committed to reducing further our GHG emissions and improving our understanding of how we impact the environment in a way consistent with our values.

[1] The Group's greenhouse gas emissions were calculated in accordance with IPCC Guidelines for National Greenhouse Gas Inventories (2006).

Communities

We want to do everything we can to make a positive difference to the communities where we operate. We work closely with local communities and look to find ways to best contribute to the regions where we are present both economically and socially. This can be achieved in a variety of ways from targeted contributions of time, skills or financial aid to charitable organisations, support for volunteer work, internship, workplace development programmes which increase the capabilities and potential earnings power of employees as well as contributions through local and national taxes, licenses or other fees which help provide the resources needed to support the broader economy.

Wherever possible we try to employ people from the communities where we operate and work with them to develop their skills and potential. We provide a workplace environment that is fair, respectful, fulfilling and safe in order to contribute to their sense of well-being and that of the broader community. Health insurance, childcare support and part-time employment are just some of the elements of employment at Globaltrans that can benefit our employees and their families. And beyond this, we encourage and support participation by our businesses and our employees in community initiatives and charitable organisations that are aligned with our values.

We believe ensuring we have an employee base that is happy, healthy and valued enables them to better support and add value to their own families and communities. In addition to this, we create economic well-being for them and our other stakeholders. How we as a company create wealth for our stakeholders is reflected in the table on the right.

We want to be a company that makes a positive difference to society as a whole, and improves the lives of those in the communities where we operate.

While remaining a successful company ensures that we can continue to create opportunities, wealth and a sense of value for people in our communities, we also contribute directly to charitable efforts in these areas. We consider this to be a core part of how we conduct business as a sustainable company, and in 2019, the majority of our operating companies were involved in supporting community schemes and charitable activities.

Our charitable activities are focused on:

- Supporting vulnerable groups;
- Supporting health and well-being initiatives;
- Supporting sports activities;
- Supporting cultural activities;
- Supporting education.

Alongside providing support for vulnerable groups in society such as the disabled, military veterans, and pensioners, the area of child health is one where we particularly seek to make a positive difference.

GTI Management, New Forwarding Company and BaltTransServis are long-time supporters of the Life Line Fund which assists children with life-threatening illnesses. Additionally, New Forwarding Company has been supporting a regional charitable foundation which provides 'illustrated' books that cater for blind children.

The preservation and promotion of Russia's rich cultural heritage is another focus for our companies' charitable activities. For examples, BaltTransServis supports the International Charitable Fund "Constantine" which works to restore monuments and safeguard and promote Russia's cultural heritage.

Additionally, we play an active role in improving the quality of education and the development of sports. New Forwarding Company, for instance, made charitable donations to the Fencing Federation of Russia in 2019 to support access to and appreciation of this unique sport.

Direct economic value generated, distributed and retained[2]

	2019 RUB mln
Direct economic value generated[3]	**94,994**
Economic value distributed	**89,458**
Total cost of sales (excluding Employee benefit expense)	57,322
Total selling, marketing and administrative expenses (Community investments and excluding Employee benefit expense and Taxes (other than income tax and value added tax)	1,112
Employee benefit expense	4,483
Payments to the providers of capital[4]	20,531
Payments to the government[5]	6,009
Economic value retained	**5,536**

[2] Information in the table is derived from the Consolidated Management Report and Consolidated Financial Statements for the year ended 31 December 2019.

[3] Direct economic value generated includes "Revenue".

[4] Payments to providers of capital include "Interest paid", "Dividends paid to owners of the Company" and "Dividends paid to non-controlling interests in subsidiaries".

[5] 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. Purchases of property, plant and equipment are shown net of VAT. Related input VAT is included in movement in changes of working capital, within trade and other receivables.

CHAPTER 3

Governance

Board of Directors

Globaltrans is led by a highly experienced Board, which provides entrepreneurial leadership for the Group and strategic direction to management. The composition of the Board includes a variety of skills and competences needed to lead the Group effectively. In reviewing strategy and performance matters, the Board Directors are able to offer constructive support and challenge to management drawing on their wide-ranging commercial experience and business expertise.

Sergey Maltsev

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

Appointment: Mr. Maltsev was elected Chairman of the Board of Directors in April 2018 and has served as Chief Strategy Officer since August 2017.

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 when he left the Group. At that point he served as Senior Vice President for strategy and corporate governance at JSC Russian Railways, until his return to Globaltrans as Chief Strategy Officer in 2017.

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, Chairman of the Audit Committee

Appointment: Mr. Colley was appointed to the Board as an Independent Non-executive Director in April 2013.

Committee membership: Mr. Colley is Chairman of the Audit Committee and member of Nomination and Remuneration committees.

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 a variety of positions in the public sector, including at the office of the US Trade Representative and the US Department of Commerce in Washington, DC. 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.

Dr. Johann Franz Durrer

Senior Independent Non-executive Director[1], Chairman of the Remuneration and Nomination committees

Appointment: Dr. Durrer was appointed to the Board as an Independent Non-executive Director in March 2008.

Committee membership: Dr. Durrer is Chairman of the Remuneration and Nomination committees.

Skills and Experience: Dr. Durrer began his career at Union Bank of Switzerland and in 1970 founded Fidura Treuhand AG, which provides book-keeping, auditing and financial services. Dr. Durrer graduated from the University of Zurich with a doctorate in Economics and is a member of the Swiss Fiduciary Association.

Other appointments: Dr. Durrer currently serves on the Board of IMT-Dienst AG, a transport company and is an executive board member of several privately held companies.

Vasilis Hadjivassiliou

Independent Non-executive Director

Appointment: Mr. Hadjivassiliou was appointed to the Board as an Independent Non-executive Director in September 2019.

Skills and Experience:
Mr. Hadjivassiliou was a partner in Assurance and Advisory services in 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 as well as a number of 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 a number of companies affiliated with his family and is also a Board member in a number of other private companies.

George Papaioannou

Independent Non-executive Director

Appointment: Mr. Papaioannou joined the Board as an Independent Non-executive Director in April 2013.

Committee membership:
Mr. Papaioannou is a member of the Audit Committee.

Skills and Experience:
Mr. Papaioannou has more than 20 years' experience 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.

Alexander Eliseev

Non-executive Director, co-founder and shareholder of Globaltrans

Appointment: Mr. Eliseev joined the Board in 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, and sits on the boards of two Globaltrans subsidiaries, New Forwarding Company and BaltTransServis. 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.

Andrey Gomon

Non-executive Director

Appointment: Mr. Gomon served as a member of the Board of the Company from 2013 to 2016 and rejoined the Board in 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 the largest oil rail transportation companies in Russia, 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

Appointment: Ms. Nicolaou joined the Board as a Non-executive Director in March 2008. She is the Company Secretary.

Committee membership:
Ms. Nicolaou is a member of the Audit Committee.

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 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.

[1] Served as Independent Non-executive Director until May 2019.

Melina Pyrgou

Non-executive Director

Appointment: Ms. Pyrgou was appointed to the Board as a Non-executive Director in 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 currently 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).

Konstantin Shirokov

Executive Director, Head of Internal Audit

Appointment: Mr. Shirokov was appointed to the Board as an Executive Director in March 2008 and heads Globaltrans' internal audit function.

Skills and Experience: Mr. Shirokov has over 12 years' 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 both the Audit and Risk committees.

Mr. Shirokov graduated from the Finance Academy under the Russian government and studied business management at Oxford Brookes University.

Alexander Storozhev

Executive Director, Chief Procurement Officer

Appointment: Mr. Storozhev joined the Board as an Executive Director in April 2013.

Skills and Experience: Mr. Storozhev has held senior management roles over the course of a 20-year career in the rail industry and has been with Globaltrans since it was established. He is chairman of a number of Globaltrans subsidiary boards, including AS Spacecom, AS Spacecom Trans, GTI Management and BaltTransServis and serves on the boards of other Globaltrans' 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.

Mr. Storozhev 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.

Alexander Tarasov

Non-executive Director

Appointment: Alexander Tarasov joined the Board in April 2013.

Skills and Experience: Mr. Tarasov served as a deputy director general in Sevtekhnotrans, a Globaltrans subsidiary that subsequently merged with Ferrotrans. He has held management positions at a number of leading Russian companies across different sectors, with a focus on financial management and analysis.

Mr. Tarasov graduated from the Bauman Moscow State Technical University with a degree in Engineering and holds a degree in Economics from the Moscow State University of Commerce.

Michael Thomaides

Non-executive Director

Appointment: Mr. Thomaides was appointed to the Board as a Non-executive Director in 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

Appointment: Mr. Tofaros was appointed to the Board as a Non-executive Director in 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 Tolmachev

Executive Director, Managing Director

Appointment: Mr. Tolmachev was appointed to the Board as a Non-executive Director in April 2013 and as an 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 also serves on Globaltrans subsidiary boards, including AS Spacecom and AS Spacecom Trans. 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 comprises the senior management team which is responsible for the Group's business operations and key support functions. In 2019, the team underlined its reputation for management excellence delivering strong results in a volatile market environment.

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 Maltsev

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

Mr. Maltsev has served as Chief Strategy Officer of the Group since August 2017 and was elected as Chairman of the Board of Directors of Globaltrans in April 2018.

Mr. Maltsev has worked in the rail sector for more than 30 years and was instrumental in the development of the private freight rail market in Russia. Mr. Maltsev was a founding member and Chairman of the non-profit partnership "Council of Railway Operators".

Having co-founded Globaltrans, he served as the Company's CEO and member of the Board for over a decade before stepping down in 2015. Subsequently, he worked as the Senior Vice President for strategy and corporate governance at JSC Russian Railways. He is a recipient of the "Honoured Railwayman of Russia" award.

Alexander Shenets

Chief Financial Officer

Mr. Shenets has been CFO of Globaltrans since the Group's establishment and has more than 15 years of experience in senior finance positions, mostly in the rail sector. He is a member of the boards of GTI Management, New Forwarding Company, BaltTransServis, AS Spacecom, AS Spacecom Trans and Ural Wagonrepair Company, all Globaltrans subsidiaries.

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.

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 is Chairman of a number of Globaltrans subsidiary boards, including AS Spacecom, AS Spacecom Trans, GTI Management and BaltTransServis. He also serves on the boards of New Forwarding Company and Ural Wagonrepair Company, both Globaltrans subsidiaries. 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.

Sergey Avseykov

Business Development Officer

Mr. Avseykov is in charge of business development for the Group. He joined New Forwarding Company, a Globaltrans subsidiary, in 2011 as Head of the Marketing and Development Division. Between 2017 and 2018, Mr. Avseykov served as acting Head of Business Project Management at JSC Russian Railways before rejoining Globaltrans in 2018.

Mr. Avseykov graduated from Tomsk State University and holds a PhD in political science from the Russian Presidential Academy of National Economics.

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

Sergey Maltsev

Chairman
Chief Strategy Officer
co-founder and shareholder

"I am pleased to introduce our Corporate Governance Report for 2019. As a Company, we have a long-standing commitment to high standards of corporate governance. As a Board, we continue to believe that strong corporate governance is vital to good decision making and underpins our ability to create long-term sustainable value for our shareholders and other stakeholders."

"The Board is responsible for the management, direction and performance of the Group. My role as Chairman is to manage the Board so that it operates effectively and has the right balance of skills, knowledge, independence and experience. In this regard, I am pleased to report that we have a strong group of experienced directors, with diverse backgrounds and skills, all of whom are fully committed to the Group's continued success.

How companies behave, their culture and their values have become increasingly important. And they matter precisely because they are the underpinning for our business and guide how we work. The Board understands the importance of its role in setting the right tone for the culture of Globaltrans.

The Board is committed to understanding the views of all of Globaltrans' stakeholders, as understanding their opinions is a vital part of the Board's decision-making process.

Our ethos as a company is one of proactive and open engagement with stakeholders. The Board has long supported this approach, as we believe that understanding stakeholders' opinions is crucial for good decision-making and fundamental to building a sustainable business. We spend a lot of time communicating with and listening to our key stakeholders: shareholders, clients, colleagues, suppliers and officials. This remains a key focus for the Board.

Led by me, the Board will continue to focus on the progress made against our strategic priorities and performance targets. We will continue to align our governance structure to international best practice."

Corporate governance framework

Corporate governance policies

Globaltrans' corporate governance policies and practices are designed to ensure that the Group upholds its responsibilities to shareholders and other stakeholders. This key principle is promoted and applied across all levels of the Group in order to establish effective and transparent corporate governance. To that end, Globaltrans' Board of Directors has adopted 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.

The 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 the Board 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 process for the Board appointments is led by the Nomination Committee 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 scale, complexity and strategic positioning of the business. Non-executive Directors are drawn from a wide range of industries and backgrounds, including infrastructure, transport 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 15 members, eleven of whom are Non-executive Directors. Four 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.

In 2019, members of the Board of Directors held 16,326,121 shares and GDRs in Globaltrans. Although Dr. Durrer has served on the Board for eleven years the Board of Directors still considers him independent.

Globaltrans' 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
- 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
- Policy on reporting and investigating allegations of suspected improper activities (whistleblowing policy)
- Corporate Diversity and Inclusion policy
- Environmental and Energy policy
- Freedom of Association policy
- Human Rights policy
- Supplier Code of Conduct

Disclosure, transparency and market abuse regulation

- Corporate policy on the treatment of the rights of minority shareholders
- Disclosure policy
- 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: www.globaltrans.com

The composition of the **Board and the Directors' biographies** are available on pages **82** to **85** of this Annual Report

Diversity

The Board does not operate a formal diversity policy with regard to 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, who make up about 13% of the Board. The Board ranges in age from 40 to over 70 years old, with the average age being 52 years. Board members have experience across the following areas: the transportation and ports industry, accounting, economics and finance, the banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management.

Induction and professional development

The Chairman is responsible for ensuring that there is a properly constructed and timely induction for new directors upon joining the Board. 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 when there are pressing matters requiring the Board's consideration in between the scheduled meetings.

The Board met 14 times during 2019 and considered 60 items.

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.

Ad hoc meetings

- Approval of material borrowings and pledges by subsidiaries.
- Approval of 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.
- Changes in responsibilities of Board members and other matters.

The Board and the Board Committees meetings in 2019 and the attendance of Directors

	Board of Directors		Nomination Committee		Remuneration Committee		Audit Committee	
	E	A	E	A	E	A	E	A
Sergey Maltsev (Chairman)	14	12						
John Carroll Colley	14	14	1	1	2	2	5	5
Dr. Johann Franz Durrer	14	14	1	1	3	3		
Alexander Eliseev	14	13						
Andrey Gomon	14	12						
Vasilis Hadjivassiliou[1]	6	6						
Elia Nicolaou	14	14					5	5
George Papaioannou	14	14					5	5
Melina Pyrgou	14	12						
Konstantin Shirokov	14	14						
Alexander Storozhev	14	13						
Alexander Tarasov	14	12						
Michael Thomaides	14	14						
Marios Tofaros	14	14						
Sergey Tolmachev	14	14						
Michael Zampelas[2]	3	1			1	1		

[1] Appointed as a member of the Board on 20 September 2019.

[2] Michael Zampelas passed away on 15 May 2019. Mr. Zampelas was a Senior Independent Non-executive Director, Chairman of the Nomination Committee and member of the Remuneration Committee. He served on the Board of Globaltrans since 2008; and from 2013 to 2018 was Chairman.

Remuneration of the Board and the 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 2019 at the Annual General Meeting held on 22 April 2019 and on Extraordinary General Meeting held on 20 September 2019. For details of the remuneration paid to the Board and key executives in 2019, 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.

The total gross remuneration of the members of the Board of Directors paid by the Group in 2019 amounted to RUB 508 million.

Shareholder engagement

The Board is committed to maintaining an open and constructive dialogue with the Company's institutional shareholders and debt investors and recognises the importance of those relationships in the governance process. Regular engagement with investors and shareholders allows the Board to better understand their views and ensure they are provided with timely and appropriate information on the Group's strategy and business performance.

The executive management undertakes a regular programme of meetings, presentations, conference calls and webcasts with institutional investors and sell-side analysts. The Group announces financial results semi-annually. On a day-to-day basis, our investor relations team also engages with investors on a wide range of issues.

In 2019, the Company held more than 300 meetings with investors and shareholders, visited about 15 investor conferences and arranged 4 non-deal roadshows. There are currently 11 sell-side analysts who monitor Globaltrans.

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 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.

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.

For details of the **main risks** facing the Group, please refer to the **Risk Management section** of this report and the **Principal Risks and Uncertainties subsection**, included in the Financial Statements section of this Annual Report

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 of the rotation of the audit partner and the audit firm when applicable, as well as 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 on 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 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 2019 and 2020. The appointment for 2019 was approved by the Group's shareholders at the Annual General Meeting on 22 April 2019.

The Board committees

Globaltrans has established three committees to assist the Board and ensure transparency and impartiality in specific areas: the Audit Committee, the Nomination Committee and the Remuneration Committee. The Chairperson of each committee is an Independent Director.

All committees are advisory bodies. While these committees have the authority to examine particular issues and report back with recommendations, the 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.

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 systems of internal control and risk management, and external audit process.

	Number of members	Members	Minimum meetings a year	Number of meetings in 2019
Members and meetings	3 members, including two independent	John Carroll Colley, Independent Non-executive Director (Chairman) Elia Nicolaou, Non-executive Director George Papaioannou, Independent Non-executive Director	Four	E / A John Carroll Colley: 5 / 5 George Papaioannou: 5 / 5 Elia Nicolaou: 5 / 5

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.

Issues considered in 2019

- Review of the Group's Consolidated Financial Statements and Parent company financial statements for 2018 and interim financial results for the six months ended 30 June 2019.
- Review of the external auditor's report to the Audit Committee following its full-year audit for 2018 and review for the six months ended 30 June 2019.
- Consideration of the independence of the external auditor.
- Review of the Group's external auditor and terms of reappointment for 2019. 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.
- Review of the report of the external auditor on the audit strategy for 2019.
- 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 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	Minimum meetings a year	Number of meetings in 2019
Members and meetings	2 members, including two independent	Johann Franz Durrer, Senior Independent Non-executive Director (Chairman) John Carroll Colley, Independent Non-executive Director	One	E / A Dr. Johann Franz Durrer: 1 / 1 John Carroll Colley: 1 / 1

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 2019

- Advice to the Annual General Meeting on the appointment of Board members.
- Recommendation on appointment of Director to the Board of the Company.

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	Minimum meetings a year	Number of meetings in 2019
Members and meetings	2 members, including two independent	Johann Franz Durrer, Senior Independent Non-executive Director (Chairman) John Carroll Colley, Independent Non-executive Director	One	E / A John Carroll Colley: 2 / 2 Dr. Johann Franz Durrer: 3 / 3 Michael Zampelas[1]: 1 / 1

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 2019

- Remuneration of new member of the Board and key management.

[1] Michael Zampelas passed away on 15 May 2019. Mr. Zampelas was a Senior Independent Non-executive Director, Chairman of the Nomination Committee and member of the Remuneration Committee. He served on the Board of Globaltrans since 2008; and from 2013 to 2018 was Chairman.

Share Capital

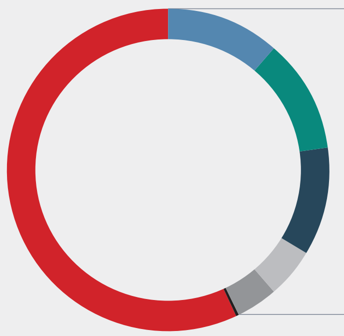
The Company was formed in 2004 when a group of like-minded entrepreneurs brought their freight rail businesses together to form Globaltrans, giving it the scale, governance and focus to become one of the leading players in the region. Those founders continue to be shareholders today with a combined stake of about 43% in total and their entrepreneurial spirit remains at the heart of the Group's culture and approach. In addition, other directors and management of Globaltrans are shareholders in the Company representing about 0.2% of the issued share capital.

In 2008, Globaltrans' founders recognised the benefits of an international listing and undertook an Initial Public Offering on the London Stock Exchange, becoming the first freight rail company serving Russian cargo flows to be listed internationally. Today, the majority of the Company's shares are in the hands of the public with Globaltrans' free float amounting to approximately 56.9%[1] 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 Global Depositary Receipts (GDRs).

The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange under the ticker GLTR. The Bank of New York Mellon is the depositary bank for the GDR programme of Globaltrans.

Breakdown of Globaltrans' Share capital, 31 December 2019



5 founders

	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]
	4.0%	Goldriver Resources Ltd[4]
	0.2%	Controlled by Directors and the management of Globaltrans
	56.9%	Free float[1]

Source: The information is based upon notifications and other information received by the Company with respect to beneficial ownership as of 31 December 2019.

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

[2] Andrey Filatov, Nikita Mishin and Konstantin Nikolaev are co-founders of Globaltrans and are beneficiaries with regard to 11.5% and 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).

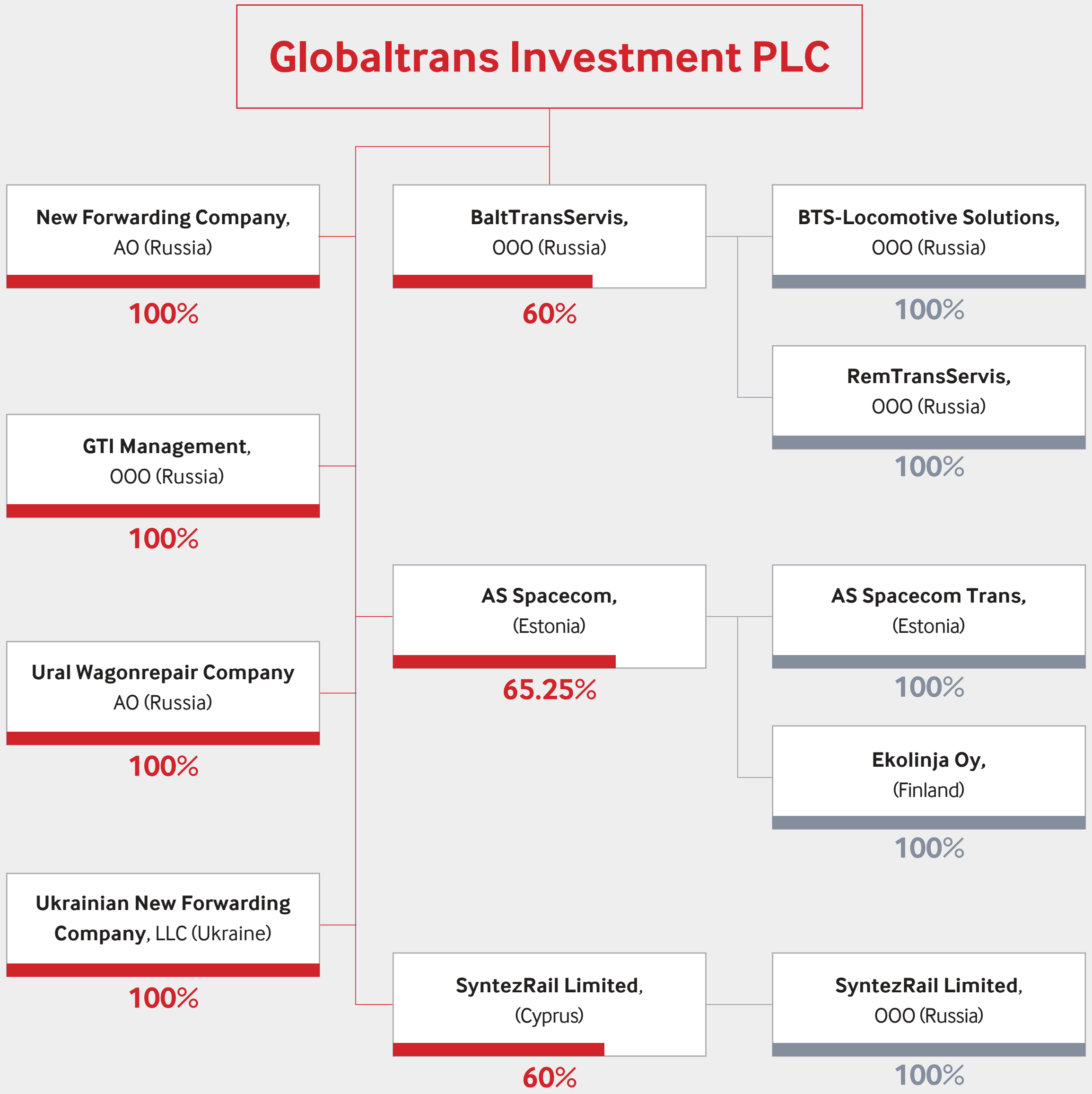
[3] Beneficially owned by Alexander Eliseev, Non-executive Director and co-founder of Globaltrans.

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

Corporate Structure

Globaltrans provides freight rail transportation, railcar leasing and other ancillary services to clients in Russia, the CIS and Baltic countries through its subsidiaries – New Forwarding Company, BaltTransServis, GTI Management, SyntezRail, Spacecom, Spacecom Trans and Ukrainian New Forwarding Company.

The Group's corporate structure[1] ensures efficient asset management and operational control while creating logical business segments.



[1] Corporate structure as of 31 March 2020.

CHAPTER 4.

Financial Statements

Board of Directors and Other Officers

Board of Directors

Dr. Johann Franz Durrer
Senior Independent Non-Executive Director since 24 May 2019
Chairman of the Remuneration Committee
Chairman of the Nomination Committee (Member of the Nomination Committee till 24 May 2019)

Vasilis P. Hadjivassiliou
Independent Non-Executive Director
Appointed on 20 September 2019

Mr. John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee
Member of Remuneration Committee since 24 May 2019
Member of Nomination Committee since 24 May 2019

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

Ms. Elia Nicolaou
Non-executive Director
Member of the Audit Committee
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

Mr. Michael Zampelas
Passed away on 15 May 2019,
Mr. Zampelas was a Senior Independent Non-executive Director
Chairman of the Nomination Committee
Member of Remuneration 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 2019. 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 produced a solid overall financial performance in 2019. The strong gondola market combined with slightly increased pricing in rail transportation for the oil products and oil segment translated into a strong set of results.

IFRS financial information

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

The Group's Total revenue rose 9% year on year to RUB 94,993,874 thousand in 2019 (2018: RUB 86,772,742 thousand). Operating profit increased 19% year on year to RUB 32,119,830 thousand in 2019 (2018: RUB 26,901,055 thousand). The Profit for the year ended 31 December 2019 grew 16% year on year to RUB 22,653,332 thousand (2018: RUB 19,583,435 thousand).

On 31 December 2019 the total assets of the Group were RUB 99,574,549 thousand (2018: RUB 91,217,322 thousand) and net assets were RUB 56,526,065 (2018: RUB 53,525,434 thousand).

On 31 December 2019 the total debt of the Group was RUB 30,095,218 thousand and increased by 17% as compared to end of 2018 which amounted to RUB 25,728,911 thousand. Total cash and cash equivalents on 31 December 2019 decreased by 9% and amounted to RUB 6,521,543 thousand (31 December 2018: 7,129,918 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 13% year on year to RUB 68,839,669 thousand (2018: RUB 60,859,424 thousand) supported by the strong performance of the gondola business and slightly improving pricing in rail transportation for the oil products and oil. Total Operating Cash Costs were up 5% year on year to RUB 29,408,565 thousand (2018: RUB 27,893,504 thousand).

Adjusted EBITDA rose 20% year on year to RUB 39,551,913 thousand (2018: RUB 33,069,961 thousand) with the Adjusted EBITDA Margin expanding to 57% (2018: 54%), partly impacted by the positive impact of the adoption of IFRS 16. The Group' Free Cash Flow was RUB 12,761,836 thousand, a 4% improvement compared RUB 12,314,346 thousand in 2018.

The Group had a strong balance sheet with Net Debt to Adjusted EBITDA increasing to 0.60x (2018 end: 0.56x). Net Debt rose by 27% to RUB 23,573,675 thousand (2018 end: RUB 18,598,993 thousand). As at 31 December 2019 and 31 December 2018 almost 100% of the Group's debt was denominated in Russian roubles.

In 2019, management continued to make disciplined decisions on capital allocation whilst pursuing cost improvement and productivity measures. The Total Capex rose 9% year on year to RUB 14,005,540 thousand (2018: RUB 12,888,898 thousand). This higher capital expenditure was largely due to higher than expected increase in maintenance CAPEX from RUB 3,520 million in 2018 to RUB 6,908 million in 2019, together with decrease in expansion CAPEX from RUB 9,369 million in 2018 to RUB 7,098 million in 2019, reflecting moderate investments. In 2019, the Group acquired 2,502 units (including 1,154 specialised containers, 700 flat cars, 638 gondola cars and 10 locomotives) compared to 4,747 units (including 3,862 gondola cars, 481 flat cars and 404 containers) in the previous year.

Operational information

In 2019, the Group's Transportation Volume and Freight Rail Turnover (both excluding Engaged Fleet) increased 4% and 1% year on year respectively, impacted by the increase in volumes in the segments for non-oil (up 3% year on year) and oil products and oil (up 6% year on year), and 3% year-on-year decline in Average Distance of Loaded Trip on the back of changed client logistics. The Group's Transportation Volume was 91.6 million tones in 2019 (2018: 88.5 million tones) with Freight Rail Turnover amounting to 147.1 billion tonnes-km (2018: 146.2 billion tonnes-km).

The Average Number of Loaded Trips per Railcar decreased by 3% year on year and the Average Distance of Loaded Trips reduced by 3% year on year.

Average Price per Trip increased 9% year on year to RUB 45,807 (2018: 41,950).

The increase in the Empty Run Ratio for gondola cars to 42% (2018: 38%) was due to changed client logistics resulting in increase in the Total Empty Run Ratio to 49% (2018: 46%).

Total Fleet increased by 2% to 70,720 units (2018 end: 69,023 units) primarily reflecting sizeable increase in Owned Fleet, which was partially offset by the intended reduction in number of leased-in fleet.

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

Definitions to Non-IFRS financial measures

Adjusted EBITDA represents EBITDA excluding "Net foreign exchange transaction losses from financing activities", "Share of loss of associate", "Other losses/(gains) - net", "Net loss/(gain) 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).

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EBITDA represents "Profit for the year" before "Income tax expense", "Finance costs - net" (excluding "Net foreign exchange transaction losses 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", "Principal elements of lease payments for leases with financial institutions" (2018: "Finance lease principal payments"), "Principal elements of lease payments (IFRS 16)", "Interest paid on lease liabilities (IFRS 16)", "Interest paid on bank borrowings and non-convertible unsecured bonds" and "Interest paid on leases with financial institutions" (2018: "Interest paid on finance leases").

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" and "Principal elements of lease payments for leases with financial institutions" (2018: "Finance lease principal payments").

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 loss/(gain) 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.

Changes in group structure

There were no changes in the Group structure of the Company during the year ended 31 December 2019. For the principal subsidiaries of the Company, refer to Note 20 of the consolidated financial statements.

Non-Financial Information and Diversity Statement

The Group will be publishing its Non-Financial Information and Diversity Statement within its Annual report that will be issued within four months after the balance sheet date and will be available on the Company's website, www.globaltrans.com

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.

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

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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, 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 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 74% of the Group's Net Revenue from the operation of rolling stock in 2019; 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 66% of the Group's Net Revenue from the Operation of Rolling Stock in 2019 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 Group's outlook for 2020 may be impacted by the Coronavirus (COVID-19) outbreak, which has significantly lowered visibility on what to expect in 2020. The negative impact on global trade may be more severe than originally expected. Certain currencies to which the Group is exposed have weakened, stock markets have declined, and commodity prices are lower. The Management is closely monitoring the situation with the outbreak of Coronavirus (COVID-19) and is ready to act depending on the development of the situation.

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, CIS and Baltic countries railway infrastructure which may negatively impact the condition of the Group's rolling stock 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. Local IT specialists have introduced solutions to maintain the availability of IT services 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. 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 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, 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.

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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 this foreign exchange risk.

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 4,848,317 thousand as at 31 December 2019. Due to availability of committed credit lines amounting to, 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.

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 Board of Directors does not expect any significant changes in the activities of the Group for the foreseeable future.

The Group's strategic objective is to strengthen its position as a leading private freight rail group in Russia.

Results

The Group's results for the year are set out on pages 124 and 125. The Board of Directors recommends the payment of a dividend as detailed below and the remaining 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, except as otherwise described under "Terms and Conditions of the Global Depositary Receipts – Conversion of Foreign Currency", they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

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

In April 2018, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2017 in the amount of 44.85 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,016,530 thousand, including final dividend for 2017 in the amount of RUB 4,155,726 thousand or RUB 23.25 per ordinary share/GDR and a special final dividend in the amount of RUB 3,860,804 thousand or RUB 21.60 per ordinary share/GDR (US Dollar equivalent of US$ 130,728 thousand).

In August 2018, the Board of Directors of the Company approved payment of total dividend in the amount of 45.9 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,204,208 thousand (US Dollar equivalent of US$ 119,724 thousand), including interim dividend in the amount of RUB 3,771,433 thousand (US Dollar equivalent of US$ 55,037 thousand) or RUB 21.10 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,432,775 thousand (US Dollar equivalent of US$ 64,687 thousand) or RUB 24.80 per ordinary share/GDR.

In April 2019, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2018 in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR (US Dollar equivalent of US$ 129,727 thousand).

In August 2019, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand (US Dollar equivalent of US$ 124,655 thousand), including interim dividend in the amount of RUB 3,548,007 thousand (US Dollar equivalent of US$ 53,156 thousand) or RUB 19.85 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,772,382 thousand (US Dollar equivalent of US$ 71,499 thousand) or RUB 26.70 per ordinary share/GDR.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 30 April 2020 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for eight business days in Russia from 20 April 2020 to 29 April 2020 inclusive. Holders of GDRs will receive the dividend approximately three business days after the payment date, which will be not later than 30 business days after the approval of the dividends by the Annual General Meeting.

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Share capital

As at 31 December 2019 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.

Research and development activities

The Group has not undertaken any research and development activities during the year ended 31 December 2019.

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 eight branches and eight representative offices during 2019 (eight branches and eight representative offices during 2018).

Treasury shares

In 2019 the Company did not own or acquire either directly or through a person in his own name but on Company's behalf any of its own shares.

Going concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2020, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

The Board of Directors, in accordance with the requirements of the EU Regulation introduced into Cypriot legislation, undertook a mandatory audit tender in respect of the audit for the year ended 31 December 2019. Following this, the Independent Auditor, PricewaterhouseCoopers Limited, was appointed as the statutory auditor of the Company in respect of the audit for the year ended 31 December 2019.

PricewaterhouseCoopers Limited 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 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 2019 and at the date of this report, the Board comprises 15 members (2018: 15 members),11 (2018: 9 members) of whom are non-executive directors. Four (2018: 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 2019 and at the date of this report are shown on page 98. All of them were members of the Board throughout the year 2019 except for Mr. Michael Zampelas, who passed away on 15 May 2019, and Mr Vasilis P. Hadjivassiliou, who was appointed as an Independent director on 20 September 2019.

There were no significant changes in the assignment of responsibilities of the Board of Directors.

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

The total gross remuneration of the members of the Board of Directors incurred by the Group in 2019 amounted to RUB 507,802 thousand (2018: RUB 408,987 thousand).

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Board performance

The Board held 14 meetings in 2019. The Directors' attendance is presented in the table below.

	Eligible	Attended
Michael Zampelas	3	1
Johann Franz Durrer	14	14
Carroll Colley	14	14
George Papaioannou	14	14
Alexander Eliseev	14	13
Melina Pyrgou	14	12
Konstantin Shirokov	14	14
Alexander Storozhev	14	13
Marios Tofaros	14	14
Elia Nicolaou	14	14
Sergey Tolmachev	14	14
Sergey Maltsev (Chairman)	14	12
Andrey Gomon	14	12
Alexander Tarasov	14	12
Vasilis P. Hadjivassiliou	6	6
Michael Thomaides	14	14

The Board Committees

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

Audit Committee

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

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

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

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

Nomination Committee

The Nomination Committee comprises two Independent Directors and meets at least once a year. Until May 2019 the Nomination Committee was chaired by Mr. Zampelas and Dr. Durrer was the other member. Since 24 May 2019 the Nomination Committee is chaired by Dr. Durrer and Carroll Colley is the other member. The Committee's remit is to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board, given the Company's stage of development, and makes recommendations to the Board as to any changes. The Committee also considers future appointments in respect of the Board's composition and makes recommendations regarding the membership of the Audit and Remuneration Committees.

Remuneration Committee

The Remuneration Committee comprises two Independent Directors and meets at least once a year. Until May 2019 the Remuneration Committee was chaired by Dr. Durrer and Mr. Zampelas was the other member. Since 24 May 2019 the Remuneration Committee is chaired by Dr. Durrer and Carroll Colley is the other member. The Committee's responsibility is the determination and review of, among other matters, the remuneration of Executive Directors, and the review of the Company's remuneration policies. The remuneration of Independent Directors is a matter for the Chairman of the Board and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

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(continued)

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 22 April 2019.

Refer to Note 35 of the consolidated 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 females representing approximately 13.3% 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.

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
(continued)

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 and traded on the Main Market of the London Stock Exchange under the ticker GLTR. The free float of Globaltrans amounts to approximately 56.9%[1] of the issued share capital. The Bank of New York Mellon is the depositary bank for the GDR programme of the Company.

The shareholder structure of the Company as at 31 December 2019 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]	4.0%
Controlled by Directors and management of Globaltrans	0.2%
Free float [1]	56.9%

[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.

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 2019 and 31 December 2018 are shown below:

Name	Type of holding	2019	2018
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	10,315,790
Sergey Maltsev	Holding of ordinary shares and GDRs	7,099,725	8,382,860
Johann Franz Durrer	Holding of GDRs	160,606	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, 27 March 2020

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 it 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.

Each of the Directors confirms to the best of his or her knowledge that the consolidated financial statements (presented on pages 124 to 213) give a true and fair view of the financial position of Globaltrans Investment PLC (the Company") and its subsidiaries (together with the Company, the "Group") as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

Further, each of the Directors confirms to the best of his or her knowledge that:

(i) proper books of account have been kept by the Company;

(ii) the Company's consolidated financial statements are in agreement with the books of account;

(iii) the consolidated financial statements give the information required by the Cyprus Companies Law, Cap.113 in the manner so required;

(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;

(v) the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Consolidated Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements; and

(vi) the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

By order of the Board

Sergey Tolmachev

Director

Independent Auditor's Report

To the Members of Globaltrans Investment PLC

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Globaltrans Investment PLC (the "Company") and its subsidiaries (together the "Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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.

What we have audited

We have audited the consolidated financial statements which are presented in pages 124 to 213 and comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group throughout the period of our appointment 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.

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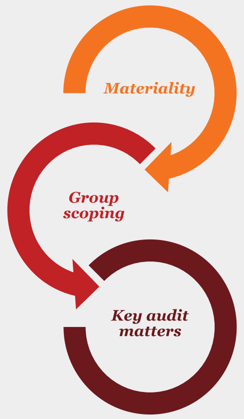
Independent Auditor's Report
(continued)

Our audit approach

Overview
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Overall group materiality: RUB 1,487,200 thousand, which represents 5% of profit before tax (rounded).

We conducted full scope audit for the parent entity, all the significant components and the group consolidation.
For the non-significant components, we performed full scope audit, specified procedures over specific financial statement lines and/or analytical procedures.

We have determined that there are no key audit matters to communicate in our report.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	RUB 1,487,200 thousand
How we determined it	5% of profit before tax (rounded)
Rationale for the materiality benchmark applied	We chose the profit before tax as the benchmark, because in our view, it is the benchmark against which the performance of the Group is most commonly measured by the users of the consolidated financial statements and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RUB 73,360 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report, including the Corporate Governance Statement, and the Directors' responsibility which we obtained prior to the date of this auditor's report, and the Company's complete Annual Report, including the Non-Financial Information and Diversity Statement, which is expected to be made available to us after that date. Other information 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 and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Company's complete Annual Report, including the Non-Financial Information and Diversity Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Independent Auditor's Report
(continued)

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

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.

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.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company in 2005 by shareholders' resolution for the audit of the financial statements for the year ended 31 December 2004. Our appointment has been renewed annually since then, by shareholders' resolution. In 2008 the Company listed Global Depository Receipts on the Main Market of the London Stock Exchange and, accordingly, the first financial year after the Company qualified as a European Union Public Interest Entity was the year ended 31 December 2009. Since then, the total period of uninterrupted engagement appointment was 11 years.

Independent Auditor's Report
(continued)

Consistency of the Additional Report to the Audit Committee
We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 26 March 2020 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

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

- In our opinion, based on the work undertaken in the course of our audit, the consolidated 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 light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter
This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and 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.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

27 March 2020

Consolidated Income Statement

for the year ended 31 December 2019

	Note	2019 RUB'000	2018 RUB'000
Revenue	10	94,993,874	86,772,742
Cost of sales	11	(58,833,383)	(55,154,376)
Gross profit		**36,160,491**	31,618,366
Selling and marketing costs	11	(216,298)	(220,542)
Administrative expenses	11	(3,858,549)	(4,629,044)
Other income		133,508	133,754
Other losses – net	12	(99,322)	(1,479)
Operating profit		**32,119,830**	26,901,055
Finance income	14	533,857	377,445
Finance costs	14	(2,529,098)	(1,778,460)
Net foreign exchange transaction losses on financing activities	14	(379,824)	(40,219)
Finance costs – net	14	(2,375,065)	(1,441,234)
Profit before income tax		**29,744,765**	25,459,821
Income tax expense	15	(7,091,433)	(5,876,386)
Profit for the year		**22,653,332**	19,583,435
Profit attributable to:			
Owners of the Company		20,807,651	17,671,968
Non-controlling interest		1,845,681	1,911,467
		22,653,332	19,583,435
Weighted average number of ordinary shares in issue (thousand)		178,741	178,741
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	116.41	98.87

[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 issue during the year.

The notes on pages 132 to 213 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	2019 RUB'000	2018 RUB'000
Profit for the year	**22,653,332**	19,583,435
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(925,000)	1,282,549
Items that will not be reclassified to profit or loss		
Currency translation differences attributable to non-controlling interest	(493,622)	622,618
Other comprehensive income for the year, net of tax	**(1,418,622)**	1,905,167
Total comprehensive income for the year	**21,234,710**	21,488,602
Total comprehensive income for the year attributable to:		
— owners of the Company	19,882,651	18,954,517
— non-controlling interest	1,352,059	2,534,085
	21,234,710	21,488,602

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 132 to 213 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

at 31 December 2019

	Note	31 December 2019 RUB'000	31 December 2018 RUB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	80,532,645	74,764,903
Right-of-use assets	18	1,410,448	-
Intangible assets	19	61,316	757,209
Other assets	23	336,416	1,019,572
Trade receivables	22	197,284	221,805
Loans and other receivables	22	10,374	11,904
Total non-current assets		82,548,483	76,775,393
Current assets			
Inventories	24	1,722,781	904,375
Other assets	23	5,190,504	3,587,790
Loans and other receivables	22	37,645	262,846
Trade receivables	22	3,012,282	2,365,723
Current income tax assets		501,087	191,277
Cash and cash equivalents	25	6,521,543	7,129,918
		16,985,842	14,441,929
Assets classified as held for sale		40,224	-
Total current assets		17,026,066	14,441,929
TOTAL ASSETS		**99,574,549**	91,217,322
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
Common control transaction reserve		(10,429,876)	(10,429,876)
Translation reserve		3,392,675	4,317,675
Capital contribution		2,694,851	2,694,851
Retained earnings		26,774,750	22,598,941
Total equity attributable to the owners of the Company		50,878,835	47,628,026
Non-controlling interest		5,647,230	5,897,408
Total equity		56,526,065	53,525,434

	Note	31 December 2019 RUB'000	31 December 2018 RUB'000
Non-current liabilities			
Borrowings	28	22,294,914	17,269,321
Lease liabilities (IFRS 16)	29	881,706	-
Trade and other payables	31	90,742	404,357
Contract liabilities	10	11,191	-
Deferred tax liabilities	30	7,592,182	6,284,868
Total non-current liabilities		30,870,735	23,958,546
Current liabilities			
Borrowings	28	7,800,304	8,459,590
Lease liabilities (IFRS 16)	29	649,177	-
Trade and other payables	31	2,355,872	2,549,337
Contract liabilities	10	1,244,702	2,673,467
Current tax liabilities		127,694	50,948
Total current liabilities		12,177,749	13,733,342
TOTAL LIABILITIES		**43,048,484**	37,691,888
TOTAL EQUITY AND LIABILITIES		**99,574,549**	91,217,322

On 27 March 2020, the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

By order of the Board

Sergey Tolmachev, Director

Konstantin Shirokov, Director

The notes on pages 132 to 213 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Note	Attributable to the owners of the Company								
		Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interest RUB'000	Total RUB'000
Balance at 1 January 2018		516,957	27,929,478	(10,429,876)	3,035,126	2,694,851	21,146,195	44,892,731	5,724,899	50,617,630
Comprehensive income										
Profit for the year		-	-	-	-	-	17,671,968	17,671,968	1,911,467	19,583,435
Other comprehensive income										
Currency translation differences		-	-	-	1,282,549	-	-	1,282,549	622,618	1,905,167
Total comprehensive income for 2018		-	-	-	1,282,549	-	17,671,968	18,954,517	2,534,085	21,488,602
Transactions with owners										
Dividends to owners of the Company	27	-	-	-	-	-	(16,220,738)	(16,220,738)	-	(16,220,738)
Dividends to non-controlling interest	27	-	-	-	-	-	-	-	(1,723,005)	(1,723,005)
Increase in share capital of subsidiary		-	-	-	-	-	-	-	200,061	200,061
Payments to non-controlling interest	20	-	-	-	-	-	-	-	(831,136)	(831,136)
Acquisition of non-controlling interest	20	-	-	-	-	-	1,516	1,516	(7,496)	(5,980)
Total transactions with owners		-	-	-	-	-	(16,219,222)	(16,219,222)	(2,361,576)	(18,580,798)
Balance at 31 December 2018		516,957	27,929,478	(10,429,876)	4,317,675	2,694,851	22,598,941	47,628,026	5,897,408	53,525,434

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Note	Attributable to the owners of the Company								
		Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interest RUB'000	Total RUB'000
Balance at 1 January 2019		516,957	27,929,478	(10,429,876)	4,317,675	2,694,851	22,598,941	47,628,026	5,897,408	53,525,434
Comprehensive income										
Profit for the year		-	-	-	-	-	20,807,651	20,807,651	1,845,681	22,653,332
Other comprehensive income										
Currency translation differences		-	-	-	(925,000)	-	-	(925,000)	(493,622)	(1,418,622)
Total comprehensive income for 2019		-	-	-	(925,000)	-	20,807,651	19,882,651	1,352,059	21,234,710
Transactions with owners										
Dividends to owners of the Company	27	-	-	-	-	-	(16,631,842)	(16,631,842)	-	(16,631,842)
Dividends to non-controlling interest	27	-	-	-	-	-	-	-	(1,602,237)	(1,602,237)
Total transactions with owners		-	-	-	-	-	(16,631,842)	(16,631,842)	(1,602,237)	(18,234,079)
Balance at 31 December 2019		516,957	27,929,478	(10,429,876)	3,392,675	2,694,851	26,774,750	50,878,835	5,647,230	56,526,065

The notes on pages 132 to 213 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019

	Note	2019 RUB'000	2018 RUB'000
Cash flows from operating activities			
Profit before tax		29,744,765	25,459,821
Adjustments for:			
Depreciation of property, plant and equipment	17	5,794,912	5,110,715
Depreciation of right-of-use assets	18	424,220	-
Amortisation of intangible assets	19	696,725	696,702
Net loss/(gain) on sale of property, plant and equipment	17	10,047	(27,347)
Loss on derecognition arising on capital repairs	17	471,746	377,284
(Reversal of impairment)/impairment of property, plant and equipment	17	(64,889)	10,073
Net impairment losses on trade and other receivables	11	12,699	29,713
Interest income	14	(533,857)	(377,445)
Interest expense and other finance costs	14	2,529,098	1,778,460
Net foreign exchange transaction losses on financing activities	14	379,824	40,219
Other losses/(gains)		41,197	(10,940)
		39,506,487	33,087,255
Changes in working capital:			
Inventories		(394,213)	169,562
Trade receivables		(712,934)	(316,527)
Other assets		(1,299,140)	(1,042,367)
Other receivables		9,816	(66,210)
Trade and other payables		(270,224)	262,742
Contract liabilities		(1,417,574)	507,939
Cash generated from operations		35,422,218	32,602,394
Tax paid		(6,018,371)	(5,765,818)
Net cash from operating activities		29,403,847	26,836,576
Cash flows from investing activities			
Loans repayments received from third parties		2,728	5,984
Purchases of property, plant and equipment		(13,515,985)	(11,567,554)
Purchases of intangible assets		(832)	(110)
Proceeds from sale of property, plant and equipment	17	91,649	409,794
Interest received		533,857	377,445
Receipts from finance lease receivable		123,598	129,251
Net cash used in investing activities		(12,764,985)	(10,645,190)
Cash flows from financing activities			
Proceeds from bank borrowings	28	10,408,000	15,197,467
Proceeds from issue of non-convertible unsecured bonds	28	5,000,000	5,000,000
Repayments of borrowings	28	(10,736,723)	(13,127,743)
Principal elements of lease payments for leases with financial institutions (2018: Finance lease principal payments)	28	(488,723)	(1,321,234)
Principal elements of lease payments (IFRS 16)	28	(339,597)	-
Interest paid on bank borrowings and non-convertible unsecured bonds	28	(2,017,915)	(1,533,268)
Interest paid on leases with financial institutions (2018: Interest paid on finance leases)	28	(167,048)	(100,064)
Interest paid on lease liabilities (IFRS 16)	28	(111,911)	-
Dividends paid to owners of the Company	27	(16,631,842)	(16,220,738)
Dividends paid to non-controlling interests in subsidiaries	27	(1,602,237)	(1,723,005)
Payments from non-controlling interest for share capital increase of subsidiary		200,060	-
Acquisition of non-controlling interest Distribution to NCI	20	-	(5,980)
Payments to non-controlling interest	20	(450,934)	(168,604)
Net cash used in financing activities		(16,938,870)	(14,003,169)
Net (decrease)/increase in cash and cash equivalents		(300,008)	2,188,217
Exchange losses on cash and cash equivalents		(308,367)	(24,470)
Cash and cash equivalents at beginning of year	25	7,129,918	4,966,171
Cash and cash equivalents at end of year	25	6,521,543	7,129,918

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 132 to 213 these consolidated financial statements 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 27 March 2020.

Global Depositary Receipts

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

Principal activities

The principal 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 2019 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 2019. None of these has affected these consolidated financial statements, with the exception of IFRS 16 "Leases", the adoption of which resulted in changes in the Group's accounting policies for leases for which it is acting as a lessee.

IFRS 16 "Leases"

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Impact of adoption

As part of its operating activities, the Group leases rolling stock from third parties. In addition, the Group leases offices and other property, plant and equipment. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The leased assets may not be used as security for borrowing purposes.

The Group has adopted IFRS 16 retrospectively on 1 January 2019, using the modified retrospective approach with certain simplifications, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing requirements are, therefore, recognised in the opening consolidated balance sheet as of 1 January 2019. Accordingly, the comparative information is prepared and disclosed in accordance with IAS 17 "Leases".

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rates applied to the lease liabilities on 1 January 2019 were between 4% and 10%, depending on the specifics of each lease. The Group opted to measure the right-of-use assets on transition at an amount equal to that of the lease liability (adjusted for any prepaid or accrued lease payments).

For leases previously classified as finance leases the Group recognised the carrying amount of the leased asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after 1 January 2019.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

Notes to the Consolidated Financial Statements
(continued)

The following table presents a reconciliation of the operating lease commitments as at 31 December 2018 to the recognised lease liability as at 1 January 2019:

	RUB'000
Operating lease commitments disclosed as at 31 December 2018 (Note 34)	1,378,832
Adjustments to lease commitments:	
- (Less): short-term leases recognised on a straight-line basis as expense [1]	(270,671)
- (Less): payments for lease not yet commenced [2]	(1,056,590)
- Add: adjustment because of different treatment of extension and termination options	805,343
Effect of discounting	(136,034)
Add: finance lease liabilities recognised as at 31 December 2018 [3]	2,212,668
Other	(42,185)
Lease liability recognised as at 1 January 2019	2,891,363

Of which are:

Lease liabilities (IFRS 16) (recognised on the face of the balance sheet)	
Current lease liabilities (IFRS 16)	153,182
Non-current lease liabilities (IFRS 16)	525,513
	678,695
Lease liabilities with financial institutions (included within borrowings)	
Current lease liabilities with financial institutions	496,874
Non-current lease liabilities with financial institutions	1,715,794
	2,212,668
Total	**2,891,363**

1 As at 31 December 2018, the Group had non-cancellable operating lease commitments of RUB 1,378,832 thousand out of which approximately RUB 270,671 thousand relate to short-term leases which will be recognised on a straight-line basis as an expense in the income statement.

2 The Group's non-cancellable operating lease commitments as at 31 December 2018 included an amount of RUB 1,056,590 thousand relating to a lease contract entered in the year 2018 for the lease of offices. In accordance with the terms of the agreement, the Group obtained right to use the offices within the first half of the year 2019 and thus no lease liability was recognised in respect of this lease on 1 January 2019.

3 The Group had finance lease liabilities recognised as at 31 December 2018 with a carrying amount of RUB 2,212,668 thousand and leased assets with a carrying amount of RUB 3,414,376 thousand. Upon adoption of IFRS 16, the Group recognised lease liabilities and right-of-use assets in respect of these leases at amounts equal to their carrying amounts as at 31 December 2018 under IAS 17.

The recognised right-of-use assets because of the adoption of IFRS 16 relate to the following types of assets:

	1 January 2019 RUB'000
Right-of-use assets (recognised on the face of the balance sheet)	
Rolling stock	590,656
Land and buildings	27,421
Other	102,803
	720,880
Right-of-use assets (included within property, plant and equipment)	
Rolling stock	3,414,376
	3,414,376
Total	**4,135,256**

The application of IFRS 16 affected the following items in the balance sheet on 1 January 2019:

	Increase/(decrease)	RUB'000
Right-of-use assets	increase by	720,880
Prepayments	decrease by	42,185
Lease liabilities (IFRS 16)	increase by	678,695

Impact on segment disclosures
Segment assets as at 1 January 2019 increased by RUB 590,656 thousand as a result of the recognition of right-of-use assets relating to rolling stock. The increase impacted the following segments:

	Increase/(decrease)	RUB'000
Reportable segment assets		
Other railcars (platforms)	increase by	590,656

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16. The Group's new accounting policies following adoption of IFRS 16 at 1 January 2019 are set out in Note 4.

Notes to the Consolidated Financial Statements
(continued)

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16, effective from 1 January 2019, these policies have been consistently applied to all the years presented.

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.

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.

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

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

Notes to the Consolidated Financial Statements
(continued)

(i) 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.

(ii) Freight rail transportation services using specialised tank containers
The Group provides freight rail transportation services using specialised tank containers for clients using its own, leased or engaged rolling stock (platforms).

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.

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.

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 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 (losses) – net'.

Notes to the Consolidated Financial Statements
(continued)

(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.

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.

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Intangible assets

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

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
Until 31 December 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. In particular, leases of property, plant and equipment where the Group had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment was allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, were included in borrowings. The interest element of the finance cost was charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

From 1 January 2019, the date of initial application of IFRS 16, 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 lease 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.

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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.

Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset.

Until 31 December 2018, if a sale and leaseback transaction resulted in a finance lease, any excess of sales proceeds over the carrying amount was deferred and amortised over the lease term. When the overall economic effect of a sale and leaseback transaction could not be understood without reference to the series of transactions as a whole (i.e. when the series of transactions were closely interrelated, negotiated as a single transaction, and took place concurrently or in a continuous sequence) the transaction was accounted for as one transaction, usually a collateralized borrowing.

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

From 1 January 2019, 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 assessed 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.

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.

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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.

(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.

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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.

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.

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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.

5. New accounting pronouncements
Certain new standards, amendments to existing standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2020. Items marked with * have not been endorsed by the European Union (EU). The Group will only be able to apply the new standards, amendments to existing standards or interpretations when these are endorsed by the EU.

- **Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- **Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).** The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
- **Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020)*.** The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective.
- **Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.** These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

None of the new standards, amendments to existing standards or interpretations is expected to have a significant effect on the consolidated financial statements.

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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 2019, 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.

During the year 2019 there was increased volatility in currency markets and the Russian Rouble has appreciated significantly against some major currencies, especially in the second half of the year. As of the end of December 2019 the Russian Rouble has appreciated against the US Dollar from 69.4706 as of 31 December 2018 to 61.9057 Russian Roubles (10.9% revaluation).

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 this foreign exchange risk.

The carrying amounts of monetary assets and liabilities denominated in US Dollars as at 31 December 2019 and 31 December 2018 are as follows:

	2019 RUB'000	2018 RUB'000
Assets	468,321	1,013,937
Liabilities	9,038	101,055

Had US Dollar exchange rate strengthened/weakened by 10% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2019, would have increased/decreased by RUB 21,831 thousand (2018: 20% change, effect RUB 93,454 thousand) and equity would have increased/decreased by RUB 210,073 thousand (2018: 20% change, effect RUB 528,447 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 10% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2019, would have increased /decreased by RUB 20,698 thousand (2018: 10% change, effect RUB 37,260 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.

Had US Dollar exchange rate strengthened/weakened by 10% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group would have remained unchanged (2018: 20% change, no effect on post-tax profit) and the equity of the Group for the year ended 31 December 2019, would have decreased/increased by RUB 210,073 thousand (2018: 20% change, effect RUB 528,447 thousand). This 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.

(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.

As at 31 December 2019 and 31 December 2018, the Group did not have any Russian Rouble or US Dollar 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 70.71% of the Group's trade receivables as at 31 December 2019 (2018: 58.65%).

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.

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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 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 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.

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 2019		
Current (not past due)	2,184,210	279,070
1-30 days past due	741,905	-
31-90 days past due	76,027	-
more than 90 days past due	346,339	-
Total	**3,348,481**	**279,070**

	Trade receivables RUB'000	Finance lease receivables RUB'000
As at 31 December 2018		
Current (not past due)	1,583,886	316,668
1-30 days past due	762,210	-
31-90 days past due	18,294	-
more than 90 days past due	369,180	-
Total	**2,733,570**	**316,668**

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2019 and as at 31 December 2018 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.

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The movement in the credit loss allowance for trade receivables during the years 2019 and 2018 is presented in the table below:

	Trade receivables	
	2019 RUB'000	2018 RUB'000
Opening balance as at 1 January	(146,042)	(141,336)
New assets originated or purchased	(4,461)	(12,044)
Net loss allowance of financial assets at the start of the year	(5,269)	-
Receivables modified during the year	(9,300)	-
Assets written off during the year as uncollectible	13,791	13,071
Recoveries	9,196	4,534
Other	3,170	(10,267)
Closing balance as at 31 December	(138,915)	(146,042)

The estimated expected credit loss allowance on finance lease receivables as at 31 December 2019 and as at 31 December 2018 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 for loans and 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 2019 and 2018

Internal credit risk rating grade	Company definition of category	2019 RUB'000	2018 RUB'000
Performing	Stage 1 – Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	20,071	263,653
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	20,107	18,017
Non-performing or Credit-impaired	Stage 3 – Interest and/or principal repayments are more than 90 days past due	29,341	42,732

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2019 and as at 31 December 2018 without taking into account any collateral held. The Group does not hold any collateral as security for any loans receivable or other receivable balances.

The movement in the credit loss allowance for other receivables during the years 2019 and 2018 is presented in the table below:

	Non-performing	
	2019 RUB'000	2018 RUB'000
Opening balance as at 1 January	(49,652)	(39,786)
New assets originated or purchased	-	(14,882)
Assets written off during the year as uncollectible	13,358	18,403
Other	6,953	(13,387)
Closing balance as at 31 December	(29,341)	(49,652)

The estimated expected credit loss allowance on loans receivable as at 31 December 2019 and as at 31 December 2018 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 2019 and 2018:

	Rating	2019 RUB'000	2018 RUB'000
Moody's[1]	A3 – Aaa	1,021,969	1,462,017
Moody's[1]	Ba1 – Baa1	5,462,852	5,659,996
Moody's[1]	B1	-	152
Moody's[1]	Caa1 - Caa3	-	2,748
Standard & Poor's[2]	B - BB+	31,373	3,349
Fitch[3]	BBB- BBB+	619	652
Other external non-rated banks – satisfactory credit quality (performing)		4,628	439
Total cash at bank and bank deposits[4]		6,521,441	7,129,353

1 International rating agency Moody's Investors Service
2 International rating agency Standard & Poor's
3 International rating agency Fitch Rating
4 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 2019 and as at 31 December 2018 based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2019 and as at 31 December 2018.

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Liquidity risk

The Group has an excess of current assets over current liabilities of RUB 4,848,317 thousand as at 31 December 2019 (2018: excess of current assets over current liabilities RUB 708,587 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 committed credit lines amounting to RUB 4,665,000 thousand as of 31 December 2019 (2018: RUB 4,515,000 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.

The table below summarises the analysis of financial liabilities of the Group by maturity as of 31 December 2019 and 31 December 2018. 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 RUB'000	Between one month and three months RUB'000	Between three and six months RUB'000	Between 6 months and less than one year RUB'000	Between 1 and 2 years RUB'000	Between 2 and 5 years RUB'000	Total RUB'000
31 December 2019							
Borrowings	360,617	1,691,040	2,280,662	4,605,615	9,955,939	13,748,473	32,642,346
Trade and other payables	849,725	29,986	28,251	78,922	-	-	986,884
Lease liabilities with financial institutions	59,219	104,168	154,532	302,194	573,499	781,441	1,975,053
Lease liabilities (IFRS 16)	63,280	130,273	213,761	346,615	409,252	578,619	1,741,800
	1,332,841	1,955,467	2,677,206	5,333,346	10,938,690	15,108,533	37,346,083
31 December 2018							
Borrowings	427,029	2,273,971	1,893,914	5,195,738	6,186,061	11,273,818	27,250,531
Trade and other payables	820,446	35,390	34,458	115,318	197,689	98,844	1,302,145
Finance lease liabilities	56,475	110,666	165,549	329,426	609,246	1,359,462	2,630,824
	1,303,950	2,420,027	2,093,921	5,640,482	6,992,996	12,732,124	31,183,500

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 2019 and 31 December 2018 are as follows:

	2019 RUB'000	2018 RUB'000
Total borrowings	30,095,218	25,728,911
Total capitalisation	80,974,053	73,356,937
Total borrowings to total capitalisation ratio (percentage)	37.17%	35.07%

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 2019 and 2018. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

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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.

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 2019 and 31 December 2018 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 2019 and 31 December 2018 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 2019 and 31 December 2018, respectively. The discount rate used was 7.5% p.a. (2018: 9.5% p.a.) (Note 28). The fair value as at 31 December 2019 and 31 December 2018 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 34).

(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 2019 both would have decreased by RUB 22,019,963 thousand (2018: RUB 22,682,168 thousand).

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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 RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2019				
Total revenue – operator's services	62,009,387	27,955,714	1,194,311	91,159,412
Total revenue – operating lease	148,207	1,434,219	51,340	1,633,766
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	62,157,594	29,389,933	1,245,651	92,793,178
less Infrastructure and locomotive tariffs - loaded trips	(14,596,983)	(6,856,635)	(566,345)	(22,019,963)
less Services provided by other transportation organisations	(4,046,206)	(85,793)	(2,243)	(4,134,242)
Adjusted revenue for reportable segments	**43,514,405**	**22,447,505**	**677,063**	**66,638,973**
Depreciation and amortisation	(4,958,834)	(1,259,444)	(302,671)	(6,520,949)
Impairment of property, plant and equipment	-	-	64,889	64,889
Loss on derecognition arising on capital repairs	(133,987)	(336,103)	(1,656)	(471,746)
Additions to non-current assets (included in reportable segment assets)	6,720,628	4,760,126	2,215,587	13,696,341
Reportable segment assets	**52,534,359**[1]	**21,925,369**	**3,769,887**	**78,229,615**

[1] Includes RUB 57,903 thousand of intangible assets representing customer relationships.

	Gondola cars RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2018				
Total revenue – operator's services	56,578,061	26,171,577	1,070,226	83,819,864
Total revenue – operating lease	217,875	1,131,730	44,631	1,394,236
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	56,795,936	27,303,307	1,114,857	85,214,100
less Infrastructure and locomotive tariffs - loaded trips	(16,072,497)	(6,093,700)	(515,971)	(22,682,168)
less Services provided by other transportation organisations	(2,631,711)	(571,819)	(27,620)	(3,231,150)
Adjusted revenue for reportable segments	**38,091,728**	**20,637,788**	**571,266**	**59,300,782**
Depreciation and amortisation	(4,445,258)	(1,085,940)	(84,314)	(5,615,512)
Impairment of property, plant and equipment	(10,073)	-	-	(10,073)
Loss on derecognition arising on capital repairs	(142,020)	(217,593)	(17,671)	(377,284)
Additions to non-current assets (included in reportable segment assets)	12,117,088	658,041	1,190,307	13,965,436
Reportable segment assets	**50,970,274**[2]	**20,517,936**	**1,531,496**	**73,019,706**

[2] Includes RUB 752,718 thousand of intangible assets representing customer relationships.

Notes to the Consolidated Financial Statements
(continued)

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

	2019 RUB'000	2018 RUB'000
Adjusted revenue for reportable segments	66,638,973	59,300,782
Other revenues	2,200,696	1,558,642
Total adjusted revenue	68,839,669	60,859,424
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, impairment and reversal of impairment of property, plant and equipment, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets, loss on derecognition arising on capital repairs)	(25,523,727)	(23,094,638)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	(3,894,885)	(4,771,519)
Depreciation and amortisation	(6,915,857)	(5,807,417)
Net impairment losses on trade and other receivables	(12,699)	(29,713)
Reversal of impairment/(impairment) of property, plant and equipment	64,889	(10,073)
Loss on derecognition arising on capital repairs	(471,746)	(377,284)
Other income	133,508	133,754
Other losses – net	(99,322)	(1,479)
Operating profit	32,119,830	26,901,055
Finance income	533,857	377,445
Finance costs	(2,529,098)	(1,778,460)
Net foreign exchange transaction losses on financing activities	(379,824)	(40,219)
Profit before income tax	29,744,765	25,459,821

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

	2019		2018	
	Assets RUB'000	Liabilities RUB'000	Assets RUB'000	Liabilities RUB'000
Segment assets/ liabilities	78,229,615	-	73,019,706	-
Unallocated:				
Deferred tax liabilities	-	7,592,182	-	6,284,868
Current income tax assets/liabilities	501,087	127,694	191,277	50,948
Property, plant and equipment	3,187,618	-	2,497,915	-
Right-of-use assets	583,763	-	-	-
Intangible assets	3,413	-	4,491	-
Assets classified as held for sale	40,224	-	-	-
Other assets	5,526,920	-	4,607,362	-
Trade receivables	3,209,566	-	2,587,528	-
Loans and other receivables	48,019	-	274,750	-
Inventories	1,722,781	-	904,375	-
Cash and cash equivalents	6,521,543	-	7,129,918	-
Borrowings	-	30,095,218	-	25,728,911
Lease liabilities (IFRS 16)	-	1,530,883	-	-
Trade and other payables	-	2,446,614	-	2,953,694
Contract liabilities	-	1,255,893	-	2,673,467
Total	**99,574,549**	**43,048,484**	**91,217,322**	**37,691,888**

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Geographic information

Revenues from external customers

	2019 RUB'000	2018 RUB'000
Revenue		
Russia	93,365,285	85,532,368
Estonia	1,288,712	929,319
Finland	-	741
Ukraine	339,877	310,314
	94,993,874	86,772,742

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:

	2019		2018	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A – rail tank cars segment	17,913,115	19	17,162,366	20
Customer B – gondola cars segment	28,837,359	30	24,939,534	29
Customer C – gondola cars segment	11,684,413	12	13,397,567	15

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:

	2019 RUB'000	2018 RUB'000
Non-current assets		
Russia	71,440,343	63,583,859
Estonia	10,163,687	12,149,137
Ukraine	524,024	512,102
Cyprus	11,716	7,212
	82,139,770	76,252,310

9. Non-GAAP 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-GAAP measures") as supplemental measures of the Group's operating and financial 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. 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 2019 and 2018 and its reconciliation to Total revenue.

	2019 RUB'000	2018 RUB'000
Total revenue	94,993,874	86,772,742
Minus "pass through" items		
Infrastructure and locomotive tariffs: loaded trips	(22,019,963)	(22,682,168)
Services provided by other transportation organisations	(4,134,242)	(3,231,150)
Adjusted Revenue	68,839,669	60,859,424

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 loss/(gain) 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 loss/(gain) on sale of property, plant and equipment".

Notes to the Consolidated Financial Statements
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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", "Taxes (other than income tax and value added taxes)" (in 2018: "Rental of tank containers", "Operating lease rentals - office") and "Other expenses".

	2019 RUB'000	2018 RUB'000
"Pass through" cost items	**(26,154,205)**	**(25,913,318)**
Infrastructure and locomotive tariffs: loaded trips	(22,019,963)	(22,682,168)
Services provided by other transportation organisations	(4,134,242)	(3,231,150)
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for "pass through" cost items)	**(36,754,025)**	**(34,090,644)**
Total Operating Cash Costs	**(29,408,565)**	**(27,893,504)**
Infrastructure and locomotive tariffs - empty runs and other tariffs	(15,739,194)	(13,848,049)
Repairs and maintenance	(4,403,342)	(3,821,338)
Employee benefit expense	(4,483,225)	(4,366,804)
Operating lease rentals - rolling stock	-	(826,937)
Expense relating to short-term leases – rolling stock	(721,529)	-
Fuel and spare parts – locomotives	(1,914,447)	(1,935,278)
Engagement of locomotive crews	(774,990)	(795,289)
Other Operating Cash Costs	(1,371,838)	(2,299,809)
Advertising and promotion	(38,992)	(37,716)
Auditors' remuneration	(54,780)	(58,760)
Communication costs	(34,776)	(33,391)
Information services	(18,666)	(26,626)
Legal, consulting and other professional fees	(48,469)	(70,084)
Rental of tank-containers	-	(43,770)
Operating lease rentals – office	-	(183,188)
Expense relating to short-term leases – office	(139,214)	-
Taxes (other than on income and value added taxes)	9,031	(681,263)
Other expenses	(1,045,972)	(1,165,011)
Total Operating Non-Cash Costs	**(7,345,460)**	**(6,197,140)**
Depreciation of property, plant and equipment	(5,794,912)	(5,110,715)
Depreciation of right-of-use assets	(424,220)	-
Amortisation of intangible assets	(696,725)	(696,702)
Loss on derecognition arising on capital repairs	(471,746)	(377,284)
Net impairment losses on trade and other receivables	(12,699)	(29,713)
Reversal of impairment/(impairment) of property, plant and equipment	64,889	(10,073)
Net loss/(gain) on sale of property, plant and equipment	(10,047)	27,347
Total cost of sales, selling and marketing costs and administrative expenses	**(62,908,230)**	**(60,003,962)**

Adjusted EBITDA

Adjusted EBITDA represents EBITDA excluding "Net foreign exchange transaction losses from financing activities", "Share of loss of associate", "Other losses - net", "Net loss/(gain) 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 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 2019 and 2018 and its reconciliation to EBITDA and Profit for the year:

	2019 RUB'000	2018 RUB'000
Profit for the year	**22,653,332**	**19,583,435**
Plus (Minus)		
Income tax expense	7,091,433	5,876,386
Finance costs – net	2,375,065	1,441,234
Net foreign exchange transaction losses on financing activities	(379,824)	(40,219)
Amortisation of intangible assets	696,725	696,702
Depreciation of right-of-use assets	424,220	-
Depreciation of property, plant and equipment	5,794,912	5,110,715
EBITDA	**38,655,863**	**32,668,253**
Plus (Minus)		
Loss on derecognition arising on capital repairs	471,746	377,284
Net foreign exchange transaction losses on financing activities	379,824	40,219
Other losses – net	99,322	1,479
Net loss/(gain) on sale of property, plant and equipment	10,047	(27,347)
Reversal of impairment/(impairment) of property, plant and equipment	(64,889)	10,073
Adjusted EBITDA	**39,551,913**	**33,069,961**

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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 (2018: Interest paid on finance leases)", "Interest paid on lease liabilities (IFRS 16)", "Purchases of property, plant and equipment", "Purchases of intangible assets", "Acquisition of subsidiary undertakings - net of cash acquired" and "Principal elements of lease payments for leases with financial institutions" (31 December 2018: "Finance lease principal payments"), "Principal elements of lease payments (IFRS 16)".

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" and "Principal elements of lease payments for leases with financial institutions" (2018: "Finance lease principal payments") (as part of the capital expenditures was financed with a finance lease).

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 2019 and 2018, and its reconciliation to Cash generated from operations.

	2019 RUB'000	2018 RUB'000
Cash generated from operations	35,422,218	32,602,394
Tax paid	(6,018,371)	(5,765,818)
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,017,915)	(1,533,268)
Interest paid on leases with financial institutions (2018: Interest paid on finance leases)	(167,048)	(100,064)
Interest paid on lease liabilities (IFRS 16)	(111,911)	-
Purchases of property, plant and equipment	(13,515,985)	(11,567,554)
Principal elements of lease payments for leases with financial institutions (third parties) (2018: Finance lease principal payments)	(488,723)	(1,321,234)
Principal elements of lease payments (IFRS 16)	(339,597)	-
Purchases of intangible assets	(832)	(110)
Total CAPEX	**14,005,540**	**12,888,898**
Free Cash Flow	**12,761,836**	**12,314,346**
Attributable Free Cash Flow	**10,916,155**	**10,402,879**

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 2019 and 2018, and reconciliation of Net Debt to Total Debt.

	2019 RUB'000	2018 RUB'000
Total debt	30,095,218	25,728,911
Minus		
Cash and cash equivalents	6,521,543	7,129,918
Net Debt	**23,573,675**	**18,598,993**
Net Debt to Adjusted EBITDA	**0.60x**	**0.56x**

10. Revenue

(a) Disaggregation of revenue

	2019 RUB'000	2018 RUB'000
Railway transportation – operator's services (tariff borne by the Group)	49,141,357	48,129,793
Railway transportation – operator's services (tariff borne by the client)	42,018,055	35,690,071
Revenue from specialised container transportation	1,814,551	1,247,293
Other	386,145	311,349
Total revenue from contracts with customers recognised over time	93,360,108	85,378,506
Operating lease of rolling stock	1,633,766	1,394,236
Total revenue	**94,993,874**	**86,772,742**

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 2019 amounting to RUB 22,019,963 thousand (for the year ended 31 December 2018: RUB 22,682,168 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 4,134,242 thousand (2018: RUB 3,231,150 thousand).

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(b) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers as of 1 January 2018 (date of adoption of IFRS 15) and 31 December 2018 and 31 December 2019:

	31 December 2019 RUB'000	31 December 2018 RUB'000	1 January 2018 RUB'000
Contract liabilities relating to railway transportation contracts (current)	1,244,702	2,673,467	2,229,306
Contract liabilities relating to railway transportation contracts (non-current)	11,191	-	-
Total contract liabilities	**1,255,893**	**2,673,467**	**2,229,306**

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 2019 includes the entire contract liability balance of RUB 2,673,467 thousand as of 1 January 2019 (year ended 31 December 2018: RUB 2,229,306 as of 1 January 2018).

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.

11. Expenses by nature

	2019 RUB'000	2018 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	22,019,963	22,682,168
Infrastructure and locomotive tariffs: empty run trips and other tariffs	15,739,194	13,848,049
Services provided by other transportation organisations	4,134,242	3,231,150
Operating lease rentals – rolling stock	-	826,937
Expense relating to short-term leases (rolling stock)	721,529	-
Rental of tank-containers	-	43,770
Employee benefit expense	1,511,766	1,450,366
Repairs and maintenance	4,403,342	3,821,338
Depreciation of property, plant and equipment	5,735,069	5,062,376
Depreciation of right-of-use assets	316,818	-
Loss on derecognition arising on capital repairs	471,746	377,284
Amortisation of intangible assets	696,707	696,687
Fuel and spare parts – locomotives	1,914,447	1,935,278
Engagement of locomotive crews	774,990	795,289
Loss/(gain) on sale of property, plant and equipment	11,495	(20,754)
Reversal of impairment/(impairment) of property, plant and equipment	(64,889)	10,073
Other expenses	446,964	394,365
Total cost of sales	**58,833,383**	**55,154,376**

Notes to the Consolidated Financial Statements
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	2019 RUB'000	2018 RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	59,843	48,339
Depreciation of right-of-use assets	107,402	-
Amortisation of intangible assets	18	15
Gain on sale of property, plant and equipment	(1,448)	(6,593)
Employee benefit expense	2,971,459	2,916,438
Net impairment losses on trade and other receivables	12,699	29,713
Operating lease rental – office	-	183,188
Expense relating to short-term leases (office)	139,214	-
Auditors' remuneration	54,780	58,760
Legal, consulting and other professional fees	48,469	70,084
Advertising and promotion	38,992	37,716
Communication costs	34,776	33,391
Information services	18,666	26,626
Taxes (other than income tax and value added taxes)	(9,031)	681,263
Other expenses	599,008	770,646
Total selling, marketing and administrative expenses	**4,074,847**	**4,849,586**

	2019 RUB'000	2018 RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 17)	5,794,912	5,110,715
Depreciation of right-of-use assets (Note 18)	424,220	-
Loss on derecognition arising on capital repairs (Note 17)	471,746	377,284
Amortisation of intangible assets (Note 19)	696,725	696,702
Reversal of impairment/(impairment) of property, plant and equipment (Note 17)	(64,889)	10,073
Net loss/(gain) on sale of property, plant and equipment (Note 17)	10,047	(27,347)
Employee benefit expense (Note 13)	4,483,225	4,366,804
Net impairment losses on trade and other receivables	12,699	29,713
Operating lease rentals – rolling stock	-	826,937
Expense relating to short-term leases (rolling stock)	721,529	-
Operating lease rental – office	-	183,188
Expense relating to short-term leases (office)	139,214	-
Repairs and maintenance	4,403,342	3,821,338
Fuel and spare parts – locomotives	1,914,447	1,935,278
Engagement of locomotive crews	774,990	795,289
Infrastructure and locomotive tariffs: loaded trips	22,019,963	22,682,168
Infrastructure and locomotive tariffs: empty run trips and other tariffs	15,739,194	13,848,049
Services provided by other transportation organisations	4,134,242	3,231,150
Rental of tank-containers	-	43,770
Auditors' remuneration	54,780	58,760
Legal, consulting and other professional fees	48,469	70,084
Advertising and promotion	38,992	37,716
Communication costs	34,776	33,391
Information services	18,666	26,626
Taxes (other than income tax and value added taxes)	(9,031)	681,263
Other expenses	1,045,972	1,165,011
Total cost of sales, selling and marketing costs and administrative expenses	**62,908,230**	**60,003,962**

1 Depreciation of property, plant and equipment for the year ended 31 December 2019 includes RUB 216,114 thousand relating to depreciation of right-of-use assets presented within property, plant and equipment (Note 17). The entire amount is recognised within 'Cost of sales'.

Note: The auditors' remuneration stated above includes fees of RUB 16,398 thousand (2018: RUB 16,798 thousand) for statutory audit services and RUB 4,762 thousand (2018: RUB 5,235 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 502 thousand for the year 2019 (RUB 1,548 thousand for the year 2018) in relation to fees paid to the Company's statutory audit firm for tax consultancy services.

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12. Other losses – net

	2019 RUB'000	2018 RUB'000
Other gains	37,245	25,100
Other losses	(217,289)	(90,954)
Net foreign exchange gains (Note 16)	80,722	64,375
Total other losses – net	**(99,322)**	**(1,479)**

13. Employee benefit expense

	2019 RUB'000	2018 RUB'000
Wages and salaries	2,199,520	2,020,679
Termination benefits	5,212	8,467
Bonuses	1,454,292	1,382,287
Share based payment expense (Note 21)	83,319	236,572
Social insurance costs	740,882	718,799
Total employee benefit expense	**4,483,225**	**4,366,804**
Average number of employees during the year	1,569	1,540

14. Finance income and costs

	2019 RUB'000	2018 RUB'000
Interest expense:		
Bank borrowings	(1,456,246)	(1,344,208)
Non-convertible bonds	(743,298)	(314,869)
Interest expenses on loans	(5,207)	-
Other interest expense	(9,039)	-
Total interest expense calculated using the effective interest rate method	(2,213,790)	(1,659,077)
Leases with financial institutions (2018: Finance leases)	(165,242)	(108,216)
Lease liabilities (IFRS 16)	(117,589)	-
Total interest expense	(2,496,621)	(1,767,293)
Other finance costs	(32,477)	(11,167)
Total finance costs	(2,529,098)	(1,778,460)
Interest income:		
Bank balances	122,278	141,095
Short term deposits	374,302	192,917
Loans to third parties	616	1,425
Total interest income calculated using the effective interest rate method	497,196	335,437
Finance leases – third parties	36,661	42,008
Total finance income	533,857	377,445
Net foreign exchange transaction gains on borrowings and other liabilities	206,966	35,631
Net foreign exchange transaction losses on cash and cash equivalents and other monetary assets	(586,790)	(75,850)
Net foreign exchange transaction losses on financing activities (Note 16)	(379,824)	(40,219)
Net finance costs	**(2,375,065)**	**(1,441,234)**

Notes to the Consolidated Financial Statements
(continued)

15. Income tax expense

	2019 RUB'000	2018 RUB'000
Current tax:		
Corporation tax	4,767,114	4,751,834
Withholding tax on dividends	1,017,005	748,003
Total current tax	5,784,119	5,499,837
Deferred tax (Note 30):		
Origination and reversal of temporary differences	1,307,314	376,549
Total deferred tax	1,307,314	376,549
Income tax expense	7,091,433	5,876,386

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

	2019 RUB'000	2018 RUB'000
Profit before tax	29,744,765	25,459,821
Tax calculated at domestic tax rates applicable to profits in the respective countries	6,484,368	5,846,000
Tax effects of:		
Expenses not deductible for tax purposes	234,253	255,960
Allowances and income not subject to tax	(3,476)	(128,703)
Tax effect of tax losses for which no deferred tax asset was recognised	(14,427)	-
Withholding taxes:		
Estonian income tax arising on distribution [1]	23,656	59,899
Dividend withholding tax provision in relation to intended dividend distribution of subsidiaries	367,059	(156,770)
Tax charge	7,091,433	5,876,386

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 2019 and 2018, the Group incurred taxes on distributions from Estonian subsidiaries.

The Company is subject to income tax on taxable profits at the rate 12.5%. As from tax year 2012 brought forward losses of the Company of only five years may be utilised.

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

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

For subsidiaries in Estonia, the annual profit earned by enterprises is not taxed and thus no income tax 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.

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

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

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

	2019 RUB'000	2018 RUB'000
Finance income and costs (Note 14)	(379,824)	(40,219)
Other losses – net (Note 12)	80,722	64,375
	(299,102)	24,156

Notes to the Consolidated Financial Statements
(continued)

17. Property, plant and equipment

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2018					
Cost	94,103,663	358,239	210,070	2,319,710	96,991,682
Accumulated depreciation	(31,472,280)	(90,537)	(121,503)	(536,455)	(32,220,775)
Net book amount	62,631,383	267,702	88,567	1,783,255	64,770,907
Year ended 31 December 2018					
Opening net book amount	62,631,383	267,702	88,567	1,783,255	64,770,907
Additions	13,965,522	-	51,054	510,617	14,527,193
Disposals	(429,359)	(103)	(15,353)	(238)	(445,053)
Depreciation charge (Note 11)	(4,920,692)	(12,388)	(30,390)	(147,245)	(5,110,715)
Transfers	2,021	-	1,828	(3,849)	-
Impairment charge (Note 11)	(10,073)	-	-	-	(10,073)
Transfer to inventories	(328,418)	-	-	(12)	(328,430)
Derecognition arising on capital repairs	(377,284)	-	-	-	(377,284)
Currency translation differences	1,733,888	1,729	2,260	481	1,738,358
Closing net book amount	72,266,988	256,940	97,966	2,143,009	74,764,903
At 31 December 2018					
Cost	107,436,162	347,949	201,242	2,662,667	110,648,020
Accumulated depreciation	(35,169,174)	(91,009)	(103,276)	(519,658)	(35,883,117)
Net book amount	72,266,988	256,940	97,966	2,143,009	74,764,903

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2019					
Cost	107,436,162	347,949	201,242	2,662,667	110,648,020
Accumulated depreciation	(35,169,174)	(91,009)	(103,276)	(519,658)	(35,883,117)
Net book amount	72,266,988	256,940	97,966	2,143,009	74,764,903
Year ended 31 December 2019					
Opening net book amount	72,266,988	256,940	97,966	2,143,009	74,764,903
Additions	13,179,785	4,133	59,192	892,686	14,135,796
Disposals	(92,175)	-	(3,025)	(6,496)	(101,696)
Assets classified as held for sale	(40,224)	-	-	-	(40,224)
Depreciation charge (Note 11)	(5,546,150)	(12,446)	(34,022)	(202,294)	(5,794,912)
Transfers	4,526	103	(2,704)	(1,925)	-
Impairment charge (Note 11)	64,889	-	-	-	64,889
Transfer to inventories	(523,000)	-	(432)	(87)	(523,519)
Derecognition arising on capital repairs	(471,746)	-	-	-	(471,746)
Currency translation differences	(1,497,866)	(1,652)	(1,062)	(266)	(1,500,846)
Closing net book amount	77,345,027	247,078	115,913	2,824,627	80,532,645
At 31 December 2019					
Cost	113,371,461	349,562	218,066	3,491,879	117,430,968
Accumulated depreciation	(36,026,434)	(102,484)	(102,153)	(667,252)	(36,898,323)
Net book amount	77,345,027	247,078	115,913	2,824,627	80,532,645

The net carrying amount of rolling stock as at 1 January 2019 and for the year ended 31 December 2019 includes right-of-use assets relating to rolling stock held under leases with financial institutions that include purchase options that are reasonably certain to be exercised, in accordance with the Group's accounting policy for leases effective from 1 January 2019, as disclosed in Note 4.

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(continued)

The table below shows the movement in the said right-of-use assets within the year 2019:

	RUB'000
Year ended 31 December 2019	
Opening net book amount	-
Impact of adoption of IFRS 16 (Note 3)	3,414,376
Restated opening net book amount	3,414,376
Depreciation charge (Note 11)	(216,114)
Closing net book amount	3,198,262
At 31 December 2019	
Cost	3,525,750
Accumulated depreciation	(327,488)
Net book amount	3,198,262

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 2019 is considered appropriate.

(1) Impairment assessment of rolling stock as of 31 December 2019 and as of 31 December 2018
The Group assessed whether there were any indications for impairment of its rolling stock as at 31 December 2018 in accordance with its accounting policy for impairment of non-financial assets (Note 4). The Group's assessment did not reveal any indicators for impairment, with the exception of the Estonian rail tank cars/operating leasing CGU as of 31 December 2018.

The recoverable amount of the Estonian rail tank cars/operating leasing CGU, with rolling stock of RUB 12,123,690 thousand as at 31 December 2018 was compared with the carrying amount of the assets in this CGU, which included rolling stock. As a result of the impairment assessment, no impairment charges were noted with respect to this CGU.

The recoverable amount of the CGU was determined based on a level 3 fair value less cost to sell and was not sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of the CGUs.

The fair value less cost to sell was determined based on the prices quoted by major manufacturers of the specific rolling stock held by the Group, adjusted to take into account the age of each specific asset in the possession of the Group and expenses necessary to bring the assets to the location and condition that enables their current use, assessed by management as being their highest and best use. The recoverable amount was not sensitive to changes in key assumptions in the impairment model.

Based on the Group's assessment as at 31 December 2019, no impairment indicators were identified in respect of its property, plant and equipment.

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

	2019 RUB'000	2018 RUB'000
Net book amount	101,696	445,053
Loss/(gain) on sale of property, plant and equipment (Note 11)	(10,047)	27,347
Consideration from sale of property, plant and equipment	91,649	472,400

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

	2019 RUB'000	2018 RUB'000
Cash consideration received within year	91,649	409,794
Movement in advances received for sales of property, plant and equipment	-	62,606
	91,649	472,400

As at 31 December 2018, property, plant and equipment included the following amounts where the Group was the lessee under a finance lease:

	2019 RUB'000	2018 RUB'000
Cost – capitalised finance leases	-	5,646,924
Accumulated depreciation	-	(744,353)
	-	4,902,571

As at 31 December 2018, the net carrying amount of property, plant and equipment that was leased under finance leases, was analysed as follows:

	2019 RUB'000	2018 RUB'000
Rolling stock [1]	-	3,414,376
	-	3,414,376

1 As at 31 December 2018, rolling stock with a net carrying amount of RUB 1,488,195 thousand was pledged under finance leases that were repaid by the Group as at 31 December 2018 for which the Group had the unilateral right to request for release of the pledged rolling stock with immediate effect. During the year 2019 the pledge was terminated, and the rolling stock was released.

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Until 31 December 2018 the Group was identified as a lessee under a finance lease in the following cases:

(a) The lease transferred ownership of property, plant and equipment to the Group at the end of the lease term;

(b) The Group had the option to purchase the property, plant and equipment at a price that was expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option would be exercised.

From 1 January 2019, the Group recognises right-of-use assets for all its leases, with limited exceptions as set out in its accounting policy in Note 4. Refer to Note 18 for more details.

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):

	2019 RUB'000	2018 RUB'000
Rolling stock	15,190,536	22,372,026
Other (tank-containers)	1,516,212	572,499
	16,706,748	22,944,525

In accordance with the terms of its bank borrowings, the Group had a commitment as at 31 December 2018 to pledge tank-containers with a carrying amount of RUB 728,669 thousand within 6 months from the date of bank loan agreement; being 4 July 2018. The relevant pledge agreement was concluded in January 2019.

Depreciation expense of RUB 5,735,069 thousand in 2019 (2018: RUB 5,062,376 thousand) has been charged to "cost of sales" and RUB 59,843 thousand in 2019 (2018: RUB 48,339 thousand) has been charged to "selling, marketing and administrative expenses". Reversal of Impairment charge of RUB 64,889 thousand in 2019 (2018: Impairment charge of RUB 10,073 thousand) has been charged to "cost of sales".

18. Right-of-use assets

	Rolling stock RUB'000	Land and buildings RUB'000	Other RUB'000	Total RUB'000
Year ended 31 December 2019				
Opening net book amount	-	-	-	-
Impact of adoption of IFRS 16 (Note 3)	590,656	27,421	102,803	720,880
Restated opening net book amount	590,656	27,421	102,803	720,880
Additions	516,556	685,589	-	1,202,145
Disposals through subleases	-	(85,474)	-	(85,474)
Depreciation charge (Note 11)	(279,984)	(107,939)	(36,297)	(424,220)
Currency translation differences	-	(2,340)	-	(2,340)
Other	(543)	-	-	(543)
As at 31 December 2019	**826,685**	**517,257**	**66,506**	**1,410,448**

Summarised information for the Group's right-of-use assets
In accordance with the Group's accounting policy for leases effective from 1 January 2019, 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 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.

The net carrying amount of the Group's right-of-use assets as at 1 January 2019 and 31 December 2019 is as follows:

	Rolling stock RUB'000	Land and buildings RUB'000	Other RUB'000	Total RUB'000
1 January 2019				
- recognised on the face of the balance sheet	590,656	27,421	102,803	720,880
- included within property, plant and equipment	3,414,376	-	-	3,414,376
Net book amount	4,005,032	27,421	102,803	4,135,256
31 December 2019				
- recognised on the face of the balance sheet	826,685	517,257	66,506	1,410,448
- included within property, plant and equipment	3,198,262	-	-	3,198,262
Net book amount	4,024,947	517,257	66,506	4,608,710

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The additions to the Group's right-of-use assets and depreciation charge during the year ended 31 December 2019 are as follows:

	Rolling stock RUB'000	Land and buildings RUB'000	Other RUB'000	Total RUB'000
Additions				
- recognised on the face of the balance sheet	516,556	685,589	-	1,202,145
- included within property, plant and equipment	-	-	-	-
Total	**516,556**	**685,589**	**-**	**1,202,145**
Depreciation charge				
- recognised on the face of the balance sheet	(279,984)	(107,939)	(36,297)	(424,220)
- included within property, plant and equipment	(216,114)	-	-	(216,114)
Total	**(496,098)**	**(107,939)**	**(36,297)**	**(640,334)**

The total cash outflow for leases in 2019 was RUB 2,110,197 thousand.

Impairment of right-of-use assets
Management has assessed whether there were any impairment indicators for right-of-use assets as of 31 December 2019. No impairment indicators have been identified as of 31 December 2019.

19. Intangible assets

	Computer software RUB'000	Customer relationships RUB'000	Total RUB'000
At 1 January 2018			
Cost	10,772	6,780,787	6,791,559
Accumulated amortisation	(4,530)	(5,333,228)	(5,337,758)
Net book amount	6,242	1,447,559	1,453,801
Year ended 31 December 2018			
Opening net book amount	6,242	1,447,559	1,453,801
Amortisation charge (Note 11)	(1,888)	(694,814)	(696,702)
Additions	110	-	110
Transfers	27	(27)	-
Closing net book amount	4,491	752,718	757,209
At 31 December 2018			
Cost	10,934	4,863,734	4,874,668
Accumulated amortisation	(6,443)	(4,111,016)	(4,117,459)
Net book amount	4,491	752,718	757,209
Year ended 31 December 2019			
Opening net book amount	4,491	752,718	757,209
Amortisation charge (Note 11)	(1,910)	(694,815)	(696,725)
Additions	832	-	832
Closing net book amount	3,413	57,903	61,316
At 31 December 2019			
Cost	11,766	4,863,734	4,875,500
Accumulated amortisation	(8,353)	(4,805,831)	(4,814,184)
Net book amount	3,413	57,903	61,316

As of 31 December 2019, the Group's intangible assets include a customer relationship with MMK Group with a carrying amount of RUB 57,903 thousand (2018: RUB 752,718 thousand). The customer relationship was allocated to the Russian gondola cars/operator's services CGU.

Amortisation of RUB 696,707 thousand (2018: RUB 696,687 thousand) has been charged to cost of sales' in the income statement and RUB 18 thousand (2018: RUB 15 thousand) to 'administrative expenses'.

Assessment for impairment as of 31 December 2019 and as of 31 December 2018
The Group assessed whether there were any indications of impairment of the customer relationship with MMK Group as of 31 December 2019 and as of 31 December 2018, in accordance with its accounting policy for impairment of non-financial assets (Note 4). The Group's assessment did not reveal any indicators of impairment and, as a result, management did not estimate the recoverable amount of this customer relationship.

Notes to the Consolidated Financial Statements
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20. Principal subsidiaries

The Group had the following subsidiaries at 31 December 2019 and 31 December 2018:

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 (%)	
			2019	2018	2019	2018	2019	2018
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	60	60	60	60	40	40
BTS-Locomotive Solutions OOO [1]	Russia	Support activities for locomotive traction	-	-	-	60	40	-
RemTransServis, OOO [2]	Russia	Repair and maintenance of rolling stock	-	-	59.4	59.4	40.6	40.6
SyntezRail LLC [3]	Russia	Railway transportation	-	-	60	60	40	40
SyntezRail Ltd	Cyprus	Intermediary holding company	60	60	60	60	40	40
Spacecom AS	Estonia	Operating lease of rolling stock and provision of forwarding services	65.25	65.25	65.25	65.25	34.75	34.75
Ekolinja Oy [4]	Finland	Operating sub-lease of rolling stock	-	-	65.25	65.25	34.75	34.75
Spacecom Trans AS4	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, OOO and was incorporated during 2019.

2 RemTransServis, OOO is a 99% subsidiary of BaltTransServis, OOO.

3 SyntezRail LLC is a 100% subsidiary of SyntezRail Ltd.

4 Ekolinja Oy and Spacecom Trans AS are 100% subsidiaries 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 2019 and 31 December 2018 comprised the following:

	2019 RUB'000	2018 RUB'000
BaltTransServis, OOO (including RemTransservis, OOO and BTS-Locomotive Solutions, OOO)	1,931,282	1,848,646
Spacecom AS (including Spacecom Trans AS and Ekolinja Oy)	3,544,360	3,888,841
SyntezRail, OOO; SyntezRail Limited	171,588	159,921
Total	**5,647,230**	**5,897,408**

Transactions with non-controlling interests

During the year 2018, Spacecom AS acquired 100% of the shares of Spacecom Trans AS from the Company and the non-controlling shareholders, for a total consideration of Eur 30,100 thousand (equivalent to RUB 2,391,761 thousand). As a result, the proportion of ordinary shares held by the Company in Spacecom Trans AS increased from a direct holding of 65% to an indirect holding of 65.25%. The transaction aimed to optimise the management of both Estonian subsidiaries.

Out of the total amount payable to the non-controlling shareholders of RUB 837,116 thousand, RUB 5,980 thousand related to the acquisition of 0.25% in Spacecom Trans AS by the Group. The difference between the consideration payable and the carrying amount of the non-controlling interest as of the disposal date of RUB 1,516 thousand was recognised in retained earnings. The remaining RUB 831,136 payable to the non-controlling shareholders was recognised as a reduction in the carrying amount of the non-controlling interest.

An amount of RUB 450,934 thousand was paid to the non-controlling interest within 2019 (RUB 168,804 thousand within 2018).

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.

Notes to the Consolidated Financial Statements
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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 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.

Summarised balance sheet

	BaltTransServis OOO		Spacecom AS	
	2019 RUB'000	2018 RUB'000	2019 RUB'000	2018 RUB'000
Current				
Assets	4,015,712	2,863,563	261,333	568,845
Liabilities	3,130,804	1,713,310	483,347	916,598
Total current net assets	884,908	1,150,253	(222,014)	(347,753)
Non-current				
Assets	8,345,817	5,571,362	10,368,791	12,252,920
Liabilities	4,402,519	2,099,999	7,879	827,446
Total non-current net assets	3,943,298	3,471,363	10,360,912	11,425,474
Net assets	4,828,206	4,621,616	10,138,898	11,077,721

Summarised income statement

	BaltTransServis OOO		Spacecom AS	
	2019 RUB'000	2018 RUB'000	2019 RUB'000	2018 RUB'000
Revenue	27,994,828	26,128,533	1,288,712	943,402
Profit before income tax	5,170,098	5,726,124	578,549	276,877
Income tax expense	(1,063,438)	(1,175,858)	(23,656)	(59,289)
Post-tax profit from continuing operations	4,106,660	4,550,266	554,893	217,588
Other comprehensive income	-	-	(1,278,787)	1,824,144
Total comprehensive income	4,106,660	4,550,266	(723,894)	2,041,732
Total comprehensive income allocated to non-controlling interests	1,642,664	1,820,106	192,825	710,615
Dividends paid to non-controlling interest	(1,560,000)	(1,640,000)	(42,237)	(83,005)

Summarised cash flow statements

	BaltTransServis OOO		Spacecom AS	
	2019 RUB'000	2018 RUB'000	2019 RUB'000	2018 RUB'000
Cash flows from operating activities				
Cash generated from operations	6,194,775	6,288,546	1,007,302	642,591
Income tax paid	(810,307)	(1,209,550)	(18,592)	(59,289)
Net cash generated from operating activities	5,384,468	5,078,996	988,710	583,302
Net cash generated from/(used in) investing activities	(3,324,236)	(799,737)	(982,034)	(936,540)
Net cash used in financing activities	(1,163,927)	(4,416,883)	(145,235)	(99,337)
Net increase/(decrease) in cash and cash equivalents	896,305	(137,624)	(138,559)	(452,575)
Cash and cash equivalents at beginning of year	995,046	1,132,945	195,513	581,995
Exchange differences on cash and cash equivalents	-	(275)	(18,666)	66,093
Cash and cash equivalents at end of year	1,891,351	995,046	38,288	195,513

The information above includes the amounts before inter-company eliminations.

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(continued)

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 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 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 83,319 thousand in this respect for the year ended 31 December 2019 (2018: RUB 236,572 thousand) and the Group's liability in respect of this amounted to RUB 205,604 as of 31 December 2019 (2018: RUB 290,805 thousand).

The share-based payment liability as of 31 December 2019 and 31 December 2018 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

	2019 RUB'000	2018 RUB'000
Trade receivables – third parties	3,348,481	2,733,570
Less: Provision for impairment of trade receivables	(138,915)	(146,042)
Trade receivables – net	3,209,566	2,587,528
Less non-current portion:		
Trade receivables – third parties	218,392	245,537
Less: Provision for impairment of trade receivables	(21,108)	(23,732)
Total non-current portion	197,284	221,805
Current portion	3,012,282	2,365,723

Trade receivables amounting to RUB 245,537 thousand as of 31 December 2018 related to a receivable from Georgian Railways for services rendered by the Group prior to 1 April 2015. The amount receivable is under dispute and the Group initiated a claim to the Georgian Court demanding the repayment of the entire balance due. Based on assessment performed as at 31 December 2018, the Group recognised a provision for impairment of RUB 23,732 thousand in order to account for the expected time until receipt of the amount due (Note 33). This balance was reclassified as asset held-for-sale within the year 2019. Refer to Note 36.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019 RUB'000	2018 RUB'000
Currency:		
US Dollar	209,094	250,245
Russian Roubles	2,820,759	2,183,841
Euro	177,080	137,472
Ukrainian Hryvnia	2,633	15,970
	3,209,566	2,587,528

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.

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(b) Loans and other receivables

	2019 RUB'000	2018 RUB'000
Loans receivables – third parties	7,841	11,904
Other receivables	69,519	112,434
Other receivables – related parties (Note 35)	-	200,064
Less: Provision for impairment of other receivables	(29,341)	(49,652)
Loans and other receivables – net	48,019	274,750
Less non-current portion:		
Loans receivables – third parties	7,820	11,904
Other receivables - third parties	2,554	-
Total non-current portion	10,374	11,904
Current portion	37,645	262,846

The carrying amounts of the Group's loans and other receivables are denominated in the following currencies:

	2019 RUB'000	2018 RUB'000
Currency:		
US Dollar	-	2,207
Russian Roubles	39,760	260,247
Ukrainian Hryvnia	416	392
Euro	2	-
Other	7,841	11,904
	48,019	274,750

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

	2019 RUB'000	2018 RUB'000
Prepayments – third parties	3,805,346	2,857,251
Finance leases to third parties	279,070	316,668
VAT recoverable	1,442,504	1,433,443
Other assets	5,526,920	4,607,362
Less non-current portion:		
Finance leases to third parties	241,279	289,374
Prepayments for property, plant and equipment	95,137	693,267
VAT recoverable	-	36,931
Total non-current portion	336,416	1,019,572
Current portion	5,190,504	3,587,790

The Group's finance leases as at 31 December 2019 and 31 December 2018 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 2019				
Minimum lease receivable	64,499	297,795	-	362,294
Less: Unearned finance income	(26,708)	(56,516)	-	(83,224)
Present value of minimum lease receivables	37,791	241,279	-	279,070
At 31 December 2018				
Minimum lease receivable	61,311	291,591	96,489	449,391
Less: Unearned finance income	(34,017)	(97,059)	(1,647)	(132,723)
Present value of minimum lease receivables	27,294	194,532	94,842	316,668

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:

	2019 %	2018 %
Finance leases to third parties	10.4	11.17

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24. Inventories

	2019 RUB'000	2018 RUB'000
Raw materials, spare parts and consumables	1,722,781	904,375
	1,722,781	904,375

All inventories are stated at cost.

25. Cash and cash equivalents

	2019 RUB'000	2018 RUB'000
Cash at bank and in hand	4,333,201	6,685,392
Short term bank deposits	2,188,342	444,526
Total cash and cash equivalents	**6,521,543**	**7,129,918**

The weighted average effective interest rate on short-term deposits was 4.20-5.80% in 2019 (2018: 6.46%) and these deposits have a maturity of 1 to 30 days (2018: 1 to 30 days).

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2019 RUB'000	2018 RUB'000
Cash and cash equivalents	6,521,543	7,129,918
Total cash and cash equivalents	**6,521,543**	**7,129,918**

Cash and cash equivalents are denominated in the following currencies:

	2019 RUB'000	2018 RUB'000
Russian Rouble	5,884,983	5,485,393
US Dollar	257,799	759,190
Euro	338,802	838,956
Ukrainian Hryvnia	39,959	46,379
Total cash and cash equivalents	**6,521,543**	**7,129,918**

The carrying value of cash and cash equivalents approximates their fair value.

26. Share capital and share premium

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2018 / 31 December 2018 / 1 January 2019 / 31 December 2019	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 2018 / 31 December 2018 / 1 January 2019 / 31 December 2019	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2019 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2018: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

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27. Dividends

In April 2018, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2017 in the amount of 44.85 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,016,530 thousand, including final dividend for 2017 in the amount of RUB 4,155,726 thousand or RUB 23.25 per ordinary share/GDR and a special final dividend in the amount of RUB 3,860,804 thousand or RUB 21.60 per ordinary share/GDR (US Dollar equivalent of US$ 130,728 thousand).

In August 2018, the Board of Directors of the Company approved payment of total dividend in the amount of 45.9 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,204,208 thousand (US Dollar equivalent of US$ 119,724 thousand), including interim dividend in the amount of RUB 3,771,433 thousand (US Dollar equivalent of US$ 55,037 thousand) or RUB 21.10 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,432,775 thousand (US Dollar equivalent of US$ 64,687 thousand) or RUB 24.80 per ordinary share/GDR.

In April 2019, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2018 in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR (US Dollar equivalent of US$ 129,727 thousand).

In August 2019, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand (US Dollar equivalent of US$ 124,655 thousand), including interim dividend in the amount of RUB 3,548,007 thousand (US Dollar equivalent of US$ 53,156 thousand) or RUB 19.85 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,772,382 thousand (US Dollar equivalent of US$ 71,499 thousand) or RUB 26.70 per ordinary share/GDR.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 30 April 2020 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for eight business days in Russia from 20 April 2020 to 29 April 2020 inclusive. Holders of GDRs will receive the dividend approximately three business days after the payment date, which will be not later than 30 business days after the approval of the dividends by the Annual General Meeting.

During the years ended 31 December 2019 and 2018, 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.

	2019 RUB'000	2018 RUB'000
Dividends declared to equity holders of the Company	16,631,842	16,220,738
Dividends paid to equity holders of the Company	16,631,842	16,220,738
Dividends declared to non-controlling interest	1,602,237	1,723,005
Dividends paid to non-controlling interest	1,602,237	1,723,005

28. Borrowings

	2019 RUB'000	2018 RUB'000
Current		
Bank borrowings	7,013,856	7,831,616
Non-convertible unsecured bonds	290,000	131,100
Loans from third parties	355	-
Lease liabilities with financial institutions (2018: Finance lease liabilities)	496,093	496,874
Total current borrowings	7,800,304	8,459,590
Non-current		
Bank borrowings	10,959,851	10,568,008
Non-convertible unsecured bonds	9,989,017	4,985,519
Loans from third parties	120,000	-
Lease liabilities with financial institutions (2018: Finance lease liabilities)	1,226,046	1,715,794
Total non-current borrowings	22,294,914	17,269,321
Total borrowings	30,095,218	25,728,911
Maturity of non-current borrowings (excluding lease liabilities with financial institutions (2018: finance lease liabilities))		
Between 1 and 2 years	8,528,123	5,186,713
Between 2 and 5 years	12,540,745	10,366,814
	21,068,868	15,553,527

Bank borrowings

Bank borrowings mature by 2024 (2018: by 2023) and bear average interest of 8.07% per annum (2018: 7.99% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2019 and 31 December 2018.

The current and non-current bank borrowings amounting to RUB 5,501,805 thousand and RUB 8,797,604 thousand respectively (2018: RUB 6,775,211 thousand and RUB 9,681,198 thousand respectively) are secured by pledge of rolling stock and tank-containers with a total carrying net book value of RUB 16,706,748 thousand (2018: RUB 22,944,525 thousand) (Note 17).

In accordance with the terms of its bank borrowings, the Group had a commitment as at 31 December 2018 to pledge tank-containers with a carrying amount of RUB 728,669 thousand within 6 months from the date of bank loan agreement; being 4 July 2018. The relevant pledge agreement was concluded in January 2019.

Non-convertible bonds

New Forwarding Company AO ("NFC") 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 2019, 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.

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Finance lease liabilities at 31 December 2018

Finance lease liabilities at 31 December 2018 were effectively secured as the rights to the leased asset reverts to the lessor in the event of default. For details of assets under finance leases refer to Note 17.

	2019 RUB'000	2018 RUB'000
Finance lease liabilities – minimum lease payments		
Not later than 1 year	-	662,116
Later than 1 year and not later than 5 years	-	1,968,708
Future finance charges of finance leases	-	(418,156)
Present value of finance lease liabilities	-	2,212,668
The present value of finance lease liabilities is as follows:		
Not later than 1 year	-	496,874
Later than 1 year and not later than 5 years	-	1,715,794
	-	2,212,668

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:

	2019 RUB'000	2018 RUB'000
6 months or less	3,917,181	2,742,720
6 to 12 months	3,875,216	5,716,870
1 to 5 years	22,302,821	17,269,321
	30,095,218	25,728,911

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) RUB'000	Lease liabilities with financial institutions RUB'000	Lease liabilities (IFRS 16) RUB'000	Non-convertible unsecured bonds RUB'000	Total RUB'000
Year ended 31 December 2018					
Opening amount as at 1 January 2018	16,331,356	-	-	-	16,331,356
Cash flows:					
Amounts advanced	15,197,467	-	-	5,000,000	20,197,467
Repayments of borrowings	(13,127,743)	(1,321,234)	-	-	(14,448,977)
Interest paid	(1,335,018)	(100,064)	-	(198,250)	(1,633,332)
Non-cash changes:					
Interest charged	1,344,208	108,216	-	314,869	1,767,293
Net foreign exchange	294	-	-	-	294
Finance lease liability	(10,940)	3,525,750	-	-	3,514,810
Closing amount as at 31 December 2018	**18,399,624**	**2,212,668**	**-**	**5,116,619**	**25,728,911**
Year ended 31 December 2019					
Opening amount as at 1 January 2019	18,399,624	2,212,668	-	5,116,619	25,728,911
Impact of adoption of IFRS 16 (Note 3)	-	-	678,695	-	678,695
Restated opening amount	18,399,624	2,212,668	678,695	5,116,619	26,407,606
Cash flows:					
Amounts advanced	10,408,000	-	-	5,000,000	15,408,000
Repayments of borrowings	(10,736,723)	(488,723)	(339,597)	-	(11,565,043)
Interest paid	(1,437,015)	(167,048)	(111,911)	(580,900)	(2,296,874)
Non-cash changes:					
Interest charged	1,461,453	165,242	117,589	743,298	2,487,582
Net foreign exchange	(394)	-	(10,956)	-	(11,350)
Lease liability	-	-	1,197,063	-	1,197,063
Other	(883)	-		-	(883)
Closing amount as at 31 December 2019	**18,094,062**	**1,722,139**	**1,530,883**	**10,279,017**	**31,626,101**

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The carrying amount and fair value of current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	2019 RUB'000	2018 RUB'000	2019 RUB'000	2018 RUB'000
Bank borrowings	17,973,707	18,399,624	16,536,507	18,087,461
Non-convertible unsecured bonds	10,279,017	5,116,619	10,317,500	4,940,619
Loans from third parties	120,355	-	125,833	-
Lease liabilities with financial institutions (2018: Finance lease liabilities)	1,722,139	2,212,668	1,635,779	2,166,542
	30,095,218	25,728,911	28,615,619	25,194,622

The fair value as at 31 December 2019 and 31 December 2018 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 2019 and 31 December 2018. The discount rate was 7.5% p.a. (2018: 9.5% p.a.). The fair value measurements are within level 2 of the fair value hierarchy (2018: level 2). The fair value as at 31 December 2019 and 31 December 2018 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.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2019 RUB'000	2018 RUB'000
Russian Rouble	30,095,218	25,724,528
Euro	-	4,383
	30,095,218	25,728,911

The Group has the following undrawn borrowing facilities:

	2019 RUB'000	2018 RUB'000
Fixed rate:		
Expiring within one year	2,320,000	1,490,000
Expiring beyond one year	2,345,000	3,025,000
	4,665,000	4,515,000

The weighted average effective interest rates at the balance sheet were as follows:

	2019 %	2018 %
Bank borrowings	8.1	8.0
Non-convertible unsecured bonds	8.1	7.3
Loans from third parties	9.0	-
Lease liabilities with financial institutions (2018: Finance lease liabilities)	8.4	8.4

29. Lease liabilities (IFRS 16)

	2019 RUB'000
Lease liabilities (IFRS 16)	
Current lease liabilities	649,177
Non-current lease liabilities	881,706
Total lease liabilities	**1,530,883**

	2019 RUB'000
Maturity of lease liabilities (IFRS 16)	
Between 1 and 2 years	340,021
Between 2 and 5 years	535,144
Over 5 years	6,541
	881,706

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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:

	2019 RUB'000	2018 RUB'000
Beginning of year	6,284,868	5,908,319
Income statement charge (Note 15)	1,307,314	376,549
End of year	7,592,182	6,284,868

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[1] RUB'000	Withholding tax provision RUB'000	Intangible assets RUB'000	Total RUB'000
At 1 January 2018	5,479,990	709,233	289,507	6,478,730
Charged/(credited) to:				
Income statement (Note 15)	1,385,566	(224,097)	(139,181)	1,022,288
At 31 December 2018	**6,865,556**	**485,136**	**150,326**	**7,501,018**
Impact of adoption of IFRS 16	-	-	-	-
Restated balance – 1 January 2019	6,865,556	485,136	150,326	7,501,018
Charged/(credited) to:				
Income statement (Note 15)	1,156,002	30,308	(138,958)	1,047,352
At 31 December 2019	**8,021,558**	**515,444**	**11,368**	**8,548,370**

1 The deferred tax liability arising from property, plant and equipment as at 31 December 2019 includes RUB 639 652 thousand relating to temporary differences arising from right-of-use assets recognised within property, plant and equipment (Note 17).

Deferred tax assets	Tax losses RUB'000	Trade and other payables RUB'000	Lease liabilities with financial institutions (2018: Lease liabilities) and Borrowings RUB'000	Other assets/ liabilities RUB'000	Total RUB'000
At 1 January 2018	(59,908)	(82,864)	(276,927)	(150,712)	(570,411)
Charged/(credited) to:					
Income statement (Note 15)	896	(103,606)	(546,414)	3,385	(645,739)
At 31 December 2018	**(59,012)**	**(186,470)**	**(823,341)**	**(147,327)**	**(1,216,150)**
Impact of adoption of IFRS 16	-	-	-	-	-
Restated balance – 1 January 2019	(59,012)	(186,470)	(823,341)	(147,327)	(1,216,150)
Charged/(credited) to:					
Income statement (Note 15)	10	(119,591)	108,990	270,553	259,962
At 31 December 2019	**(59,002)**	**(306,061)**	**(714,351)**	**123,226**	**(956,188)**

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 312,221 thousand (2018: RUB 433,600 thousand) for tax losses amounting to RUB 1,668,111 thousand (2018: RUB 2,721,000 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% 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 2019.

Deferred income tax liabilities of RUB 2,575,594 thousand (2018: RUB 3,474,968 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 22,679,368 thousand as at 31 December 2019 (2018: RUB 28,932,126 thousand).

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31. Trade and other payables

	2019 RUB'000	2018 RUB'000
Current		
Trade payables to third parties	659,891	539,995
Other payables to third parties	462,021	569,084
VAT payable and other taxes	561,393	685,328
Accrued expenses	133,482	106,789
Accrued key management compensation, including share-based payment (Note 35)	539,085	648,141
	2,355,872	2,549,337
Non-current		
Accrued key management compensation, including share-based payment (Note 35)	82,256	114,751
Accrued expenses	8,486	-
Other payables to third parties	-	289,606
	90,742	404,357

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.

	2019	2018
Profit attributable to equity holders of the company (RUB thousand)	20,807,651	17,671,968
Weighted average number of ordinary shares in issue (thousand)	178,741	178,741
Basic and diluted earnings per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	116.41	98.87

33. Contingencies

Operating environment

The Group and its subsidiaries mainly operate in the Russian Federation, Estonia, Finland and Ukraine.

Russian Federation.
The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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 2019 and 2018 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 and Finland. 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. As at 1 January 2019, there was an ongoing tax investigation in one of the Russian subsidiaries of the Group, which was concluded within the first half of 2019 with no significant impact on the financial position and overall operations of the Group. 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.

Notes to the Consolidated Financial Statements
(continued)

Estonia and Finland
Estonia and Finland represent well-developed markets and economies with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine
Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies.

Since 2016 the Ukrainian economy has demonstrated recovery amid overall macroeconomic stabilisation supported by structural reforms, a rise in domestic investment, revival in household consumption, increase in industrial production, construction activity and improved environment on external markets. In 2019 GDP continued to grow to 3.5 % (as compared to 3.3% growth in 2018). In addition, there was further progress in monetary policy. The National Bank of Ukraine ("NBU") conducts an interest rate policy that is consistent with inflation targets and keeps the hryvnia floating. The inflation rate in Ukraine slowed to 4.1% in 2019.

Starting from 2016, the NBU has made certain steps to ease the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency proceeds subject to mandatory sale on the interbank market was gradually decreased starting from 1 March 2019 is 30%. Additionally, the settlement period for export-import transactions in foreign currency was steadily increased to 180 days starting from 26 May 2017. Also starting from 3 March 2018, the NBU increased the amount of dividends payments allowed by Ukrainian companies to non-residents to USD 7 million per month. This restriction has been eased to EUR 7 million since 7 February 2019.

In 2019-2020, Ukraine faces major public debt repayments, which will require mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. Further, in March-April 2010 Ukraine faced presidential elections and then early parliamentary elections in July 2019. Amid double elections, the degree of uncertainty including in respect of the future direction of the reforms in 2020 remains very high.

Despite certain improvements in recent years, the final resolution and the ongoing effects of the political and economic situation are difficult to predict, but they may have further severe effects on the Ukrainian economy and the Group's business.

Compliance with covenants
The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including claims for early repayment. The Group is in compliance with covenants as of 31 December 2019 and 31 December 2018 (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
During the years ended 31 December 2019 and 31 December 2018, the Company's subsidiaries were involved as a claimants and defendants in a number of court proceedings.

Georgian Railways case
In March 2016, Georgian Railways initiated a claim of approximately GEL 16,122 thousand against a subsidiary of the Company claiming compensation for storage costs incurred for wagons leased out to Georgian Railways that remained in Georgia for a period after 1 April 2015.

As explained in Note 22, as at 31 December 2019 the Group has an outstanding receivable amounting to EUR 3,150 thousand/RUB 218,392 thousand (2018: EUR 3,090 thousand/RUB 245,537 thousand) from Georgian Railways relating to invoices issued for services rendered prior to 1 April 2015. The Group also issued invoices of EUR 1,555 thousand to Georgian Railways; the revenue of which has not been recognised as it was not assessed as probable at that time that future economic benefits would flow to the Group.

The Georgian Railways dispute the tariffs applied in computing the outstanding balance and thus have not proceeded with the repayment of the amount which remains outstanding.

The Group has initiated a claim to the Georgian Court demanding the repayment of the entire balance. Based on assessment performed as at 31 December 2019, management recognised a loss allowance of EUR 304 thousand/ RUB 21,108 thousand (2018: EUR 299 thousand/ RUB 23,732 thousand).

In March 2018, the Georgian Court ruled in favor of the Group an amount of US$10 million. Both parties have appealed this decision. The Group has not recognised a receivable for the amount awarded as this might not constitute a final decision on the matter.

Claim in relation to sale of rolling of stock
In February 2018, the Group received a claim from a third party in relation to a sale of rolling stock. In March 2018, the third party initiated legal action claiming from the Group an amount of RUB 996 million. In May 2018, there was a court decision against the Group for an amount of RUB 684 million. Both parties have appealed this decision and on 27 September 2018 the 2nd instance court cancelled the penalty in full amount. On 15 February 2019 the Moscow Arbitrary court cancelled all court decisions made and announced a new court hearing in September 2019. The amount of claim was decreased to RUB 727 million. Based on the results of the re-examination of the case in September 2019, the court of 1st instance ruled to partially satisfy the requirements of the third party in the amount of RUB 554 million, plus penalties in amount of RUB 27 million. Both parties have appealed this decision and on 12 March 2020 the court appointed an independent expert to determine the current value of the disputed rolling stock. No provision has been recognised in respect of this claim as the Group has received an unconditional irrevocable guarantee for the entire amount of this claim.

Claim in relation to unpaid railroad tariffs
In December 2018, the Group, jointly with a third-party customer, received a claim from a third party for the total amount of RUB 519 million in relation to discount applied on railroad tariffs. No provision was recognised by the Group in respect of this claim as the Group was of the opinion that it was not probable that it will be required to make a payment under this claim. In July 2019 there was a favourable court decision for the Group regarding this case.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 31 December 2019 and 2018 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.

Notes to the Consolidated Financial Statements
(continued)

34. Commitments

(a) Capital commitments
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2019 RUB'000	2018 RUB'000
Property, plant and equipment	21,419	2,707,799

(b) Operating lease commitments – Group as lessee
During the year 2018, the Group leased offices under non-cancellable operating lease agreements.

The Group also leased various types of rolling stock under cancellable and non-cancellable operating lease agreements. The lease expenditure charged to the income statement during the year 2018 is disclosed in Note 11.

The future aggregate minimum lease payments under non-cancellable operating leases as at 31 December 2018 were as follows:

	2019 RUB'000	2018 RUB'000
Not later than 1 year	-	477,188
Later than 1 year not later than 5 years	-	882,449
Later than 5 years	-	19,195
	-	1,378,832

(c) Operating lease commitments – Group as lessor
The Group leases out rolling stock and locomotives under cancellable and non-cancellable operating lease agreements. The future aggregate minimum lease payments receivable under non-cancellable operating leases in which the Group is acting as the lessor are as follows:

	2019 RUB'000	2018 RUB'000
Not later than 1 year	368,888	348,257
Later than 1 year not later than 5 years	-	28,182
	368,888	376,439

There were no contingent-based rents to be recognised in the income statement for the year ended 31 December 2019 and 31 December 2018.

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 2019 (31 December 2018: 5.8%).

Goldriver Resources Ltd, controlled by a member of key management personnel of the Group, has a shareholding in the Company of 4.0% as at 31 December 2019 (31 December 2018: 4.7%).

As at 31 December 2019, another 0.2% (2018: 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

	2019 RUB'000	2018 RUB'000
Key management salaries and other short-term employee benefits	1,417,535	1,675,673
Share based compensation (Note 21)	83,319	236,572
	1,500,854	1,912,245

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 507,802 thousand (2018: RUB 408,987 thousand) and analysed as follows:

	2019 RUB'000	2018 RUB'000
Non-executive directors' fees	20,868	22,200
Emoluments in their executive capacity	474,950	386,787
Share based compensation in their executive capacity	11,984	-
	507,802	408,987

Notes to the Consolidated Financial Statements
(continued)

(c) Year-end balances arising from sale of shares/purchases of services

	2019 RUB'000	2018 RUB'000
Other receivable from related parties (Note 22):		
Receivable from entity controlled by key management	-	200,064
	-	200,064

	2019 RUB'000	2018 RUB'000
Accrued key management remuneration – current (Note 31):		
Accrued salaries and other short-term employee benefits	415,737	472,087
Share based payment liability (Note 21)	123,348	176,054
	539,085	648,141

	2019 RUB'000	2018 RUB'000
Accrued key management remuneration – non-current (Note 31):		
Share based payment liability (Note 21)	82,256	114,751
	82,256	114,751

36. Events after the balance sheet date

The Group's outlook for 2020 may be impacted by the Coronavirus (COVID-19) outbreak, which has significantly lowered visibility on what to expect in 2020. While this is still an evolving situation at the time of issuing these consolidated financial statements, it appears that the negative impact on global trade may be more severe than originally expected. Certain currencies to which the Group is exposed have weakened, stock markets have declined, and commodity prices are lower. Management considers this outbreak to be a non-adjusting post balance sheet event.

The Management is closely monitoring the situation with the outbreak of Coronavirus (COVID-19) and is ready to act depending on the development of the situation.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 30 April 2020 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for eight business days in Russia from 20 April 2020 to 29 April 2020 inclusive. Holders of GDRs will receive the dividend approximately three business days after the payment date, which will be not later than 30 business days after the approval of the dividends by the Annual General Meeting.

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 117 to 123.

CHAPTER 4. PARENT COMPANY

Financial Statements

Board of Directors and Other Officers

Board of Directors

Dr. Johann Franz Durrer
Senior Independent Non-Executive Director since 24 May 2019
Chairman of the Remuneration Committee
Chairman of the Nomination Committee (Member of the Nomination Committee till 24 May 2019)

Vasilis P. Hadjivassiliou
Independent Non-Executive Director
Appointed on 20 September 2019

Mr. John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee
Member of Remuneration Committee since 24 May 2019
Member of Nomination Committee since 24 May 2019

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

Ms. Elia Nicolaou
Non-executive Director
Member of the Audit Committee
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

Mr. Michael Zampelas
Passed away on 15 May 2019,
Mr. Zampelas was a Senior Independent Non-executive Director
Chairman of the Nomination Committee
Member of Remuneration 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 2019. 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 18,773,265 thousand compared to RUB 15,847,719 thousand for the year ended 31 December 2018. This was mainly the result of the increase in the dividend income earned from the subsidiaries from RUB 15,112,974 thousand during the year ended 31 December 2018 to RUB 20,417,895 thousand in the current year.

The net asset position of the Company has increased as of 31 December 2019 compared to 31 December 2018, with net assets as of 31 December 2019 amounting to RUB 42,979,337 thousand compared to RUB 40,837,914 thousand as of 31 December 2018.

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 2019. For the principal subsidiaries of the Company, refer to Note 18 of the financial statements.

Non-Financial Information and Diversity Statement

The Group will be publishing its Non-Financial Information and Diversity Statement within its Annual report that will be issued within four months after the balance sheet date and will be available on the Company's website, www.globaltrans.com

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.

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 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
(continued)

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, Ukraine, 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 74% of the Group's Net Revenue from the operation of rolling stock in 2019; 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 66% of the Group's Net Revenue from the Operation of Rolling Stock in 2019 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 Group's outlook for 2020 may be impacted by the Coronavirus (COVID-19) outbreak, which has significantly lowered visibility on what to expect in 2020. The negative impact on global trade may be more severe than originally expected. Certain currencies to which the Group is exposed have weakened, stock markets have declined, and commodity prices are lower. The Management is closely monitoring the situation with the outbreak of Coronavirus (COVID-19) and is ready to act depending on the development of the situation.

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, CIS and Baltic countries railway infrastructure which may negatively impact the condition of the Group's rolling stock 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. Local IT specialists have introduced solutions to maintain the availability of IT services 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. 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 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, 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.

Management Report
(continued)

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 this foreign exchange risk.

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 2019, the Company has an excess of current liabilities over current assets of RUB 791,351 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 28 to the financial statements.

Future developments

The Board of Directors does not expect any significant changes in the activities of the Company in the foreseeable future.

The Company's strategic objective is to strengthen the position of the Group as a leading private freight rail group in Russia.

Results

The Company's results for the year are set out on pages 239 and 240. The Board of Directors recommends the payment of a dividend as detailed below and the remaining 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, except as otherwise described under "Terms and Conditions of the Global Depositary Receipts – Conversion of Foreign Currency", they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

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

In April 2018, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2017 in the amount of 44.85 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,016,530 thousand, including final dividend for 2017 in the amount of RUB 4,155,726 thousand or RUB 23.25 per ordinary share/GDR and a special final dividend in the amount of RUB 3,860,804 thousand or RUB 21.60 per ordinary share/GDR (US Dollar equivalent of US$ 130,728 thousand).

In August 2018, the Board of Directors of the Company approved payment of total dividend in the amount of 45.9 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,204,208 thousand (US Dollar equivalent of US$ 119,724 thousand), including interim dividend in the amount of RUB 3,771,433 thousand (US Dollar equivalent of US$ 55,037 thousand) or RUB 21.10 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,432,775 thousand (US Dollar equivalent of US$ 64,687 thousand) or RUB 24.80 per ordinary share/GDR.

In April 2019, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2018 in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR (US Dollar equivalent of US$ 129,727 thousand).

In August 2019, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand (US Dollar equivalent of US$ 124,655 thousand), including interim dividend in the amount of RUB 3,548,007 thousand (US Dollar equivalent of US$ 53,156 thousand) or RUB 19.85 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,772,382 thousand (US Dollar equivalent of US$ 71,499 thousand) or RUB 26.70 per ordinary share/GDR.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 30 April 2020 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for eight business days in Russia from 20 April 2020 to 29 April2020 inclusive. Holders of GDRs will receive the dividend approximately three business days after the payment date, which will be not later than 30 business days after the approval of the dividends by the Annual General Meeting.

Management Report
(continued)

Share capital

As at 31 December 2019 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.

Research and development activities

The Company has not undertaken any research and development activities during the year ended 31 December 2019.

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 29 to the financial statements.

Branches

The Company\ does not operate through any branches.

Treasury shares

In 2019 the Company did not own or acquire either directly or through a person in his own name, but on Company's behalf any of its own shares.

Going concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2020, including cash flows and borrowing facilities, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future.

Auditors

The Board of Directors, in accordance with the requirements of the EU Regulation introduced into Cypriot legislation, undertook a mandatory audit tender in respect of the audit for the year ended 31 December 2019. Following this, the Independent Auditor, PricewaterhouseCoopers Limited, was appointed as the statutory auditor of the Company in respect of the audit for the year ended 31 December 2019.

PricewaterhouseCoopers Limited 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 2019 and at the date of this report, the Board comprises 15 members (2018: 15 members), 11 (2018: 9 members) of whom are non-executive directors. Four (2018: 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 2019 and at the date of this report are shown on page 216. All of them were members of the Board throughout the year 2019, with the exception of Mr Michael Zampelas, who passed away on 15 May 2019, and Mr Vasilis P. Hadjivassiliou, who was appointed as Director on 20 September 2019.

There were no significant changes in the assignment of responsibilities of the Board of Directors.

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

The total gross remuneration of the members of the Board of Directors incurred by the Company in 2019 amounted to RUB 352,881 thousand (2018: RUB 186,911 thousand).

Management Report
(continued)

Board performance

The Board held 14 meetings in 2019. The Directors' attendance is presented in the table below.

	Eligible	Attended
Michael Zampelas	3	1
Johann Franz Durrer	14	14
Carroll Colley	14	14
George Papaioannou	14	14
Alexander Eliseev	14	13
Melina Pyrgou	14	12
Konstantin Shirokov	14	14
Alexander Storozhev	14	13
Marios Tofaros	14	14
Elia Nicolaou	14	14
Sergey Tolmachev	14	14
Sergey Maltsev (Chairman)	14	12
Andrey Gomon	14	12
Alexander Tarasov	14	12
Vasilis P. Hadjivassiliou	6	6
Michael Thomaides	14	14

The Board Committees

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

Audit Committee

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

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

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

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

Nomination Committee

The Nomination Committee comprises two Independent Directors and meets at least once a year. Until May 2019 the Nomination Committee was chaired by Mr. Zampelas and Dr. Durrer was the other member. Since 24 May 2019 the Nomination Committee is chaired by Dr. Durrer and Caroll Colley is the other member. The Committee's remit is to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board, given the Company's stage of development, and makes recommendations to the Board as to any changes. The Committee also considers future appointments in respect of the Board's composition and makes recommendations regarding the membership of the Audit and Remuneration Committees.

Remuneration Committee

The Remuneration Committee comprises two Independent Directors and meets at least once a year. Until May 2019 the Remuneration Committee was chaired by Dr. Durrer and Mr. Zampelas was the other member. Since 24 May 2019 the Remuneration Committee is chaired by Dr. Durrer and Caroll Colley is the other member. The Committee's responsibility is the determination and review of, among other matters, the remuneration of Executive Directors, and the review of the Company's remuneration policies. The remuneration of Independent Directors is a matter for the Chairman of the Board and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

Management Report
(continued)

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 22 April 2019.

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 females representing approximately 13% from the total number of directors. The age of the members of the Board of Directors starts from over 40 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 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.

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Management Report
(continued)

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 and traded on the Main Market of the London Stock Exchange under the ticker GLTR. The free float of Globaltrans amounts to approximately 56.9%1 of the issued share capital. The Bank of New York Mellon is the depositary bank for the GDR programme of the Company.

The shareholder structure of the Company as at 31 December 2019 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]	4.0%
Controlled by Directors and management of Globaltrans	0.2%
Free float[1]	56.9%

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.

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 2019 and 31 December 2018 are shown below:

Name	Type of holding	2019	2018
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	10,315,790
Sergey Maltsev	Holding of ordinary shares and GDRs	7,099,725	8,382,860
Johann Franz Durrer	Holding of GDRs	160,606	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, 27 March 2020

Directors' Responsibility

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

In preparing the parent company 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.

Each of the Directors confirms to the best of his or her knowledge that the parent company financial statements (presented on pages 240 to 289) give a true and fair view of the financial position of Globaltrans Investment PLC (the "Company") as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

Further, each of the Directors confirms to the best of his or her knowledge that:

(i) proper books of account have been kept by the Company;

(ii) the Company's parent company financial statements are in agreement with the books of account;

(iii) the parent company financial statements give the information required by the Cyprus Companies Law, Cap.113 in the manner so required;

(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 parent company financial statements;

(v) the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the parent company financial statements; and

(vi) the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

By order of the Board

Sergey Tolmachev
Director

Independent Auditor's Report

To the Members of Globaltrans Investment PLC

Report on the Audit of the Parent Company Financial Statements

Our opinion

In our opinion, the accompanying parent company financial statements give a true and fair view of the financial position of parent company Globaltrans Investment PLC (the "Company") as at 31 December 2019, 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.

What we have audited

We have audited the parent company financial statements which are presented in pages 240 to 289 and comprise:

- the balance sheet as at 31 December 2019;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the parent company financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is International Financial Reporting Standards 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 Parent Company Financial Statements* section of our report.

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

Independence

We remained independent of the Company throughout the period of our appointment 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 parent company financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Independent Auditor's Report
(continued)

Our audit approach

Overview
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the parent company financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality	Overall materiality: RUB 990,000 thousand, which represents 5% of profit before tax (rounded).
Key audit matters	We have determined that there are no key audit matters to communicate in our report.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the parent company financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the parent company financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the parent company financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the parent company financial statements as a whole.

Overall materiality	RUB 990,000 thousand
How we determined it	5% of profit before tax (rounded)
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark, because in our view, it is the benchmark against which the performance of the Company is most commonly measured by the users of the parent company financial statements and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RUB 49,500 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, including the Corporate Governance Statement, and the Directors' responsibility, which we obtained prior to the date of this auditor's report, and the Company's complete Annual Report, including the Non-Financial Information and Diversity Statement, which is expected to be made available to us after that date. Other information does not include the parent company financial statements and our auditor's report thereon.

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

In connection with our audit of the parent company financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Company's complete Annual Report, including the Non-Financial Information and Diversity Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the Parent Company Financial Statements

The Board of Directors is responsible for the preparation of the parent company 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 parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company 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.

Independent Auditor's Report
(continued)

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company financial statements.

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

- Identify and assess the risks of material misstatement of the parent company 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 parent company 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 parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company in 2005 by shareholders' resolution for the audit of the financial statements for the year ended 31 December 2004. Our appointment has been renewed annually, since then, by shareholders' resolution. In 2008 the Company listed Global Depository Receipts on the Main Market of the London Stock Exchange and accordingly the first financial year after the Company qualified as a European Union Public Interest Entity was the year ended 31 December 2009. Since then, the total period of uninterrupted engagement appointment was 11 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the parent company financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 26 March 2020 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the parent company financial statements or the management report.

Other Legal Requirements

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

- In our opinion, based on the work undertaken in the course of our audit, 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 parent company financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the parent company financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Independent Auditor's Report
(continued)

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and 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 2019.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

27 March 2020

Income Statement

for the year ended 31 December 2019

	Note	2019 RUB'000	2018 RUB'000
Revenue	8	20,470,164	15,160,887
Marketing costs		(3,771)	(6,406)
Administrative expenses		(473,657)	(347,143)
Reversal of impairment losses on loans receivable	26	312,980	728,378
Other income		133,508	133,754
Other gains - net	9	4,805	1,133,853
Operating profit		**20,444,029**	16,803,323
Finance income	12	63,630	22,181
Finance costs	12	(462,562)	(349,985)
Net foreign exchange transaction (losses)/gains on financing activities	12	(244,426)	121,892
Finance costs – net	12	**(643,358)**	(205,912)
Profit before tax		19,800,671	16,597,411
Income tax expense	13	(1,027,406)	(749,692)
Profit for the year		**18,773,265**	15,847,719

The notes on pages 246 to 289 are an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2019

	2019 RUB'000	2018 RUB'000
Profit for the year	**18,773,265**	15,847,719
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	**18,773,265**	15,847,719

The notes on pages 246 to 289 are an integral part of these financial statements.

Balance Sheet

at 31 December 2019

	Note	31 December 2019 RUB'000	31 December 2018 RUB'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	18	45,151,248	45,151,248
Property, plant and equipment	16	6,652	2,572
Right-of-use assets	17	5,064	-
Other assets	20	-	4,640
Loans and other receivables	19	696,548	876,476
Total non-current assets		45,859,512	46,034,936
Current assets			
Loans and other receivables	19	508,281	1,379,274
Other assets	20	848	2,296
Income tax assets		-	11,919
Cash and cash equivalents	21	982,797	1,268,049
Total current assets		1,491,926	2,661,538
TOTAL ASSETS		**47,351,438**	48,696,474
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
Retained earnings		11,838,051	9,696,628
Total equity		42,979,337	40,837,914
Non-current liabilities			
Borrowings	23	2,086,465	4,231,313
Lease liabilities (IFRS 16)	24	2,359	-
Total non-current liabilities		2,088,824	4,231,313

Balance Sheet
(continued)

	Note	31 December 2019 RUB'000	31 December 2018 RUB'000
Current liabilities			
Borrowings	23	2,175,477	3,241,204
Lease liabilities (IFRS 16)	24	2,054	-
Payables and accrued expenses	25	105,746	386,043
Total current liabilities		2,283,277	3,627,247
TOTAL LIABILITIES		**4,372,101**	7,858,560
TOTAL EQUITY AND LIABILITIES		**47,351,438**	48,696,474

On 27 March 2020 the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

Sergey Tolmachev, Director

Konstantin Shirokov, Director

The notes on pages 246 to 289 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2019

	Note	Share capital RUB'000	Share premium RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000
Balance at 1 January 2018		516,957	27,929,478	2,694,851	10,069,647	41,210,933
Comprehensive income						
Profit for the year		-	-	-	15,847,719	15,847,719
Total comprehensive income for 2018		-	-	-	15,847,719	15,847,719
Transactions with owners						
Dividend to owners of the Company	15	-	-	-	(16,220,738)	(16,220,738)
Total distributions to owners of the Company		-	-	-	(16,220,738)	(16,220,738)
Total transactions with owners		-	-	-	(16,220,738)	(16,220,738)
Balance at 31 December 2018/1 January 2019		516,957	27,929,478	2,694,851	9,696,628	40,837,914
Comprehensive income						
Profit for the year		-	-	-	18,773,265	18,773,265
Total comprehensive income for 2019		-	-	-	18,773,265	18,773,265
Transactions with owners						
Dividend to owners of the Company	15	-	-	-	(16,631,842)	(16,631,842)
Total distributions to owners of the Company		-	-	-	(16,631,842)	(16,631,842)
Total transactions with owners		-	-	-	(16,631,842)	(16,631,842)
Balance at 31 December 2019		516,957	27,929,478	2,694,851	11,838,051	42,979,337

The notes on pages 246 to 289 are an integral part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2019

	Note	2019 RUB'000	2018 RUB'000
Cash flows from operating activities			
Profit before tax		19,800,671	16,597,411
Adjustments for:			
Depreciation of property, plant and equipment	16	2,586	1,896
Depreciation of right-of-use assets	17	2,228	-
Interest on loans to related parties	8	(52,269)	(47,913)
Bank interest income	12	(46,696)	(22,181)
Interest income on other receivables from related parties	12	(16,934)	-
Interest expense	12	462,562	349,985
Reversal of impairment losses on loans receivable	26	(312,980)	(728,378)
Profit from sale of property, plant and equipment		(1,028)	-
Profit from sale of subsidiaries	9	-	(1,134,752)
Net foreign exchange transaction losses/(gains) on financing activities	12	244,426	(121,892)
Operating cash flows before working capital changes		20,082,566	14,894,176
Changes in working capital:			
Other assets		(6,088)	(741)
Payables and accrued expenses		33,126	44,107
Net cash generated from operations		20,109,604	14,937,542
Interest received from loans from related parties		175,821	21,743
Tax paid		(1,017,005)	(748,003)
Net cash generated from operating activities		19,268,420	14,211,282
Cash flows from investing activities			
Proceeds from sale of subsidiary	18	528,127	671,441
Contribution into the capital of subsidiary	18	(300,089)	-
Purchases of property, plant and equipment	16	(6,666)	-
Loans granted to related parties	26	(180,000)	(900,000)
Loan repayments received from related parties	26	779,817	936,968
Bank interest received		46,696	22,181
Net cash generated from investing activities		867,885	730,590

	Note	2019 RUB'000	2018 RUB'000
Cash flows from financing activities			
Proceeds from bank borrowings	23	-	8,000,000
Repayments of bank borrowings	23	(3,199,576)	(5,558,000)
Principal elements of lease payments (IFRS 16)	23	(2,031)	-
Interest paid on bank borrowings	23	(473,296)	(345,224)
Interest paid on lease liabilities (IFRS 16)	23	(265)	-
Dividends paid to the Company's shareholders	15	(16,631,842)	(16,220,738)
Net cash used in financing activities		(20,307,010)	(14,123,962)
Net (decrease)/increase in cash and cash equivalents		(170,705)	817,910
Exchange (losses)/gains on cash and cash equivalents		(114,547)	28,058
Cash and cash equivalents at beginning of year		1,268,049	422,081
Cash and cash equivalents at end of year	21	982,797	1,268,049

The notes on pages 246 to 289 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 27 March 2020.

Global Depositary Receipts

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

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of financing to other Group companies.

Consolidated financial statements

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113 for the Company and its subsidiaries ("the Group"). 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 2019 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 2019 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 standards International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. None of these has affected these financial statements, with the exception of IFRS 16 "Leases", the adoption of which resulted in changes in the Company's accounting policies for leases for which it is acting as a lessee.

IFRS 16 "Leases"

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Impact of adoption

The Company has adopted IFRS 16 retrospectively on 1 January 2019 using the modified retrospective method with certain simplifications, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing requirements are, therefore, recognised in the opening balance sheet as of 1 January 2019. Accordingly, the comparative information is prepared and disclosed in accordance with IAS 17 "Leases".

On adoption of IFRS 16, the Company recognised a lease liability in relation to a lease contract relating to offices which previously was classified as an "operating lease" under the principles of IAS 17 "Leases". This liability was measured as of 1 January 2019 at the present value of the remaining lease payments, discounted using an incremental borrowing rate of 4%. The Company opted to measure the right-of-use assets on transition at an amount equal to that of the lease liability (adjusted for any prepaid or accrued expenses).

In applying IFRS 16 for the first time, the Company has used the practical expedient permitted by the standard and opted to account for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases. The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

The following table presents a reconciliation of the operating lease commitments as at 31 December 2018 to the recognised lease liability as at 1 January 2019:

	1 January 2019 RUB'000
Total future minimum lease payments for non-cancellable operating leases (Note 27)	7,758
Effect of discounting to present value	(466)
Total lease liabilities	7,292

The Company's new accounting policies following adoption of IFRS 16 at 1 January 2019 are set out in Note 4.

Notes to the parent company financial statements
(continued)

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16 effective from 1 January 2019, these policies have been consistently applied to all the years presented.

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 balances

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.

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 costs - net".

All other foreign exchange gains and losses are presented in the income statement within "Other gains – net".

Dividend income

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

Employee benefits

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

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

Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

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

Dividend distribution

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

Notes to the parent company financial statements
(continued)

Leases
Until the 2018 financial year, leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2019, 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.

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.

Notes to the parent company financial statements
(continued)

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.

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
(continued)

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.

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.

Notes to the parent company financial statements
(continued)

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.

Cash flow statement
Cash flows arising from dividend income and interest income on loans granted to related parties, which form part of the revenue of the Company, are reported as part of operating activities in the cash flow statement. Interest income received on other balances, which form part of the Company's finance income, are reported within cash flows from investing activities in the cash flow statement. Interest expense arising from deferred consideration for acquisition of subsidiaries is recognised within financing activities. Principal payments of deferred consideration are recognised as acquisition of subsidiaries within cash flows from investing activities.

5. New accounting pronouncements

Certain new standards, amendments to existing standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2020. Items marked with* have not been endorsed by the European Union (EU). The Company will only be able to apply the new standards, amendments to existing standards or interpretations when these are endorsed by the EU.

- **Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).** The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

- **Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020)*.** The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective.

- **Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

- **Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.** These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

None of the new standards, amendments to existing standards or interpretations is expected to have a significant effect on the financial statements of the Company.

Notes to the parent company financial statements
(continued)

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.

During the year 2019 there was increased volatility in currency markets and the Russian Rouble has appreciated against some major currencies, especially in the second half of the year. As of the end of December 2019 the Russian Rouble has increased against the US Dollar from 69.4706 as of 31 December 2018 to 61.9057 Russian Roubles (10.9% revaluation).

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 2019 and 31 December 2018 are as follows:

	2019 RUB'000	2018 RUB'000
Assets	581,734	865,298
Liabilities	7,429	7,315

The carrying amounts of monetary assets and liabilities denominated in Euro as at 31 December 2019 and 31 December 2018 are as follows:

	2019 RUB'000	2018 RUB'000
Assets	583,204	1,656,925
Liabilities	72,598	77,822

Had US Dollar exchange rate strengthened/weakened by 10% (2018: 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 2019 would have increased/decreased by RUB 50,252 thousand (2018: RUB 150,147 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 2019 and as of 31 December 2018.

Had Euro exchange rate strengthened/weakened by 10% (2018: 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 2019 would have increased/decreased by RUB 44,678 thousand (2018: by RUB 276,343 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 2019 and as of 31 December 2018.

The Company's current policy is not to hedge this foreign exchange risk.

(b) Cash flow and fair value interest rate risk
The Company holds interest bearing financial instruments at 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 2019 and 31 December 2018 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 2019 and 31 December 2018 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 'Ba2'. These policies enable the Company to reduce its credit risk significantly.

(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.

Notes to the parent company financial statements
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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.

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 2018:

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	450,401	883,203
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	2,824,107	-

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2019:

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	180,533	277,246
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	382,384	-
Non-performing or Credit-impaired	Stage 3 - Interest and/or principal repayments are 90 days past due	1,749,986	-

The gross carrying amounts, as per above, represent the Company's maximum exposure to credit risk on these assets as at 31 December 2019 and 31 December 2018, without taking account of any collateral held. The Company does not hold any collateral as security for any loans receivable or other receivable balances.

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The movement in the credit loss allowance for loans receivable during the years 2019 and 2018 is presented in the table below:

	Loans Receivable Non-performing	
	2019 RUB'000	2018 RUB'000
Opening balance	(1,901,961)	(2,258,613)
Recoveries	312,980	728,378
Foreign exchange difference	203,661	(371,726)
Closing balance	(1,385,320)	(1,901,961)

During the year 2019, the only movement in the gross carrying amount of the credit impaired loans receivable were recoveries 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 performing and underperforming loans receivable and other receivable balances as at 31 December 2019 and 31 December 2018 was not material.

During the years 2019 and 2018, the contractual cash flows of the Company's credit-impaired loans receivable as at 1 January 2019 and 1 January 2018, 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 modification was driven by financial difficulties of the counterparties and inability to make the originally agreed payments and the risks and rewards of the loans did not change, the modification did not result in derecognition of the said loans. In addition, these modifications did not significantly impact the ECL on these loans.

On 31 December 2019, the Company transferred a modified credit-impaired loan receivable with a carrying amount of RUB 382,384 thousand out of Stage 3 to Stage 2 as this ceased to meet the definition of credit-impaired since 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.

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 2019 and 31 December 2018:

	Rating	Gross carrying amount	
		2019 RUB'000	2018 RUB'000
Moody's [1]	A3	886,446	1,157,196
Moody's [1]	Aa2	94,662	108,737
Moody's [1]	B3	937	-
Moody's [1]	Ba2	-	1,119
Moody's [1]	Baa3	752	-
Moody's [1]	Caa1	-	997
Total		**982,797**	1,268,049

[1] 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 2019 and 31 December 2018, based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2019 and 31 December 2018.

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 2019 and 31 December 2018, none of the Company's subsidiaries had defaulted on or breached any covenants on their borrowings/bonds.

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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 2019 and 31 December 2018.

	Stage 1	
	2019 RUB'000	2018 RUB'000
- Performing	8,687,822	12,993,934
- Underperforming	-	-
- Non-performing	-	-
Total unrecognised gross amount	**8,687,822**	12,993,934

The amounts, as per above, represent the Company's maximum exposure to credit risk on these financial instruments as at 31 December 2019 and 31 December 2018, 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 2019 and 31 December 2018 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 2019 and 31 December 2018 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 2019, the Company has an excess of current liabilities over current assets of RUB 791,351 thousand (2018: RUB 965,709 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.

The table below summarizes the analysis of financial liabilities of the Company by maturity as of 31 December 2019 and 31 December 2018. 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 2019							
Payables and accrued expenses[1]	-	15,408	-	-	-	-	15,408
Borrowings	-	398,726	677,453	1,342,418	2,159,476	-	4,578,073
Lease liabilities (IFRS 16)	171	342	514	1,027	2,359	-	4,413
Financial guarantee contracts[2]	7,299,169	1,388,653	-	-	-	-	8,687,822
	7,299,340	1,803,129	677,967	1,343,445	2,161,835	-	13,285,716
31 December 2018							
Payables and accrued expenses[1]	-	311,398	-	-	-	-	311,398
Borrowings	20,384	506,041	746,563	2,457,111	2,663,258	1,869,822	8,263,179
Financial guarantee contracts[2]	7,877,315	5,116,619	-	-	-	-	12,993,934
	7,897,699	5,934,058	746,563	2,457,111	2,663,258	1,869,822	21,568,511

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.

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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 2019 and 31 December 2018 are as follows:

	2019 RUB'000	2018 RUB'000
Total borrowings	4,261,942	7,472,517
Total capitalisation	47,241,279	48,310,431
Total borrowings to total capitalisation ratio (percentage)	9.02%	15.47%

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 2019 and 2018. 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.

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 credit risk of the counterparty. Refer to Note 19.

The fair value as at 31 December 2019 and 31 December 2018 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 2019 was 8% (31 December 2018: 8%). The discount rates used for Russian Rouble denominated loans to related parties as at 31 December 2019 were 9% and 17.7% (31 December 2018: 6.5% and 17.7%) and for other receivables from related parties was 3%.The fair value measurements of loans to related parties and other receivables from related parties as at 31 December 2019 and 31 December 2018 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.

Liabilities carried at amortised cost. Fair values of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2019 and 31 December 2018, 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 2019 and 31 December 2018.

The discount rate used for Russian Rouble denominated bank borrowings as at 31 December 2019 was 7.5% (2018: 9.5%) (Note 23). There were no US Dollar denominated borrowings as at 31 December 2019 and 31 December 2018. The fair value measurements of liabilities as at 31 December 2019 and 31 December 2018 are within level 2 (2018: 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.

Notes to the parent company financial statements
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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 28.

8. Revenue

	2019 RUB'000	2018 RUB'000
Interest on loans to related parties calculated using the effective interest rate method (Note 26)	52,269	47,913
Dividend income (Note 26)	20,417,895	15,112,974
Total	20,470,164	15,160,887

9. Other gains – net

	2019 RUB'000	2018 RUB'000
Net foreign exchange transaction gains/(losses) on non-financing activities (Note 14)	4,805	(899)
Profit from sale of subsidiaries (Note 18)	-	1,134,752
Other gains - net	4,805	1,133,853

10. Expenses by nature

	2019 RUB'000	2018 RUB'000
Statutory auditor's remuneration for statutory audit services	16,026	16,343
Statutory auditor's remuneration for other assurance services	4,762	5,293
Advertising and marketing expenses	3,771	6,406
Expenses relating to short-term leases (2018: Office rent)	325	2,291
Depreciation of property, plant and equipment (Note 16)	2,586	1,896
Depreciation of right-of-use assets (Note 17)	2,228	-
Employee benefit expense (Note 11)	358,275	221,845
Legal, consulting and other professional services[1]	25,441	35,085
Bank charges	2,019	2,260
Non-executive directors' fees (Note 26)	20,868	22,200
Travel expenses	15,163	13,836
Stock exchange and financial regulator fees	4,054	4,754
Taxes other than on income	8,173	10,043
Other expenses	13,737	11,297
Total marketing costs and administrative expenses	477,428	353,549

[1] Includes RUB 502 thousand for the year 2019 (RUB 1,388 thousand for the year 2018) in fees paid to the Company's statutory audit firm for tax consultancy services.

11. Employee benefit expense

	2019 RUB'000	2018 RUB'000
Salaries	160,035	123,123
Bonuses	188,705	92,539
Social security costs	9,535	6,183
Total employee benefit expense	358,275	221,845
Average number of staff employed during the year	7	7

Notes to the parent company financial statements
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12. Finance costs - net

	2019 RUB'000	2018 RUB'000
Included in finance costs:		
Interest expense on bank borrowings (Note 23)	(462,297)	(349,985)
Total interest expense calculated using the effective interest rate method	(462,297)	(349,985)
Interest expense on lease liabilities (IFRS 16) (Note 23)	(265)	-
Total finance costs	(462,562)	(349,985)
Included in finance income:		
Interest income on bank balances	46,696	22,181
Interest income on other receivables from related parties (Note 26)	16,934	-
Total interest income calculated using the effective interest rate method	63,630	22,181
Total finance income	63,630	22,181
Net foreign exchange transaction (losses)/gains on cash and cash equivalents, loans and other receivables and dividends receivable	(442,416)	86,267
Net foreign exchange transaction gains on other financial liabilities	197,990	35,625
Net foreign exchange transactions (losses)/gains from financing activities (Note 14)	(244,426)	121,892
Finance costs – net	(643,358)	(205,912)

13. Income tax expense

	2019 RUB'000	2018 RUB'000
Current tax:		
Corporation tax	10,401	1,689
Withholding tax on dividends receivable	1,017,005	748,003
Total tax expense	1,027,406	749,692

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

	2019 RUB'000	2018 RUB'000
Profit before tax	19,800,671	16,597,411
Tax calculated at the applicable tax rate	2,475,084	2,074,676
Tax effect of expenses not deductible for tax purposes	152,154	64,150
Tax effect of allowances and income not subject to tax	(2,616,837)	(2,137,137)
Foreign withholding tax on dividends receivable	1,017,005	748,003
Tax charge	1,027,406	749,692

The Company is subject to income tax on taxable profits at the rate of 12.5% as from 1 January 2013. As from tax year 2012 brought forward losses of only five years may be utilised.

Up to 31 December 2008, under certain conditions interest may be subject to special contribution for defence at the rate of 10%. In such cases 50% of the same interest will be exempt from income tax thus having an effective tax rate burden of approximately 15%. From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2014.

In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence. Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

Withholding tax is applied to dividends distributed to the Company by its Russian subsidiaries at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected.

At 31 December 2018, the Company had tax losses carried forward amounting to RUB 275,303 thousand for which no deferred tax was recognised as profits for future periods against which these losses can be utilised could not be estimated with sufficient reliability. These tax losses matured by 31 December 2019.

Notes to the parent company financial statements
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14. Net foreign exchange (losses)/gains

	2019 RUB'000	2018 RUB'000
Finance costs - net (Note 12)	(244,426)	121,892
Other gains - net (Note 9)	4,805	(899)
Total foreign exchange (losses)/gains	(239,621)	120,993

15. Dividends

In April 2018, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2017 in the amount of 44.85 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,016,530 thousand, including final dividend for 2017 in the amount of RUB 4,155,726 thousand or RUB 23.25 per ordinary share/GDR and a special final dividend in the amount of RUB 3,860,804 thousand or RUB 21.60 per ordinary share/GDR (US Dollar equivalent of US$ 130,728 thousand).

In August 2018, the Board of Directors of the Company approved payment of total dividend in the amount of 45.9 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,204,208 thousand (US Dollar equivalent of US$ 119,724 thousand), including interim dividend in the amount of RUB 3,771,433 thousand (US Dollar equivalent of US$ 55,037 thousand) or RUB 21.10 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,432,775 thousand (US Dollar equivalent of US$ 64,687 thousand) or RUB 24.80 per ordinary share/GDR.

In April 2019, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2018 in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR (US Dollar equivalent of US$ 129,727 thousand).

In August 2019, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand (US Dollar equivalent of US$ 124,655 thousand), including interim dividend in the amount of RUB 3,548,007 thousand (US Dollar equivalent of US$ 53,156 thousand) or RUB 19.85 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,772,382 thousand (US Dollar equivalent of US$ 71,499 thousand) or RUB 26.70 per ordinary share/GDR.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 30 April 2020 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for eight business days in Russia from 20 April 2020 to 29 April 2020 inclusive. Holders of GDRs will receive the dividend approximately three business days after the payment date, which will be not later than 30 business days after the approval of the dividends by the Annual General Meeting.

During the years ended 31 December 2019 and 31 December 2018, the Company declared and paid as detailed in the table below.

	2019 RUB'000	2018 RUB'000
Dividends declared	16,631,842	16,220,738
Dividends paid	16,631,842	16,220,738

16. Property, plant and equipment

	Motor vehicles RUB'000	Total RUB'000
At 1 January 2018		
Cost	11,470	11,470
Accumulated depreciation	(7,002)	(7,002)
Net book amount	4,468	4,468
Year ended 31 December 2018		
Depreciation charge (Note 10)	(1,896)	(1,896)
Closing net book amount	2,572	2,572
At 31 December 2018 / 1 January 2019		
Cost	11,470	11,470
Accumulated depreciation	(8,898)	(8,898)
Net book amount	2,572	2,572
Year ended 31 December 2019		
Additions	6,666	6,666
Depreciation charge (Note 10)	(2,586)	(2,586)
Closing net book amount	6,652	6,652
At 31 December 2019		
Cost	15,475	15,475
Accumulated depreciation	(8,823)	(8,823)
Net book amount	6,652	6,652

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17. Right-of-use assets

	Offices RUB'000	Total RUB'000
Year ended 31 December 2019		
Opening net book amount	-	-
Adjustment for change in accounting policy (Note 3)	7,292	7,292
Restated opening net book amount	7,292	7,292
Depreciation charge (Note 10)	(2,228)	(2,228)
Closing net book amount at 31 December 2019	5,064	5,064

18. Investments in subsidiary undertakings

	2019 RUB'000	2018 RUB'000
At beginning of year	45,151,248	45,252,722
Contribution into the capital of subsidiary	-	300,090
Disposal of subsidiary	-	(401,564)
At end of year	45,151,248	45,151,248

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 (%)	
			2019	2018	2019	2018	2019	2018
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	60	60	60	60	40	40
RemTransServis, OOO[1]	Russia	Repair and maintenance of rolling stock	-	-	59.4	59.4	40.6	40.6
BTS-Locomotive Solutions OOO[2]	Russia	Support activities for locomotive traction	-	-	-	60	40	-
SyntezRail Ltd	Cyprus	Intermediary holding company	60	60	60	60	40	40
SyntezRail LLC[3]	Russia	Railway transportation	-	-	60	60	40	40
Spacecom AS	Estonia	Operating lease of rolling stock and provision of forwarding services	65.25	65.25	65.25	65.25	34.75	34.75
Ekolinja Oy[4]	Finland	Operating sub-lease of rolling stock	-	-	65.25	65.25	34.75	34.75
Spacecom Trans AS[4]	Estonia	Operating lease of rolling stock	-	-	65.25	65.25	34.75	34.75

1. RemTransServis, OOO is a 99% subsidiary of BaltTransServis, OOO.
2. TS-Locomotive Solutions, OOO is a 100% subsidiary of BaltTransServis, OOO and was incorporated during 2019.
3. SyntezRail LLC is a 100% subsidiary of SyntezRail Ltd.
4. Ekolinja Oy and Spacecom Trans AS are 100% subsidiaries of Spacecom AS.

Notes to the parent company financial statements
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Contribution to subsidiary during the year 2018
During the year 2018, the Company subscribed to newly issued share capital of SyntezRail Ltd for an amount of RUB 300,090 thousand. There was no change in the proportion of the ordinary shares held by the Company in the subsidiary as a result of this acquisition of shares. The amount remained payable to the subsidiary as of 31 December 2018 (Note 25) and was settled within the year 2019.

Disposal of subsidiary during the year 2018
During the year 2018, Spacecom AS acquired 100% of the shares of Spacecom Trans AS from the Company and the non-controlling shareholders, for a total consideration of Eur 30,100 thousand (equivalent to RUB 2,363,563 thousand).

As a result, the proportion of ordinary shares held by the Company in Spacecom Trans AS increased from a direct holding of 65% to an indirect holding of 65.25%. The transaction aimed to optimise the management of both Estonian subsidiaries. As a result of the sale, the Company recognised during the year 2018 a profit on disposal of RUB 1,134,752 thousand (Note 9).

Out of the total consideration payable by Spacecom AS for this transaction, Eur 19,565 thousand (equivalent of RUB 1,536,316 thousand) was payable to the Company. An amount of Eur 8,450 thousand (equivalent to RUB 671,441 thousand) was received by the Company within the year 2018 and the remaining Eur 11,115 thousand (equivalent to RUB 883,203 thousand) remained outstanding as at 31 December 2018 (Note 19). The receivable balance carries contractual interest of 3% per annum and is payable by the subsidiary in instalments.

During the year 2019, interest of Eur 233 thousand (equivalent to RUB 16,934 thousand) was accrued on the balance receivable (Note 12) and an amount of Eur 7,350 thousand (equivalent to RUB 528,127 thousand) was received by the subsidiary. The balance receivable as at 31 December 2019 equals to Eur 3,998 thousand (equivalent to RUB 277,246 thousand) (Note 19).

The following amounts are included in the statement of cash flows in relation to acquisitions and disposals of subsidiaries:

	2019 RUB'000	2018 RUB'000
Contribution to the share capital of SyntezRail Ltd	(300,089)	-
Proceeds from sale of Spacecom Trans AS	528,127	671,441
Total cash inflow	228,038	671,441

19. Loans and other receivables

	2019 RUB'000	2018 RUB'000
Loans to related parties	2,312,903	3,274,508
Less: Provision for impairment of loans to related parties	(1,385,320)	(1,901,961)
Loans to related parties – net (Note 26)	927,583	1,372,547
Other receivables - related party (Note 26)	277,246	883,203
Total loans and other receivables – net	1,204,829	2,255,750
Less non-current portion:		
Loans to related parties (Note 26)	696,548	338,636
Other receivables – related party (Note 26)	-	537,840
Total non-current portion	696,548	876,476
Current portion	508,281	1,379,274

The weighted average contractual interest rate on loans receivable from related parties was 6.8% at 31 December 2019 (31 December 2018: 6.57%). The weighted average effective interest rate on loans receivables from related parties was 12.19% at the 31 December 2019 (31 December 2018: 11.21%).

The contractual interest rate and effective interest rate on other receivables from related parties was 3% at 31 December 2019 (31 December 2018: 3%).

The carrying value of loans and other receivables at the reporting date approximates their fair value. As at 31 December 2019, the fair values of US Dollar denominated loans to related parties are based on cash flows discounted using a rate 8% (31 December 2018: 8%). The discount rate used for Russian Rouble denominated loans to related parties as at 31 December 2019 was 9% and 17.7% (31 December 2018: 6.5% and 17.7%). The fair value measurements of loans to related parties and other receivables from related parties as at 31 December 2019 and 31 December 2018 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:

	2019 RUB'000	2018 RUB'000
US Dollars	364,665	398,566
Russian Roubles	562,918	973,981
Euro	277,246	883,203
Total loans and other receivables	1,204,829	2,255,750

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Assessment of credit losses on loans receivable from subsidiaries
At 31 December 2019 and 31 December 2018, 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 reversal of impairment losses of RUB 312,980 thousand as at 31 December 2019 (31 December 2018: RUB 728,378 thousand).

The assessment of expected credit losses on the loans receivable from Ukrainian New Forwarding Company OOO, with a carrying amount of RUB 364,666 thousand as at 31 December 2019 (31 December 2018: RUB 398,566 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 method, 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 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 2018 and 31 December 2019.

20. Other assets

	2019 RUB'000	2018 RUB'000
Prepayments – third parties	846	6,935
VAT recoverable	2	1
Total other assets	848	6,936
Less non-current portion:		
Prepayments – third parties	-	4,640
Total non-current portion	-	4,640
Current portion	848	2,296

21. Cash and cash equivalents

	2019 RUB'000	2018 RUB'000
Cash at bank	982,797	1,268,049
Total cash and cash equivalents	982,797	1,268,049

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2019 RUB'000	2018 RUB'000
Cash and cash equivalents	982,797	1,268,049
	982,797	1,268,049

Cash and cash equivalents are denominated in the following currencies:

	2019 RUB'000	2018 RUB'000
US Dollars	217,069	466,732
Russian Roubles	459,770	27,595
Euro	305,958	773,722
Total cash and cash equivalents	982,797	1,268,049

The carrying value of cash and cash equivalents approximates their fair value.

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22. Share capital and share premium

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2018 /31 December 2018 / 1 January 2019 / 31 December 2019	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 2018 /31 December 2018 / 1 January 2019 / 31 December 2019	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2019 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2018: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

23. Borrowings

	2019 RUB'000	2018 RUB'000
Current		
Bank borrowings	2,175,477	3,241,204
Total current borrowings	2,175,477	3,241,204
Non-current		
Bank borrowings	2,086,465	4,231,313
Total non-current borrowings	2,086,465	4,231,313
Total borrowings	4,261,942	7,472,517
Maturity of non-current borrowings		
Between 1 and 2 years	2,086,465	2,418,131
Between 2 and 5 years	-	1,813,182
	2,086,465	4,231,313

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:

	2019 RUB'000	2018 RUB'000
6 months or less	966,689	1,032,416
6 to 12 months	1,208,788	2,208,788
1 to 5 years	2,086,465	4,231,313
	4,261,942	7,472,517

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 2019 are secured by pledge of rolling stock held by its subsidiaries New Forwarding Company OOO and GTI Management OOO with a market value of not less than RUB 4,133,290 thousand and RUB 3,300,075, respectively (2018: RUB 4,133,290 thousand and RUB 4,344,689, respectively).

The weighted average effective interest rates at the balance sheet were as follows:

	2019 %	2018 %
Bank borrowings	7.31	7.97

The carrying amount and fair value of current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	2019 RUB'000	2018 RUB'000	2019 RUB'000	2018 RUB'000
Bank borrowings	4,261,942	7,472,517	4,267,653	7,351,544
	4,261,942	7,472,517	4,267,653	7,351,544

The fair value of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2019 and 31 December 2018, 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 2019 and 31 December 2018. The discount rate used was a level 2 discount rate of 7.50% (9.50% as at 31 December 2018).

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The carrying amounts of the borrowings are denominated in the following currencies:

	2019 RUB'000	2018 RUB'000
Russian Roubles	4,261,942	7,472,517
Total borrowings	4,261,942	7,472,517

Reconciliation of liabilities arising from financing activities:

	Bank borrowings RUB'000	Lease liabilities (IFRS 16) RUB'000	Total liabilities from financing activities RUB'000
Opening balance 1 January 2019	7,472,517	-	7,472,517
Adjustment for change in accounting policy (Note 3)	-	7,292	7,292
Restated opening balance	7,472,517	7,292	7,479,809
Cash flows:			
Repayment of principal	(3,199,576)	(2,031)	(3,201,607)
Interest paid	(473,296)	(265)	(473,561)
Non-cash changes:			
Interest expense	462,297	265	462,562
Foreign exchange gains	-	(848)	(848)
At end of year 2019	4,261,942	4,413	4,266,355

	Bank borrowings RUB'000	Lease liabilities (IFRS 16) RUB'000	Total liabilities from financing activities RUB'000
Opening balance 1 January 2018	5,025,756	-	5,025,756
Cash flows:			
Proceeds from borrowings	8,000,000	-	8,000,000
Repayment of principal	(5,558,000)	-	(5,558,000)
Interest paid	(345,224)	-	(345,224)
Non-cash changes:			
Interest expense	349,985	-	349,985
At end of year	7,472,517	-	7,472,517

24. Lease liabilities (IFRS 16)

	2019 RUB'000
Current lease liabilities	2,054
Non-current lease liabilities	2,359
Total lease liabilities	4,413

	2019 RUB'000
Maturity of lease liabilities (IFRS 16)	
Between 1 and 2 years	2,359
	2,359

25. Payables and accrued expenses

	2019 RUB'000	2018 RUB'000
Current		
Accrued key management personnel compensation (Note 26)	90,338	74,645
Accrued expenses	13,863	9,531
Other payables to third parties	1,545	1,777
Other payables to related parties (Note 26)	-	300,090
Total current trade and other payables	105,746	386,043

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:

	2019 RUB'000	2018 RUB'000
Euro	72,598	77,822
Russian Roubles	25,698	300,031
US dollar	7,429	7,315
Other	21	875
Total payables and accrued expenses	105,746	386,043

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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 2019 (31 December 2018: 5.8%).

Goldriver Resources Ltd, which has a shareholding in the Company of 4.0% as a 31 December 2019 (2018: 4.7%), is controlled by a member of key management personnel of the Group.

As at 31 December 2019, another 0.2% (2018: 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

	2019 RUB'000	2018 RUB'000
Loans to subsidiaries:		
At beginning of year	1,372,547	611,714
Loan advances	180,000	900,000
Interest charged (Note 8)	52,269	47,913
Loan repaid during the year	(779,817)	(936,968)
Interest repaid during the year	(175,821)	(21,743)
Reversal of impairment	312,980	728,378
Net foreign exchange	(34,575)	43,253
At end of year	927,583	1,372,547
Consists of:		
Non-current portion	696,548	338,636
Current portion	231,035	1,033,911
At end of year	927,583	1,372,547
Loans to related parties – gross amount	2,312,903	3,274,508
Less: Provision for impairment of loans to related parties	(1,385,320)	(1,901,961)
Loans to related parties – net	927,583	1,372,547

The balances at the 31 December 2019 carry a weighted average contractual interest rate of 6.8% (2018: 6.57%) per annum. The weighted average effective interest rate at the 31 December 2019 was 12.19% (2018: 11.21%).

(b) Other receivables from related parties

	2019 RUB'000	2018 RUB'000
Other receivables for the sale of shares		
Subsidiaries	277,246	883,203
At end of year	277,246	883,203
Consists of:		
Non-current portion	-	537,840
Current portion	277,246	345,363
At end of year	277,246	883,203

The balance at the 31 December 2019 carry a contractual interest rate of 3% per annum. The weighted average effective interest rate at the 31 December 2019 was 3%.

(c) Dividend income from related parties

	2019 RUB'000	2018 RUB'000
Dividend income from related parties:		
Subsidiaries (Note 8)	20,417,895	15,112,974
Total	20,417,895	15,112,974

(d) Interest income

	2019 RUB'000	2018 RUB'000
Interest income:		
Interest on loans to subsidiaries (Note 8)	52,269	47,913
Interest on other receivables from subsidiary (Note 12)	16,934	-
Total interest income calculated using the effective interest rate method	69,203	47,913

Notes to the parent company financial statements
(continued)

(e) 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:

	2019 RUB'000	2018 RUB'000
Subsidiaries[1]	8,687,822	12,993,934
Total guaranteed obligations	8,687,822	12,993,934

[1] Represents the maximum amount of obligation under each contract, being the contractual undiscounted cash flows under the loan agreements as at 31 December 2019 and 2018.

During the years ended 31 December 2019 and 31 December 2018 the Company has acted as the guarantor for the obligation 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 2019 and 31 December 2018 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 2019 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.

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.

At 31 December 2019 and 31 December 2018, the Company assessed whether any ECL provision is needed for the guarantees in issue as of each reporting date. Management assessed that no need for provision arises in relation to any of the guarantees issued by the Company on the basis that, in case of default, the Company will be able to recover its losses under the issued guarantees from respective subsidiaries in full.

(f) Impairment losses

	2019 RUB'000	2018 RUB'000
Reversal of impairment losses of loans to subsidiaries (Notes 7 and 19)	312,980	728,378

(g) Key management personnel compensation

	2019 RUB'000	2018 RUB'000
Key management salaries and other short term employee benefits[1]	352,881	222,479
	352,881	222,479

[1] 'key management salaries and other short term employee benefits' include directors' remuneration amounting to RUB 352,881 thousand (2018: RUB 186,911 thousand).

(h) Directors' remuneration

	2019 RUB'000	2018 RUB'000
Directors' fees (Note 10)	20,868	22,200
Emoluments in their executive capacity	332,013	164,711
Total directors' remuneration	352,881	186,911

(i) Year-end balances arising from payables to key management

	2019 RUB'000	2018 RUB'000
Accrued key management remuneration (Note 25):		
Accrued salaries and other short term employee benefits	90,338	74,645
	90,338	74,645

(j) Year-end balances arising from subscription to share capital of subsidiaries

	2019 RUB'000	2018 RUB'000
Payable for subscription to share capital of subsidiaries (Note 25)	-	300,090
	-	300,090

Notes to the parent company financial statements
(continued)

27. Commitments

Operating lease commitments – Company as lessee
The Company leases offices under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019 RUB'000	2018 RUB'000
Not later than 1 year	-	2,527
Later than 1 year not later than 5 years	-	5,231
	-	7,758

28. Contingencies

Operating environment of the Company
The Company's subsidiaries operate in the Russian Federation, Estonia, Ukraine and Finland.

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. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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.

Estonia and Finland
Estonia and Finland represent well-developed markets and economies with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine
Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies.

Since 2016 the Ukrainian economy has demonstrated recovery amid overall macroeconomic stabilisation supported by structural reforms, a rise in domestic investment, revival in household consumption, increase in industrial production, construction activity and improved environment on external markets. In 2019 GDP continued to grow to 3.5 % (as compared to 3.3% growth in 2018). In addition, there was further progress in monetary policy. The National Bank of Ukraine ("NBU") conducts an interest rate policy that is consistent with inflation targets and keeps the hryvnia floating. The inflation rate in Ukraine slowed to 4.1% in 2019.

Starting from 2016, the NBU has made certain steps to ease the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency proceeds subject to mandatory sale on the interbank market was gradually decreased starting from 1 March 2019 is 30%. Additionally, the settlement period for export-import transactions in foreign currency was steadily increased to 180 days starting from 26 May 2017. Also starting from 3 March 2018, the NBU increased the amount of dividends payments allowed by Ukrainian companies to non-residents to USD 7 million per month. This restriction has been eased to EUR 7 million since 7 February 2019.

In 2019-2020, Ukraine faces major public debt repayments, which will require mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. Further, in March-April 2010 Ukraine faced presidential elections and then early parliamentary elections in July 2019. Amid double elections, the degree of uncertainty including in respect of the future direction of the reforms in 2020 remains very high.

The Company's exposure to Ukraine comprises loans receivable of RUB 364,666 thousand (2018: RUB 398,566 thousand) from Ukrainian New Forwarding Company OOO (Note 19). Despite certain improvements, the final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Company's business.

29. Events after the balance sheet date

The Group's outlook for 2020 may be impacted by the Coronavirus (COVID-19), which has significantly lowered visibility on what to expect in 2020. While this is still an evolving situation at the time of issuing these financial statements, it appears that the negative impact on global trade may be more severe than originally expected. Certain currencies to which the Group is exposed have weakened, stock markets have declined, and commodity prices are lower. Management considers this outbreak to be a non-adjusting post balance sheet event.

The Management is closely monitoring the situation with the outbreak of Coronavirus (COVID-19) and is ready to act depending on the development of the situation.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 30 April 2020 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for eight business days in Russia from 20 April 2020 to 29 April 2020 inclusive. Holders of GDRs will receive the dividend approximately three business days after the payment date, which will be not later than 30 business days after the approval of the dividends by the AGM.

There were no other material events after the balance sheet date that which have a bearing on the understanding of these financial statements.

Independent Auditor's Report on pages 233 to 238.

CHAPTER 5

Additional Information

Selected Operational Information

Fleet (including rolling stock and specialised containers)

for the year ended 31 December 2019

	31 Dec 2019	31 Dec 2018	Change	Change, %
Owned Fleet				
Gondola cars	45,516	44,878	638	1%
Rail tank cars	17,767	17,938	(171)	-1%
Locomotives	75	69	6	9%
Flat cars	1,407	770	637	83%
Other railcars (including hopper cars, etc)	90	90	0	0%
Specialised containers (including petrochemical and other)	2,814	1,660	1,154	70%
Total	**67,669**	**65,405**	**2,264**	**3%**
Owned Fleet as % of Total Fleet	*96%*	*95%*	–	–
Leased-in Fleet				
Gondola cars	104	104	0	0%
Rail tank cars	1,969	2,488	(519)	-21%
Locomotives	0	0	0	n/a
Flat cars	466	523	(57)	-11%
Other railcars (including hopper cars, etc)	132	123	9	7%
Specialised containers (including petrochemical and other)	380	380	0	0%
Total	**3,051**	**3,618**	**(567)**	**-16%**
Leased-in Fleet as % of Total Fleet	*4%*	*5%*	–	–
Total Fleet (Owned Fleet and Leased-in Fleet)				
Gondola cars	45,620	44,982	638	1%
Rail tank cars	19,736	20,426	(690)	-3%
Locomotives	75	69	6	9%
Flat cars	1,873	1,293	580	45%
Other railcars (including hopper cars, etc)	222	213	9	4%
Specialised containers (including petrochemical and other)	3,194	2,040	1,154	57%
Total	**70,720**	**69,023**	**1,697**	**2%**

Fleet (including rolling stock and specialised containers) continued

for the year ended 31 December 2019

	31 Dec 2019	31 Dec 2018	Change	Change, %
Total Fleet by type, %				
Gondola cars	65%	65%	–	–
Rail tank cars	28%	30%	–	–
Locomotives	0.1%	0.1%	–	–
Flat cars	3%	2%	–	–
Other railcars (including hopper cars, etc)	0.3%	0.3%	–	–
Specialised containers (including petrochemical and other)	5%	3%	–	–
Total	**100%**	**100%**	–	–
Average age of Owned Fleet				
Gondola cars	10.9	10.0	–	–
Rail tank cars	14.9	14.5	–	–
Locomotives	12.2	14.7	–	–
Flat cars	5.1	10.8	–	–
Other railcars (including hopper cars, etc)	12.4	11.4	–	–
Specialised containers (including petrochemical and other)	1.9	1.8	–	–
Total	**11.5**	**11.0**	–	–

Operation of rolling stock (excluding Engaged Fleet)[1]

for the year ended 31 December 2019

	2019	2018	Change	Change, %
Freight Rail Turnover, billion tonnes-km				
Metallurgical cargoes	**73.1**	**79.0**	**(5.9)**	**-7%**
Ferrous metals	28.0	35.5	(7.5)	-21%
Scrap metal	3.3	3.7	(0.3)	-9%
Iron ore	41.8	39.8	2.0	5%
Oil products and oil	**22.0**	**21.2**	**0.8**	**4%**
Coal (including coke)	**33.8**	**29.5**	**4.3**	**14%**
Construction materials	**6.3**	**5.8**	**0.6**	**10%**
Crushed stone	5.3	4.7	0.6	12%
Cement	0.2	0.3	(0.1)	-29%
Other construction materials	0.9	0.8	0.1	9%
Other	**11.8**	**10.7**	**1.1**	**11%**
Total	**147.1**	**146.2**	**0.9**	**1%**
Freight Rail Turnover by cargo type, %				
Metallurgical cargoes (including ferrous metal, scrap metal and iron ore)	50%	54%	–	–
Oil products and oil	15%	14%	–	–
Coal (including coke)	23%	20%	–	–
Construction materials (including cement)	4%	4%	–	–
Other	8%	7%	–	–
Total	**100%**	**100%**	–	–

1 Excluding operational and financial information of the specialised container business.

Operation of rolling stock (excluding Engaged Fleet)[1] continued

for the year ended 31 December 2019

	2019	2018	Change	Change, %
Transportation Volume, million tonnes				
Metallurgical cargoes	**43.9**	**45.0**	**(1.2)**	**-3%**
Ferrous metals	14.9	16.8	(1.9)	-11%
Scrap metal	2.9	3.1	(0.2)	-6%
Iron ore	26.0	25.0	0.9	4%
Oil products and oil	**21.9**	**20.7**	**1.2**	**6%**
Coal (including coke)	**11.4**	**9.6**	**1.8**	**19%**
Construction materials	**7.1**	**6.4**	**0.7**	**11%**
Crushed stone	6.3	5.6	0.7	12%
Cement	0.1	0.3	(0.1)	-51%
Other construction materials	0.6	0.5	0.1	27%
Other	**7.3**	**6.8**	**0.6**	**8%**
Total	**91.6**	**88.5**	**3.1**	**4%**
Average Rolling Stock Operated, units				
Gondola cars	43,486	41,268	2,218	5%
Rail tank cars	12,968	11,832	1,136	10%
Locomotives	51	47	4	10%
Other railcars	340	415	(76)	-18%
Total	**56,845**	**53,562**	**3,283**	**6%**
Average Number of Loaded Trips per Railcar				
Gondola cars	23.6	24.3	(0.7)	-3%
Rail tank cars	27.8	28.9	(1.1)	-4%
Other railcars	87.0	66.4	20.6	31%
Total	**25.0**	**25.6**	**(0.7)**	**-3%**

Operation of rolling stock (excluding Engaged Fleet)[1] continued

for the year ended 31 December 2019

	2019	2018	Change	Change, %
Average Distance of Loaded Trip, km				
Gondola cars	1,834	1,885	(52)	-3%
Rail tank cars	993	1,010	(17)	-2%
Other railcars	502	766	(264)	-34%
Total	**1,591**	**1,644**	**(53)**	**-3%**
Average Price per Trip, RUB	**45,807**	**41,950**	**3,857**	**9%**
Net Revenue from Operation of Rolling Stock by cargo type, RUB million				
Metallurgical cargoes	**26,467***	**23,346***	**3,121**	**13%**
Ferrous metals	11,141*	11,772	(631)	-5%
Scrap metal	1,901*	1,816*	84	5%
Iron ore	13,425*	9,758*	3,667	38%
Oil products and oil	**21,009**	**19,207***	**1,801**	**9%**
Coal (including coke)	**9,380***	**8,115***	**1,265**	**16%**
Construction materials (including cement)	**3,105***	**2,761***	**344**	**12%**
Other	**5,034***	**4,170***	**863**	**21%**
Total	**64,994***	**57,600***	**7,394**	**13%**
Net Revenue from Operation of Rolling Stock by cargo type, %				
Metallurgical cargoes (including ferrous metal, scrap metal and iron ore)	41%	41%	–	–
Oil products and oil	32%	33%	–	–
Coal (including coke)	14%	14%	–	–
Construction materials (including cement)	5%	5%	–	–
Other	8%	7%	–	–
Total	**100%**	**100%**	–	–

[1] Excluding operational and financial information of the specialised container business.

Operation of rolling stock (excluding Engaged Fleet)[1] continued

for the year ended 31 December 2019

	2019	2018	Change	Change, %
Net Revenue from Operation of Rolling Stock by largest clients (including their affiliates and suppliers), %				
Rosneft	23%	23%	–	–
Metalloinvest	21%	17%	–	–
MMK	12%	16%	–	–
Gazprom Neft	5%	5%	–	–
TAIF	3%	3%	–	–
TMK	3%	2%	–	–
UGMK-Trans	2%	2%	–	–
Evraz	2%	4%	–	–
Severstal	1%	1%	–	–
ChelPipe	1%	1%	–	–
Empty Run Ratio, %				
Gondola cars	42%	38%	–	–
Rail tank cars and other railcars	90%	90%	–	–
Total Empty Run Ratio, %	**49%**	**46%**	–	–
Empty Run Costs, RUB million	**14,752***	**12,956***	**1,796**	**14%**
Share of Empty Run Kilometres Paid by Globaltrans, %	**89%**	**89%**	–	–

Operation of rolling stock (including Engaged Fleet)[1]

for the year ended 31 December 2019

	2019	2018	Change	Change, %
Freight Rail Turnover, billion tonnes-km				
Metallurgical cargoes	**85.2**	**89.6**	**(4.4)**	**-5%**
Ferrous metals	30.7	37.8	(7.1)	-19%
Scrap metal	3.4	3.7	(0.3)	-8%
Iron ore	51.2	48.1	3.0	6%
Oil products and oil	**22.2**	**22.2**	**(0.0)**	**0%**
Coal (including coke)	**35.9**	**30.4**	**5.4**	**18%**
Construction materials	**6.4**	**5.8**	**0.6**	**10%**
Crushed stone	5.3	4.7	0.6	12%
Cement	0.2	0.3	(0.1)	-30%
Other construction materials	0.9	0.8	0.1	9%
Other	**11.9**	**10.9**	**1.1**	**10%**
Total	**161.5**	**158.9**	**2.6**	**2%**
Transportation Volume, million tonnes				
Metallurgical cargoes	**50.3**	**50.4**	**(0.1)**	**0%**
Ferrous metals	16.5	18.0	(1.5)	-8%
Scrap metal	3.0	3.2	(0.2)	-6%
Iron ore	30.8	29.3	1.5	5%
Oil products and oil	**22.1**	**22.0**	**0.1**	**0%**
Coal (including coke)	**12.3**	**10.0**	**2.3**	**23%**
Construction materials	**7.1**	**6.4**	**0.7**	**11%**
Crushed stone	6.4	5.7	0.7	12%
Cement	0.1	0.3	(0.1)	-51%
Other construction materials	0.6	0.5	0.1	27%
Other	**7.5**	**7.1**	**0.4**	**6%**
Total	**99.4**	**96.0**	**3.4**	**4%**

[1] Excluding operational and financial information of the specialised container business.

Specialised container transportation

for the year ended 31 December 2019

	2019	2018	Change	Change, %
Net Revenue from Specialised Container Transportation, RUB million	**1,623***	**1,122***	**501**	**45%**

Engaged Fleet

	2019	2018	Change	Change, %
Net Revenue from Engaged Fleet, RUB million	**202***	**432***	**(230)**	**-53%**

Operating leasing of rolling stock[1]

	31 Dec 2019	31 Dec 2018	Change	Change, %
Leased-out Fleet				
Gondola cars	152	462	(310)	-67%
Rail tank cars	6,568	7,098	(530)	-7%
Locomotives	0	0	0	0%
Other railcars (including flat, hopper cars, etc)	122	67	55	82%
Total	**6,842**	**7,627**	**(785)**	**-10%**
Leased-out Fleet as % of Total Fleet	*10%*	*11%*	–	–

Employees

	31 Dec 2019	31 Dec 2018	Change	Change, %
Total	**1,640**	**1,549**	**91**	**6%**

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-GAAP financial measure) represents EBITDA excluding "Net foreign exchange transaction (gains)/losses on financing activities", "Share of profit/(loss) of associate", "Other losses/(gains) – net", "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-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 containers used in specialised container transportation).

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", "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-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 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-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", "Principal elements of lease payments for leases with financial institutions", "Principal elements of lease payments (IFRS 16)", "Interest paid on lease liabilities (IFRS 16)", "Interest paid on bank borrowings and non-convertible unsecured bonds" and "Interest paid on leases with financial institutions".

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-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 specialised container transportation business.

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-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.

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 Russian freight rail transportation volume and includes volumes transported by Engaged Fleet, unless otherwise stated.

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 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 is a non-GAAP 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").

Net Revenue from Specialised Container Transportation is a non-GAAP 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 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", "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 to third parties", "Trade payables to related parties", "Other payables to third parties", "Other payables to related parties", "Accrued expenses", "Accrued key management compensation, including share based payment", "Contract liabilities" and "Current tax liabilities".

Other Operating Cash Costs (a non-GAAP financial measure) include the following cost items: "Advertising and promotion", "Auditors' remuneration", "Communication costs", "Information services", "Legal, consulting and other professional fees", "Rental of tank-containers", "Operating lease rentals – office", "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.

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-GAAP financial measure) 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" (as part of the capital expenditures was financed with a finance lease).

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", "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 "Net (gain)/loss on sale of property, plant and equipment".

Total Operating Non-Cash Costs (a non-GAAP 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 "Net (gain)/loss on sale of property, plant and equipment".

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.

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 (unless otherwise stated) and the performance of 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 2019 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-GAAP financial information

In this Annual Report, the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as "non-GAAP measures"). 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 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-GAAP measures that have been used in this Annual Report as supplemental measures of the Group's operating performance. All non-GAAP 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-GAAP 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-GAAP measures differently or may use each of them for different purposes than the Group, limiting their usefulness as comparative measures. All non-GAAP 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.

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 2019 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 Russian freight rail transportation market and related subjects from the following third-party sources: Federal State Statistics Service of the 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.

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. **95**
102-2	Activities, brands, products, and services	Our Business Operational Performance	p. **6–7** p. **32–38**
102-3	Location of headquarters	Contacts	p. **310**
102-4	Location of operations Number of countries where the organisation operates	Globaltrans at a Glance Market Review	p. **2** p. **26–31**
102-5	Ownership and legal form	Share Capital	p. **94**
102-6	Markets served	Market Review	p. **26–31**
102-7	Scale of the organisation	Operational Performance Financial Review	p. **32–38** p. **40**
102-8	Information on employees and other workers	Sustainability	p. **74–76**
102-9	Supply chain	Operational Performance	p. **36**
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 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) Estonian Chamber of Commerce and Industry (AS Spacecom (Estonia) and AS Spacecom Trans (Estonia)	p. **71**
102-14	Statement from senior decision-maker	Chairman's Statement CEO Review	p. **18–21** p. **22–25**
102-15	Key impacts, risks, and opportunities	Risk Management Sustainability	p. **60** p. **70**
102-16	Values, principles, standards, and norms of behaviour	Sustainability	p. **72**
102-18	Governance structure	Governance	p. **82–87**
102-35	Remuneration policies	Corporate Governance Report	p. **91**
102-40	List of stakeholder groups	Sustainability	p. **71**

Indicator	Definition	Report section/notes	Annual report page
General disclosures			
102-41	Collective bargaining agreements	As at 31 December 2019, 44% of total employees in OOO BaltTransServis were covered by collective bargaining agreements. In other Group subsidiaries, there were no collective bargaining agreements.	
102-42	Identifying and selecting stakeholders with whom to engage	Sustainability	p. **70–71**
102-43	The organisation's approach to stakeholder engagement	Sustainability	p. **70–71**
102-44	Key topics and concerns that have been raised through stakeholder engagement	Sustainability	p. **70–71**
102-45	Entities included in the consolidated financial statements	Notes to the Consolidated Financial Statements	p. **188**
102-46	Defining report content and topic boundaries	Sustainability	p. **70**
102-47	List of the material topics	Sustainability	p. **70**
102-8	Information on employees and other workers	Sustainability	p. **74–76**
102-48	Restatements of information given in previous reports	This is the third time the Group has published a Sustainability section in the Annual Report. No restatements of information given in the previous report were made.	
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 2019	
102-51	Date of most recent report	April 2019	
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. **306–309**
102-56	External assurance	External assurance for the Group's Sustainability section was not conducted in the reporting period.	
Management			
103-1	Explanation of the material topic and its Boundary	Sustainability	p. **70–79**
103-2	The management approach and its components	Sustainability	p. **70–79**
103-3	Evaluation of the management approach	Sustainability	p. **70–79**

Indicator	Definition	Report section/notes	Annual report page
Economic impact			
Economic performance			
201-1	Direct economic value generated and distributed	Sustainability	p. **40–59**
Indirect economic impacts			
203-2	Significant indirect economic impacts	Sustainability	p. **79**
Anti-corruption			
205-3	Confirmed incidents of corruption and actions taken	Sustainability	p. **72**
Environmental impact			
Materials			
301-1	Materials used by weigh or volume	Sustainability	p. **77**
301-2	Recycled input materials used	Sustainability	p. **77**
Energy			
302-1	Energy consumption within the organization	Sustainability	p. **77**
Water and effluents[1]			
303-5	Water consumption	Sustainability	p. **78**
Emissions			
305-2	Direct (Scope 1) GHG emissions[2]	Sustainability	p. **78**
Environmental compliance			
307-1	Non-compliance with environmental laws and regulations	Sustainability *No incidents of non-compliance with environmental laws and regulations occurred in the reporting period*	p. **78**

Indicator	Definition	Report section/notes	Annual report page
Social impact			
Employment			
401-1	New employee hires and employee turnover	Sustainability	p. **74**
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Notes to the Consolidated Financial Statements	p. **74** p. **176**
Occupational health and safety			
403-1	Occupational health and safety management system	Sustainability	p. **76**
403-5	Worker training on occupational health and safety	Sustainability	p. **76**
403-9	Work-related injuries	Sustainability	p. **76**
Training and education			
404-1	Average hours of training per year per employee by gender and employee category	Sustainability	p. **75**
Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Sustainability Corporate Governance Report Consolidated Management Report Management Report	p. **75** p. **88–94** p. **100–115** p. **218–231**

1 While the Company is making great strides in collecting, processing and presenting information on rational use of water, the process is on-going and there is still insufficient data to fully demonstrate the trends occurring in all of its business units. Addressing this remains a key focus for the Group. Data only for BaltTransServis and Ukrainian New Forwarding Company were collected.

2 Taking into account that this is the second year the Group has disclosed its indirect greenhouse gases emissions, only information for 2018 and 2019 is available.

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