Globaltrans
Russia's leading freight rail group

Annual Report & Accounts 2021

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 2021 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-IFRS financial information" (i.e. measures not recognised by EU IFRS or IFRS) as supplementary explanations of the Group's operating performance. Information (non-IFRS financial and operating measures) requiring additional explanation or defining is marked with initial capital letters and the explanations or definitions are provided at the end of this Annual Report. Reconciliations of the non-IFRS measures to the closest EU IFRS measures are included in the body of this Annual Report. Rounding adjustments have been made in calculating some of the financial and operational information included in this Annual Report. As a result, numerical figures shown as totals in some tables may not be exact arithmetical aggregations of the figures that precede them.

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

Overview

> " Globaltrans' commitment to its employees is as strong today as it was when I joined in 2008. Everything is based on trust and openness, with respect for diversity and a truly collaborative culture. Great importance is attached to continuous learning and professional growth. Beyond salaries and bonuses, Globaltrans offers a range of outstanding benefits to keep people motivated and encourage high performance. Exciting, challenging and inspiring – that is how I would describe my personal journey at Globaltrans.

Ekaterina Glazunova,
Head of PR, New Forwarding Company

Directors' Responsibility
Each of the Directors confirms that, to the best of his or her knowledge, the Strategic Report presented on pages 20 to 77 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

Highlights of 2021

Thanks to the underlying strengths of Globaltrans, we were able to deliver an excellent performance in 2021. We achieved strong financial results with another year of disciplined operational performance despite market volatility and the ongoing impact of COVID-19.
In the reporting year, we generated good momentum focused on our core competencies of superior service, operational excellence, cost management, and prudent capital allocation.
We deepened our customer engagement, secured important contract extensions with major customers, expanded our leased-in gondola fleet to satisfy strong demand for our services, maintained our efficiency, and optimised our portfolio by divesting a non-core asset.

Valery Shpakov
Chief Executive Officer

The summary information on pages 6 and 7 covers the Group's key financial and operating performance indicators. These include non-IFRS measures that the Group believes are helpful to investors in analysing the Group's performance and well understood in the freight rail transportation industry. The key non-IFRS financial metrics are not a substitute for the IFRS financial information included and discussed in the Financial and Operational Review section of this Annual Report.

STRONG MARKET RECOVERY

- Significant H2 market recovery with overall Russian freight rail turnover at an all-time high in 2021 driven by robust bulk cargo demand.
- Recovery in gondola market rates starting in late Q2 2021 continued in H2 2021, with 2021 bulk cargo volumes exceeding pre-COVID levels; tank market pricing remained robust with volume recovery accelerating in H2 2021.

RUB 58.5 bln ▲6%

Adjusted Revenue in 2021

50 % ▲

Adjusted EBITDA Margin in 2021 (2020: 49%)

THE GROUP'S FREIGHT RAIL TURNOVER GROWTH RESUMED IN H2 AND GONDOLA RATES RECOVERED AMID GROWING DEMAND FOR GLOBALTRANS' SERVICES

- The Group's Freight Rail Turnover returned to growth in H2 2021, rising 8% on H1 2021, with full-year Freight Rail Turnover 2% lower year on year.
- Two key service contracts extended in 2021 – Rosneft for 5 years and Metalloinvest for 2 years (with higher service volumes agreed).
- Average Price per Trip rose 11% year on year in 2021, reflecting a recovery in gondola market rates in H2 2021 with continued solid pricing in the oil products and oil segment.
- Growing demand for Globaltrans' services drove the expansion of the Leased-in Fleet of gondolas and underpinned the purchase of tank cars.
- Gondola Empty Run Ratio further improved to 44% (2020: 45%) – one of the lowest in the Russian market.

RUB 29.0 bln ▲8%

Adjusted EBITDA in 2021

32 % ▼

Net Debt reduction to RUB 18.5 bln at year-end 2021 vs. the end of 2020

RUB 16.1 bln ▲7%

Free Cash Flow in 2021

0.6 x ▼

Net Debt to Adjusted EBITDA at year-end 2021 (2020 end: 1.0x)

INCREASED PROFITABILITY SUPPORTED BY COST CONTROL; STRONG FREE CASH FLOW SUPPORTED DELEVERAGING

- Adjusted Revenue rose 6% year on year to RUB 58.5 billion on the back of the recovery in gondola rates in H2 2021 coupled with continued robust pricing in the tank car segment.
- Total Operating Cash Costs were held in check contributing to an increase in the Adjusted EBITDA Margin to 50% in 2021 comparing to 49% in 2020.
- Adjusted EBITDA rose 8% year on year to RUB 29.0 billion.
- Strong Free Cash Flow increased 7% year on year to RUB 16.1 billion despite a 22% increase in Total CAPEX to RUB 8.4 billion following purchases of tank cars and increased Maintenance CAPEX.
- Net Debt reduced 32% in 2021 to RUB 18.5 billion compared to the end of 2020; leverage was at a low level with Net Debt to Adjusted EBITDA at 0.6x compared to 1.0x at end 2020.
- All the Group's debt has fixed interest rates and is denominated in roubles.

ROBUST ABOVE-TARGET INTERIM 2021 DIVIDENDS DELIVERED; FINAL 2021 DIVIDEND ON HOLD

- Improving dividend capacity over H1 2021 with gondola prices recovering enabled payment of above-target Interim 2021 dividends (regular and special) of RUB 4.0 billion or RUB 22.50 per share/Global Depositary Receipt ("GDR") in September 2021.
- Final dividends for 2021 temporarily suspended in April 2022 due to both technical limitations regarding upstreaming cash to the Cyprus holding company and the objective of establishing liquidity buffers.

At a Glance

WHO WE ARE

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

Financial stability and strength
- High proportion of multi-year outsourcing contracts
- Robust balance sheet
- Strong Free Cash Flow generation
- Significant liquidity available

Entrepreneurial culture combined with best-in-class governance
- Founded and led by entrepreneurs with a focus on quality and innovation
- Experienced Board and management team
- Adherence to best-practice governance standards
- Sustainable business with a strong ESG focus
- Dual-listed on the London Stock Exchange[1] and the Moscow Exchange

Focus on shareholder returns
- Track record of delivering consistent dividends and achieving dividend targets, transparent dividend policy, semi-annual dividend payments
- Ongoing share buyback programme capable of providing support during market volatility

WHAT WE DO

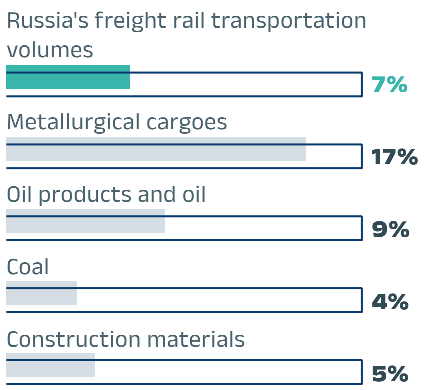
We are leaders in the provision of complex freight rail logistics and transportation services in our target market segments of metals and mining and oil products and oil as well as in other segments.

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

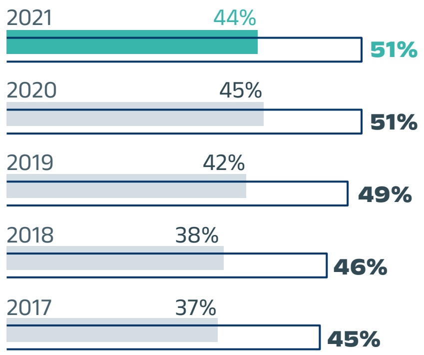
69.1 ths

Total Fleet at year-end 2021 (units)

Market Share, 2021, %[2]



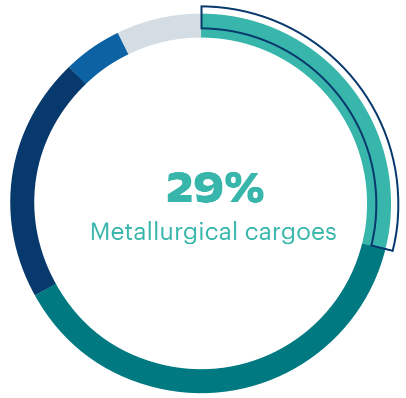
Historical Empty Run Ratio, 2017–2021, %



Empty Run Ratio for gondola cars

Total Empty Run Ratio (for all types of railcars)

Net Revenue from Operation of Rolling Stock by cargo type, 2021, %[2]



38% Oil products and oil
21% Coal
5% Construction materials
7% Other

59 %

Share of Net Revenue from Operation of Rolling Stock covered by long-term service contracts in 2021

Source: Globaltrans

[1] Imposed suspension of GDRs trading on the London Stock Exchange on 3 March 2022 continued as of the date of publication.
[2] Metallurgical cargoes including ferrous metals, scrap metal and ores; coal including coke; construction materials including cement.

At a Glance

HOW WE DELIVER VALUE

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

Sophisticated logistics

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

Sector-leading operational efficiency

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

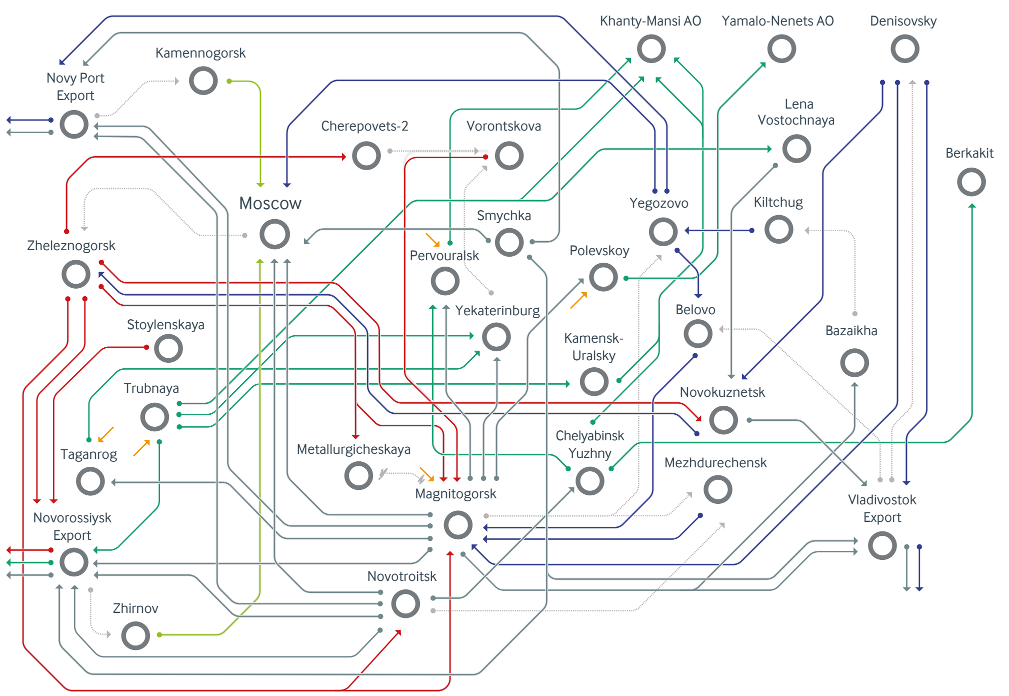
High-quality long-term client base

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

In-house locomotives improve productivity

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

GONDOLA LOGISTICS KEY ILLUSTRATIVE ROUTES



Cargo routes:

- Metals
- Iron ore
- Pipes
- Scrap metal
- Crushed stone
- Coal
- Empty Runs

Source: Globaltrans

OUR APPROACH TO ESG

Delivering sustainable value through:

Clear governance

- Oversight from the ESG Board committee
- Transparent reporting of key metrics

Sustainable business practices

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

Positive social impact

- Focus on employee development
- Providing support to our communities

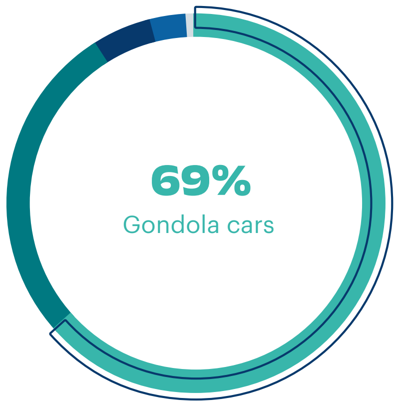
We strive to be a responsible and attractive employer, business partner and investment target. We recognise that by prioritising sustainability and gradually integrating it into everything we do, we will improve our long-term prospects, reduce our business risk and build greater engagement with our stakeholders. Our progress in 2021 gives me confidence that we are on the right track and we will continue to pursue our sustainability ambitions.

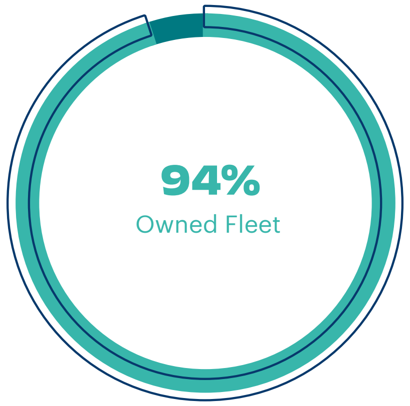
Elia Nicolaou
Chair of the ESG Committee, Non-executive Director

Read more on the Group's sustainability commitments and actions on pages 80-105

Our Assets

Total Fleet composition at year-end 2021





28% Tank cars
2% Other railcars
<1% Locomotives

6% Leased-in Fleet

ONE OF THE LARGEST RAILCAR FLEETS IN RUSSIA

Operational flexibility maintained by striking appropriate balance between Owned Fleet (94%) and Leased-in Fleet (6%).

Fleet composition corresponds to the industrial segments served: 69% are universal gondola cars for bulk cargoes, 28% are tank cars for liquid cargoes and 3% are other units.

The average age of the Group's Owned Fleet is currently 13.8 years compared with a useful life for gondola cars of 22 years and for tank cars of 32 years.

Exceptional fleet maintenance programme maintains the focus on operational and service excellence.

Source: Globaltrans

GONDOLA CARS

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

47,775 **units**

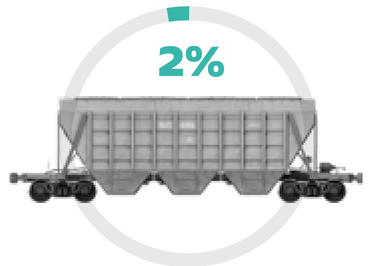
TANK CARS

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

19,587 **units**

13.8 **years**

Average age of Owned Fleet



OTHER RAILCARS

- Globaltrans' fleet largely includes flat cars among the other cars

1,673 **units**

LOCOMOTIVES

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

71 **units**

Source: Globaltrans

Our History

17 YEARS OF GROWTH AND LEADERSHIP

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

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

See the Total Fleet diagram on the next page

2004

Established as a merger of two enterpreneur-led companies.

2008

Successful IPO on the London Stock Exchange.

2009

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

2010

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

2012

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

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

2013

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

Signed a long-term outsourcing contract with MMK.

Created a single 24/7 gondola dispatching centre.

2014–2015

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

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

2016

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

2017

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

2018

The Group celebrated its 10th anniversary of its Main Market listing on the London Stock Exchange.

Partnership with MMK extended to end Sept. 2020.

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

2019

Service contracts extended with MMK (to end Sept. 2022) and Metalloinvest (to end 2020), in line with the Group's strategy to develop its outsourcing client partnerships.

A new three-year service contract (to end June 2022) signed with Gazprom Neft, a long-standing client of the Group.

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

2020

Globaltrans' GDRs began trading on MOEX on 28 Oct. 2020. The GDRs have ticker symbol GLTR and are included in Level One, MOEX's highest quotation list.

The service contract with MMK was extended for a further two years and is now valid until the end of Sept. 2024. The service contract with Metalloinvest was extended for a further one-year period to the end of 2021.

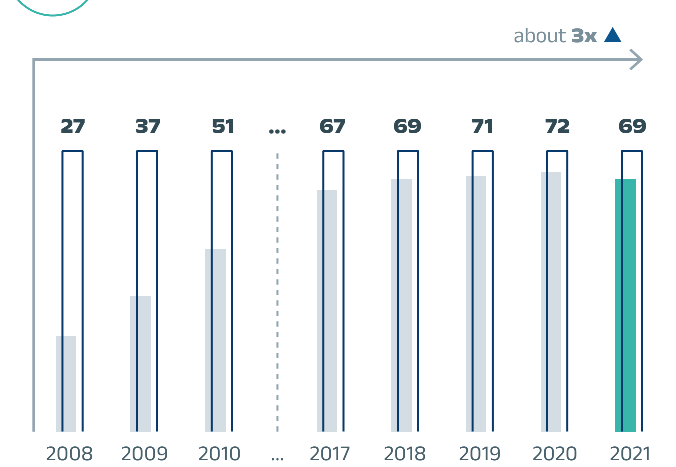
2021

Established ESG Committee.

Two key service contracts extended – Rosneft for 5 years and Metalloinvest for 2 years with higher volumes.

60% stake in SyntezRail (a small non-core specialised container operator) was sold in Oct. 2021.

Total Fleet at year-end, ths units



Source: Globaltrans

Our Industry

RUSSIA'S RAIL NETWORK AT A GLANCE

3rd

largest rail network globally connects the world's largest country across its 11 time zones

Vital

industry connecting Russian regions and linking Russia to the global economy

87 %

of the Russia's overall freight turnover, excluding pipeline traffic, travels by rail

2.6 tn

Overall Russia's freight rail turnover in 2021 (tonnes-km)

Sustainable choice

most eco-friendly means of long-distance freight transportation over land

Deregulated freight rail sector with about

88 %

of Russia's total railcar fleet controled by **private players**

Structural growth

drivers supported by government investment in rail infrastructure to expand the Far East rail corridor

Strategic Report

> **"We now have over 70 mainline locomotives at Globaltrans and I'm one of the 145 engine drivers. The Group has significantly increased its in-house locomotive crew capability in recent years, with the establishment of the BTS locomotive solutions subsidiary. The advantage this gives us is that we can use our locomotives to run "block trains" where all the cargo on board - mainly oil products and oil - is shipped from the same loading point to the same destination. This is a more effective and efficient transportation solution for both our customers and Globaltrans.**

Anatoly Buevskiy
Locomotive engine driver

Chairman's Statement

> **"It was a year of rapid recovery for Globaltrans and for the Russian rail freight sector. The strength of the global economic rebound created overwhelming demand for freight logistics, driving overall Russian freight rail turnover to an all-time high.**

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

In such volatile markets, the robustness of Globaltrans balanced business model focused exclusively on bulk cargoes and oil products and oil, was again evident. The business was quick to benefit from the industry's rapid resurgence in the second half of the year.

Globaltrans delivered strong financial results and met its operational and strategic goals in 2021. Our full year results were strong thanks to an impressive second half performance that compensated for a weak first half. Adjusted Revenue of RUB 58.5 billion, Adjusted EBITDA of RUB 29.0 billion and a Profit for the year of RUB 15.1 billion were all ahead of the previous year. Free cash flow generation remained robust, with the Group's Free Cash Flow up 7% year on year to RUB 16.1 billion, our cost control was exemplary and we achieved further deleveraging with Net Debt to Adjusted EBITDA at 0.6x.

Our operational wins included the successful renewal of two major service contracts and the expansion of our Leased-in Fleet to meet growing customer demand. Despite operational pressures caused by volatility in demand and ongoing rail network expansion projects, we maintained consistently high levels of efficiency. By doing so, we reinforced our reputation as one of the industry's most efficient operators.

The pandemic has profoundly impacted global logistics, generating debate about the need for greater supply chain resilience. The discussion is especially relevant for our industry, as rail dominates the movement of goods in Russia. Large industrial customers need reliable, 24-hour freight logistics solutions to support their operations. Increasingly, it is evident that only by outsourcing a significant proportion of their transport needs to large efficient operators like Globaltrans that can guarantee the service levels they require.

RUB 29.0 bln ▲8%

Adjusted EBITDA in 2021

RUB 15.1 bln ▲24%

Profit for the year in 2021

Chairman's Statement

The pandemic experience is likely to accelerate matters even further, and it is pleasing to report that we maintained close relationships with our client base over 2021. We signed critical service contract extensions with two longstanding clients, Rosneft and Metalloinvest. At the same time, we leveraged the flexibility provided by the Leased-in Fleet to meet the growing demand seen in the second half of 2021. Dynamic fleet management is a central pillar of our business model, meaning we can respond quickly to demand shifts whilst maintaining the optimal fleet balance between owned and leased-in assets and between universal gondola cars and tank cars.

In 2020, the Group completed a secondary listing of its GDRs on the Moscow Exchange (MOEX). The listing has enabled the Board to meet its objectives of widening share ownership, improving liquidity of the GDRs, and raising the Group's profile with retail investors. Over the first year of MOEX listing, the combined average daily liquidity of the Company's GDRs across both its trading venues increased four-fold[1].

THE BOARD

Good governance is essential to the long-term success of Globaltrans, and as chair, I am fortunate to call upon an experienced and high-quality group of directors. The Board intensified its engagement in several critical governance areas past year.

The Board worked closely with the leadership team to develop a post-pandemic strategy and plan. We also paid close attention to the immediate wellbeing of our employees and customers, ensuring the Group continued to protect and support them fully during the period.

RUB 16.1 bln ▲7%

Free Cash Flow in 2021

RESPONSIBLE BUSINESS

As a publicly listed company, our job is to deliver long-term value to our shareholders via competitive returns on their capital. For these returns to be sustainable and grow over time, we must act responsibly, consistent with society's broader interests.

Recognising the importance of sustainability for our stakeholders, the Board approved the establishment of a new ESG Committee of the Board in January 2021, chaired by Elia Nicolaou, a Non-executive Director. The committee's goal is to monitor the development of the Group's sustainability strategy and oversee our Environment, Social and Governance (ESG) programme and related activities. The committee's oversight has already yielded results in the form of improved ESG disclosures, leading to better ESG ratings for Globaltrans and positive stakeholder feedback.

Given the persistent challenges posed by COVID-19, the Board focused on the social aspects of our ESG activities in 2021. Over the past year, the health and mental wellbeing of our colleagues across the Group has remained a key area of focus for the Board.

The environment, particularly the theme of climate change, was the other key sustainability focus.

As rail is one of the greenest modes of transportation, our industry plays an important role in tackling climate change. As a business, we are committed to the environmentally responsible transport of freight and reducing our carbon footprint. The Board supports the need for our industry to become even more ecologically mindful and invest in cleaner supply chains by adopting technology and green energy.

INDUSTRY DYNAMICS

In my statement last year, I reflected on how the pandemic had highlighted the importance of the freight rail industry to Russia's economy. I noted that the industry had exhibited remarkable resilience and adaptability during the pandemic. This was again the case in 2021 as the impact of lockdowns on industrial production collided with a resurgence in demand, causing worldwide disruption to supply chains.

While this spurred strong demand for bulk commodities, which led to surging freight rail volumes, it also put additional pressure on the rail system. The resulting bottlenecks have exacerbated existing congestion issues caused by the large-scale modernisation of our rail infrastructure in the Russian Far East. However, I would like to stress that Globaltrans performed well even with these industry-wide challenges.

[1] Source: Moscow Exchange; London Stock Exchange; Company's estimations; Information for the first nine months of 2021; and comparing to the same period of the previous year.

Chairman's Statement

DIVIDENDS

We have a strong track record of generating sustainable returns for our shareholders. Our dividend policy rewards investors with regular returns of excess capital if not required to support business growth.

The combination of stronger-than-anticipated markets and solid free cash flows meant the Group's capacity to pay dividends was greater than we had forecasted at the start of the year. The Group has already paid an above-target interim 2021 dividend to shareholders of RUB 4.0 billion or RUB 22.50 per share/GDR but has had to temporarily suspend the anticipated final 2021 dividend due to both technical limitations regarding upstreaming cash to the Cyprus holding company and the objective of establishing liquidity buffers, in response to the unprecedented environment in early 2022.

In addition, at the AGM in April 2022, shareholders approved a new buyback programme for up to 10% of the Company's share capital[1]. As of the date of this report the Group held in treasury 0.24% of its share capital.

SUMMARY

Globaltrans delivered a strong financial and operational performance in 2021. Our colleagues across the business again showed great fortitude and resilience throughout the year, and, on behalf of the Board, I would like to thank them for all they have done to help deliver this result.

While the long-term outlook for the freight railway industry remains positive, the near term outlook is challenging and dependent on further geopolitical and macroeconomic developments. Globaltrans has a proven business model, robust finances, experienced management, and a strong client base. Therefore, the Group is well placed to meet future challenges.

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

[1] The new programme is for the Company's GDRs listed on the Main Market of the London Stock Exchange and the Moscow Exchange and is executed under the authority that was granted by shareholders at the AGM held on 26 April 2022. This authority lasts for a period of twelve months from that date and permits the Company to repurchase a total number of GDRs not to exceed 10% of the Company's share capital (including GDRs already held by the Company). The actual number of GDRs repurchased by the Company will depend on market conditions.

OUR APPROACH TO DIVIDENDS

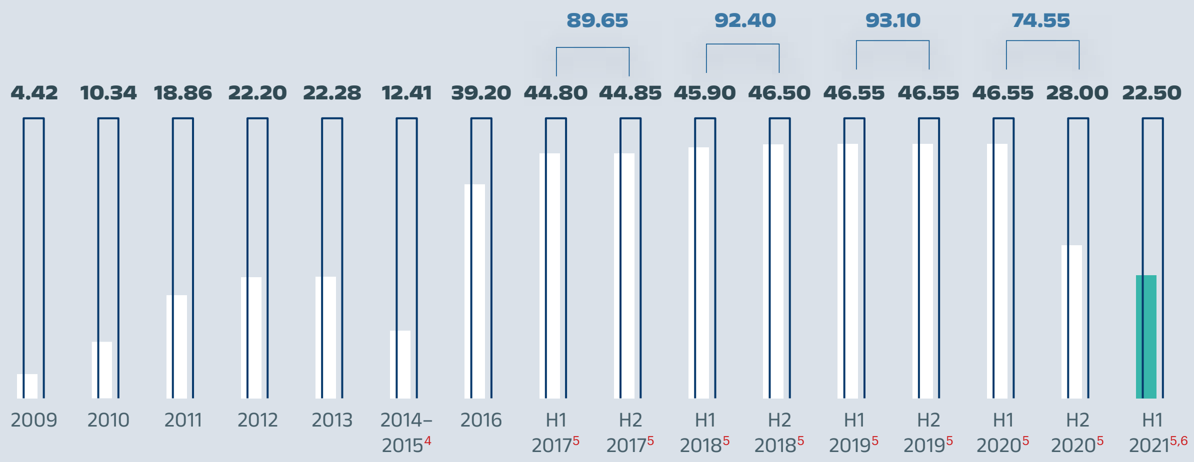
The Group's Dividend Policy strikes a balance between investing in business expansion and delivering returns to shareholders.

- Focusing on maximising shareholder value, the policy boosts pay-outs during low investment cycles and limits them in periods when sizeable expansion opportunities meeting Globaltrans' strict return criteria are identified.
- Clear formula linking dividends to Attributable Free Cash Flow and Leverage Ratio[2] provides flexibility and transparency in capital allocation.

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

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

Our Approach to Dividends, RUB per share/GDR[3]



[2] The Board of Directors of Globaltrans reserves the right to recommend to the General Meeting of shareholders dividends in the amount calculated on a reasonable basis other than described in this Annual Report in its sole discretion. For more details please see the Dividend Policy as adopted by the Board on 31 March 2017 and amended on 24 August 2018, which is available at www.globaltrans.com.

[3] 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.

[4] The dividend declared in 2016 related to both the 2014 and 2015 financial years.

[5] Including regular and special dividends.

[6] Final 2021 dividends were temporarily suspended in April 2022 due to both technical limitations regarding upstreaming cash to the Cyprus holding company and the objective of establishing liquidity buffers.

Our Strategy

VISION

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

Our shared principles

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

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

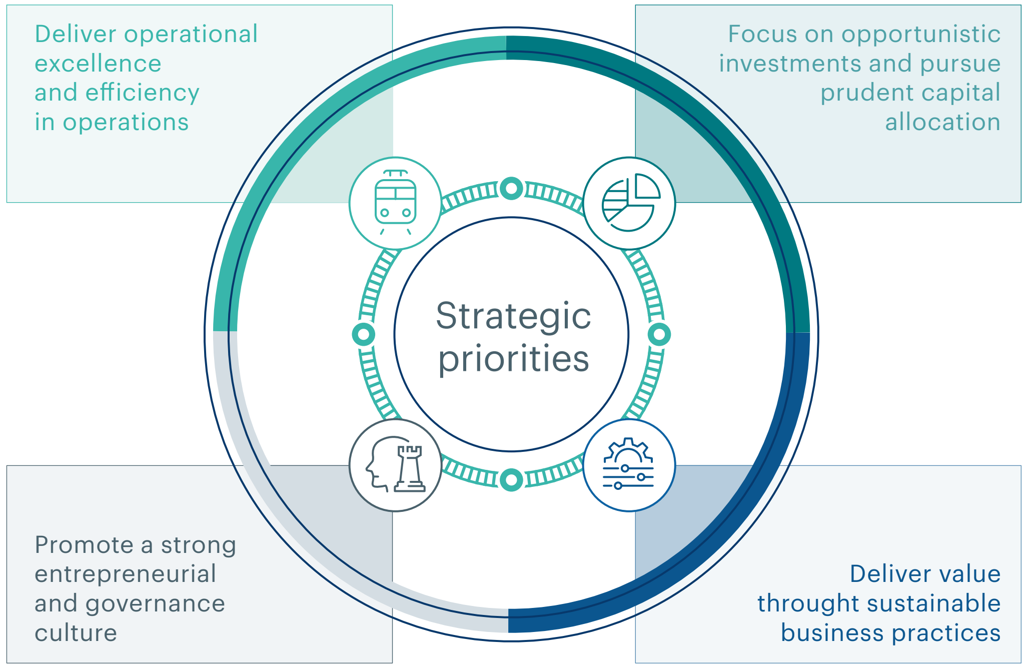
Uphold good governance: we aim to pursue a course that benefits all stakeholders.

Deliver excellence: we strive to excel in everything that we do.

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

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

Our shared principles



STRATEGY

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

Our entrepreneurial spirit, disciplined approach and focus on efficiency and innovation are at the heart of this strategy. These, alongside our large fleet and advanced logistics platform, form our major competitive advantages. By focusing on long-term outsourcing partnerships, we can use our deep understanding of our clients' needs to improve our service quality while increasing our logistical efficiency.

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

HISTORICAL KEY FINANCIAL RESULTS

Adjusted Revenue, RUB bln

2021	58.5
2020	54.9
2019	68.8
2018	60.9
2017	52.1

Adjusted EBITDA, RUB bln

2021	29.0
2020	26.8
2019	39.6
2018	33.1
2017	25.8

Adjusted EBITDA Margin, %

2021	50
2020	49
2019	57
2018	54
2017	50

Free Cash Flow[1]**,** RUB bln

2021	16.1
2020	15.1
2019	13.3
2018	12.3
2017	17.0

Net Debt to Adjusted EBITDA at year-end

2021	0.6
2020	1.0
2019	0.6
2018	0.6
2017	0.4

Total dividends[2]**,** RUB per share/GDR

H1 2021	22.50[3]
2020	74.55
2019	93.10
2018	92.40
2017	89.65

1 Free Cash Flow is net of principal elements of lease payments for leases with financial institutions presented for both periods (2019 and 2020). During H1 2020 the entire financial lease portfolio was refinanced to bilateral loans, therefore principal elements of lease payments were eliminated from both periods for comparison purposes.

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

3 Final 2021 dividends were temporarily suspended in April 2022 due to both technical limitations regarding upstreaming cash to the Cyprus holding company and the objective of establishing liquidity buffers.

CEO Review

Dear Shareholders,

Thanks to the underlying strengths of Globaltrans, we were able to deliver an excellent performance in 2021. We achieved strong financial results with another year of disciplined operational performance despite market volatility and the ongoing impact of COVID-19.

Valery Shpakov
Chief Executive Officer

In the reporting year, we generated good momentum focused on our core competencies of superior service, operational excellence, cost management, and prudent capital allocation. We deepened our customer engagement, secured important contract extensions with major customers, expanded our leased-in gondola fleet to satisfy strong demand for our services, maintained our efficiency, and optimised our portfolio by divesting non-core asset.

Results Highlights

From a results standpoint, 2021 was definitely a year of two halves.

The first half was impacted by sustained weakness in gondola market rates for most of the period. However, gondola rates staged a prolonged recovery between May and December, supported by buoyant demand in bulk cargoes. Consequently, Globaltrans' financial performance in the second half rebounded strongly with the result that FY2021 key financials were ahead of the previous year.

Adjusted Revenue increased 6% year on year to RUB 58.5 billion driven by improving gondola rates and a continued recovery in demand for bulk cargoes and oil products and oil.

Adjusted EBITDA rose 8% year on year to RUB 29.0 billion. Profit for the year increased 24% year on year to RUB 15.1 billion. The full-year Adjusted EBITDA Margin was 50% versus 49% in 2020. We kept tight control over our operating expenses and our Total Operating Cash Costs were held in check.

We delivered strong cash generation with Net cash from operating activities up 8% year on year to RUB 27.2 billion. Free Cash Flow also increased by 7% to RUB 16.1 billion. Capital expenditure rose 22% year on year to RUB 8.4 billion due to an increase in maintenance and expansion CAPEX.

Underpinned by a strong balance sheet and low leverage, the Group took the opportunity to purchase 381 new tank cars at the close of the year to support the recovery of demand in the oil products and oil sector. Net Debt fell sharply, down 32% year on year, to RUB 18.5 billion. As a result, the Group's Net Debt to Adjusted EBITDA ratio fell to 0.6x from 1.0x at the prior year end.

Industry Overview

The sector's performance in 2021 was exceptional, with Russia's freight rail turnover reaching an all-time high, primarily driven by strong export demand for industrial commodities combined with a concerted rebound in domestic demand.

Growth in freight rail turnover rebounded sharply from its pandemic lows, with overall turnover up 3.6% year on year. Before the 2020 pandemic, the industry had enjoyed a period of sustained growth in freight rail turnover, reaching a five-year peak in 2019. 2021 saw a resumption of growth, with total freight rail turnover 1.3% ahead of the 2019 result.

The total volume of rail freight moved in Russia increased 3.2% year on year. Results for the individual cargo categories were somewhat mixed, although the overall performance was very positive.

11%

Average Price per Trip growth in 2021, y-o-y

44%

Empty Run Ratio for gondola cars in 2021 (2020: 45%)

CEO Review

Overall bulk cargo volumes grew strongly, up 3.0% year on year and 1.8% ahead of pre-pandemic volumes of 2019. Coal and metallurgical cargoes contributed most, benefiting from booming export markets and strong prices. Coal (including coke) volumes rose 5.3% year on year, while metallurgical volumes (including ferrous metals, scrap metal and ores) grew 2.2% over the prior period. Volumes in construction materials (including cement) however fell 2.4% albeit from a high base of 2020, but were still ahead of the pre-pandemic level of 2019.

Freight volumes in the oil products and oil category also experienced solid growth, up 4.2% from the previous year, albeit 6.2% below pre-pandemic 2019 levels. After a sluggish first half, second-half volumes surged 8.9% year on year as global energy demand expanded rapidly as economies reopened.

In terms of freight rates, weak gondola market pricing in the first half gave way to a price recovery in the second half as demand for bulk commodities gathered pace. In the oil products and oil segment, rates remained solid through the COVID-19 crisis, despite weak demand dynamics lasting until the second half of 2021.

Our Performance

Our business model is designed to allow the Group to deliver consistent results through the business cycle by maintaining a balanced fleet split between gondola cars and tank cars whose markets tend to have different cyclicality patterns. Our ability to mitigate the impact of the changing market environment is further supported by how we flex the size of our Leased-in Fleet to match market demand, and actively manage our discretionary CAPEX to closely align it to market conditions.

Our service performance was generally excellent, highlighting Globaltrans' reputation for service quality and delivery. We signed two important contract renewals with major customers. Our contract with Metalloinvest was extended for another two years to the end of 2023, lifting our share of Metalloinvest's total contracted freight rail needs from 50% to 70%. We also extended our contract with Rosneft for an extra five years out to March 2026.

In 2021, long-term contracts covered 59% of the Group's Net Revenue from Operation of Rolling Stock. These contracts are important as they help underpin and derisk our revenues. They are also a source of valuable real-time data on our customers' logistics, helping to deliver faster, more effective cargo routings that minimise Empty Runs and improve operational efficiency.

Operations in the first half were affected by various factors, including weather-related delays, congestion at key gondola client facilities, and sluggish demand in the oil products and oil segment. The second half performance was much better, and the Group's Freight Rail Turnover was 8% up on the first half. However, 2021's performance lagged behind the overall market, falling 2% year on year.

Favourable pricing dynamics meant our Average Price Per Trip increased 11% year on year in 2021, supported by our superior service offering and logistics expertise.

Operational excellence is an area of relentless focus for us, as without it, we cannot deliver contract and revenue growth. Our team worked tirelessly to maintain efficient fleet operations, focusing on issues like utilisation rates, routing issues and changes to cargo patterns that impact fleet logistics. Their efforts contributed to a stable Total Empty Run Ratio (for all types of railcars) for 2021, unchanged at 51%.

Our gondola Empty Run Ratio remained at elevated levels as customer cargo flows were still impacted by the COVID-19 pandemic. However it still remains one of the lowest in the sector at 44%, down slightly from 45% in the prior year.

Capital Allocation

So that we can deliver sustainable through-cycle growth for shareholders, all investments must meet strict returns criteria. Our capital expenditure in 2021 was targeted primarily at necessary maintenance, with Total CAPEX for the year at RUB 8.4 billion.

We maintain a balanced approach to fleet investment, alternating between leasing-in units and rolling stock purchases, depending on market conditions. In 2021, we leased an additional 2.2 thousand gondolas to capture the high demand in the bulk cargo segment. As a result, the total leased-in gondola fleet increased to 5% of the total gondola fleet. To take advantage of the rapid recovery in the oil products and oil segment, we purchased 381 tank cars at the close of 2021 and an additional 119 units at the start of 2022.

Sustainability Focus

Being a responsible business is fundamental to how we deliver long-term success, so our focus on environmental, social and governance (ESG) issues is a vital part of our future growth strategy. The Board and leadership are aligned in our commitment to sustainable business development that creates value.

Last year the Board formalised our ESG agenda by creating a separate Board committee to monitor and oversee the Group's ESG activities. As CEO, I welcome this move to provide a focal point for our Group-wide ESG activities and help us improve our sustainability programmes. As the Chairman mentions in his report, as a direct result of dialogue with the committee, we upgraded our levels of ESG disclosures, resulting in an improvement in the Group's sustainability rating from one of the leading global ESG rating agencies, Sustainalytics.

My focus, and that of my team in 2021, was primarily on the social aspects of our ESG strategy, especially the health and wellbeing of our employees. COVID-19 continued to impact day-to-day operations, and as a leadership team, we focused on ensuring our employees had the right practical, emotional, and financial support to help them perform their jobs.

Safety is critical in our business and a top priority for the management team. There was a clear improvement in our safety performance in 2021, with zero fatalities and an improved Lost Time Injury Frequency Rate from 0.66 in 2020 to zero in 2021.

LTIFR[1] zero
(2020: 0.66)

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

CEO Review

Optimising Our Asset Base

We regularly review our business portfolio to focus on those businesses that have the most potential to deliver long-term sustainable growth.

In October 2021, we sold our 60% stake in SyntezRail, a standalone business within the Group, for a total cash consideration of RUB 1.1 billion. SyntezRail is a successful operator of specialised containers units with customers in the petrochemicals, metals and other industrial sectors. However, the Board concluded that SyntezRail had few synergies with our core business and that the potential for value growth was limited.

The transaction price represented a return on investment of 3.8 times and an EV/EBITDA multiple of about 6.8 times. Proceeds of the sale were used to strengthen the Group's balance sheet and improve its capacity to pay dividends.

Since the year end, we have acquired full control of BaltTransServis, a leading operator of rail tank cars used to transport oil products and oil. In February this year, we increased our stakeholding to 100% from 60% by acquiring the 40% minority stake for RUB 9.1 billion in cash implying 2021 P/E of about 4.5 times.

BaltTransServis has a strong market position, long-term service contracts with industry leaders, owns its locomotive fleet, and is cash generative. We believe BaltTransServis has great potential to create sustainable long-term value for our shareholders.

Summary

In 2021, we made good progress against our strategic goals. And while we face challenges ahead, on the evidence of our strong performance in 2021, I am confident that the business is well positioned to weather any difficulties. As a management team we are adept at managing through changing business cycles, and we have a tried and tested business model.

Valery Shpakov
Chief Executive Officer

PORTFOLIO OPTIMISATION TO INCREASE FOCUS ON CORE SEGMENTS

- **BaltTransServis stake acquisition – unique competencies and 100% consolidation**
  - Acquisition of the remaining 40% outstanding stake in BaltTransServis (bringing the Company's ownership to 100%), one of the leading Russian freight rail operators of tank cars, for RUB 9.1 billion in cash implying 2021 P/E of about 4.5 times.
  - BaltTransServis has a strong market position, long-term service contracts and unique competencies in operating its own locomotives with a total fleet of 13,136 units[1].
  - Provides increased focus on and exposure to an attractive oil products and oil segment and enables the consolidation of 100% of the Free Cash Flow of this cash generative business.
  - Globaltrans became the effective sole owner of BaltTransServis in February 2022 with closing completed in March 2022.
- **SyntezRail disposal – limited scope for value growth or synergies**
  - Sale of 60% stake in small non-core container operator SyntezRail completed in October 2021 for RUB 1.1 billion in cash, implying an EV/EBITDA multiple of about 6.8 times[2] and a return on invested capital of about 3.8 times.
  - Scope for synergies with core operations and potential for further value growth were both considered limited.

[1] Including 5,471 units leased in from other Group subsidiaries and 1,693 units leased in from third parties.
[2] Based on estimated financial results of SyntezRail for 2021, normalised assuming that all 500 new specialised containers delivered in 2021 were operational from 1 January 2021 and excluding the impact of IFRS 16.

Market Review

Russian freight rail turnover hit an all-time high in 2021 after a strong recovery

- Demand quickly recovered in 2021 with overall Russian freight rail turnover up 3.6% year on year, 1.3% above the pre-pandemic level of 2019.
- Bulk (non-oil) cargoes powered a rebound in overall volumes which rose 3.0% year on year and 1.8% compared to the pre-pandemic 2019 level, supported by robust global demand and growing domestic demand.
- The recovery in the oil products and oil segment accelerated in the second half of 2021, driving a year-on-year rise in volumes of 4.2%, although this remained 6.2% below the result for pre-pandemic 2019.

3.6%

Russia's freight rail turnover growth in 2021, y-o-y

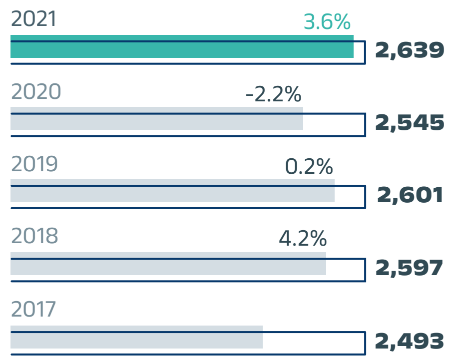
Recovery in gondola rates in the second half of 2021

- Gondola market rates recovered in the second half of 2021, after remaining weak for most of the first half, supported by strong bulk cargo demand.
- Tank car market rates were robust throughout 2021.

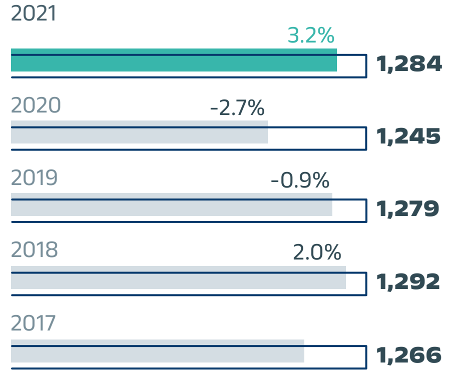
Fundamentals of the freight rail network remain solid

- One of the most eco-friendly means of freight transportation.
- Dominates the freight transport sector, accounting for about 87% of overall Russian freight turnover in 2021 (excluding pipeline traffic).
- Ongoing expansion of the rail infrastructure in Russia supports increasing export cargo flows.

Russia's freight rail turnover, bln tonnes-km[1]

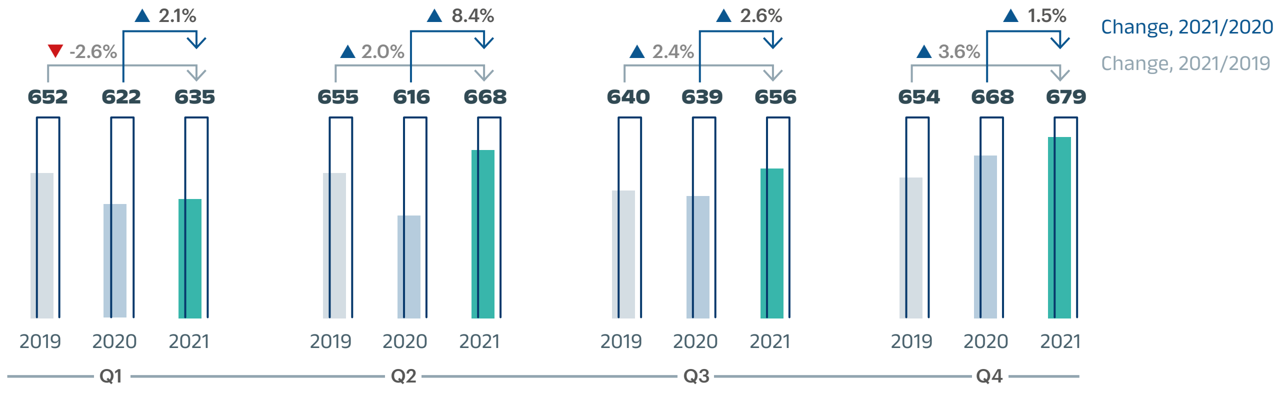


Russia's freight rail transportation volumes, mln tonnes[1]

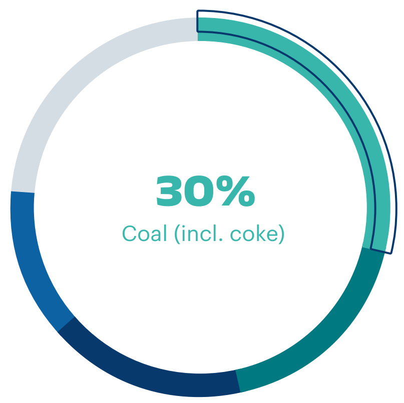


Russia's freight rail turnover, bln tonnes-km

Change in freight turnover 2019–2021, quarter on quarter

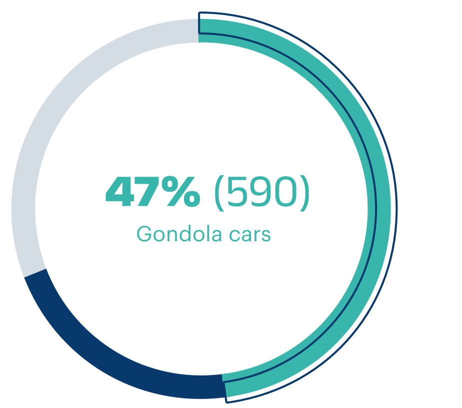


Russia's freight rail transportation volumes by cargo type in 2021[1]



17% Oil products and oil
18% Metallurgical cargoes (incl. ferrous metals, scrap metal, ores)
12% Construction materials (incl. cement)
24% Other

Russia's total railcar fleet by car type at year-end 2021, ths units[2]



20% (252) Tank cars
32% (400) Other railcars

[1] **Source:** Rosstat, Globaltrans
[2] **Source:** Globaltrans

Market Review

The market in 2021

It was a successful year for the freight rail industry, which rapidly recovered from the 2020 pandemic lows fueled by strong exports and rising demand. The Russian economy continued to strengthen with gross domestic product (GDP) rising 4.7% year on year. The freight rail sector in Russia tends to track industrial production, which increased 5.3% year on year. The extractive industries sector index rose 4.8% year on year, with a notable increase in coal extraction which climbed 7.6%. The manufacturing index was up 5.0% year on year.

With the benefit of a strong economic backdrop and favourable logistics, overall Russian freight rail turnover (measured in tonnes-km) increased 3.6% year on year to reach an all-time high, surpassing the pre-pandemic peak of 2019 by 1.3%. The total volume of freight transported in Russia (measured in tonnes) increased 3.2% year on year and was slightly above the level achieved in 2019 (up 0.4%).

Rail maintained its position as the primary mode of freight transport in Russia, carrying about 87% of overall Russian freight turnover in 2021 (excluding pipeline traffic).

Addressing congestion on the Far Eastern rail network is a top priority for the government and Russian Railways (RZD), which plans to increase the Far Eastern rail network's capacity by 26% by the end of 2024. This expansion builds on the 2018–2020 phase that increased throughput capacity on this part of the network by about 17% and further underpins the strong rail industry fundamentals.

Russia's total railcar fleet increased overall in line with the previous year's rate of 3%, or about 38 thousand units, rising to 1.242 million units by the end of 2021. Gondola cars accounted for 47% of the total fleet as of year-end 2021 while tank cars made up 20%, and other types, including flat cars and hopper cars, constituted 32%.

Net additions to the total gondola fleet declined about 20% year on year, with about 15 thousand units or 3% added to take the overall size of the fleet to 590 thousand units as of the end of 2021. In the tank car segment, net additions of about 3 thousand units (a 1% increase compared to the end of 2020), with the overall size of Russia's tank car fleet (including oil and oil products tanks) rising to 252 thousand units.

BULK (NON-OIL) CARGO SEGMENT

This segment delivered a strong performance in 2021 with overall volumes up 3.0% year on year, 1.8% ahead of the 2019 level. The continued recovery largely stemmed from strong global demand for bulk commodities and a rebound in the Russian economy. Coal and metallurgical cargoes were the main drivers of the segment's performance, with construction materials decreasing only slightly after producing robust results in 2020.

The pricing environment in the gondola segment recovered in the second half of the year, following weakness for most of the first half, due to an improving supply and demand balance.

Coal (including coke): Coal accounted for 30% of Russia's total freight volumes in 2021, remaining the largest industrial cargo segment. Overall coal volumes rose 5.3% year on year, exceeding the 2019 performance by 0.3%, driven by robust export demand for thermal coal and strong pricing. In the coking coal segment, conditions remained favourable with volumes growing in 2021, up 7.5% over the previous year and 11.8% compared to 2019.

Metallurgical cargoes (including ferrous metals, ores and scrap metal): This segment represented 18% of overall Russian freight rail volumes in 2021. The total segment volumes increased 2.2% over the previous year, reflecting higher global demand and increased domestic economic activity, but yet remained 1.3% below 2019 levels.

Volume trends varied from segment to segment: ferrous metals volumes rose 4.3% year on year but remained 6.1% below 2019 levels; iron ore volumes continued to show resilience, up 0.2% year on year and only 0.2% below 2019 levels; scrap metal volumes were more robust, up 14.4% year on year and 11.3% compared to 2019.

Construction materials (including cement): This segment posted a good performance in 2021. Although volumes were down 2.4% year on year following a strong performance in 2020, they were 1.8% ahead of 2019, supported by solid construction activity levels. This segment contributed 12% of the overall Russian freight rail volumes in 2021.

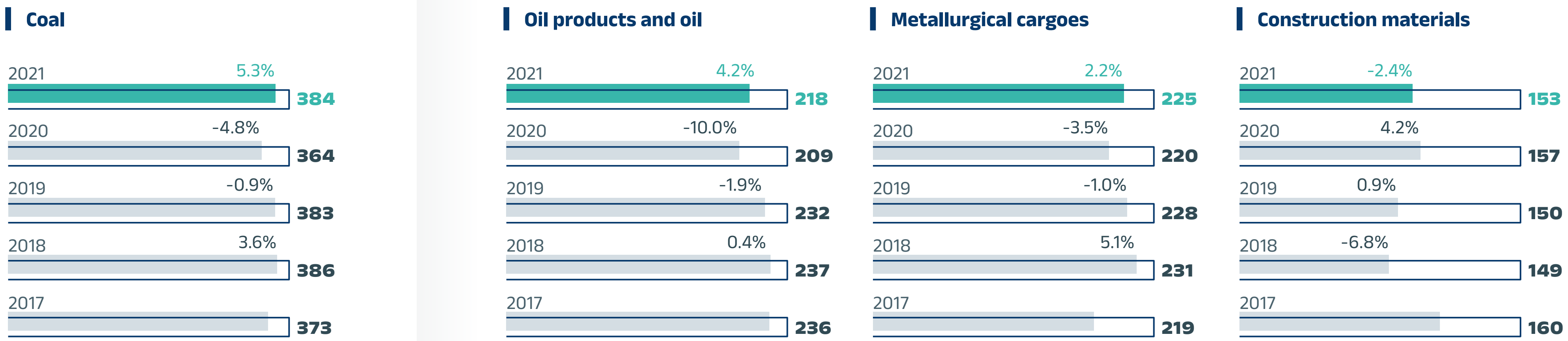
OIL PRODUCTS AND OIL CARGO SEGMENT

In 2021 the oil products and oil transport segment continued its recovery from the difficult trading conditions of 2020, stemming from COVID-19 containment measures and OPEC+ production limits. A strong resurgence in global demand accelerated the segment's recovery in the second half of 2021. Overall volumes increased 4.2% year on year in 2021, but were 6.2% below 2019 volumes. The pricing environment for this segment was generally robust throughout 2021.

+26%

Planned increase in the capacity of the Far Eastern railway network by the end of 2024

Russia's freight rail transportation volumes by type of cargo, 2017–2021[1], mln tonnes



Source: Rosstat, Globaltrans

[1] Metallurgical cargoes including ferrous metals, scrap metal and ores; coal including coke; construction materials including cement.

Financial and Operational Review

Globaltrans delivered excellent results in 2021 converting a favourable market environment into a strong financial performance. Our robust financial position was made even stronger as we further reduced our Net Debt, all of which is in the local currency with fixed interest rates. I believe we are well positioned to weather what lies ahead.

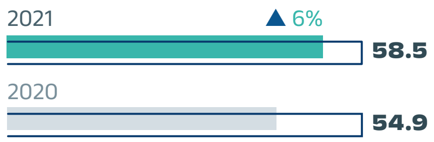
Alexander Shenets
Chief Financial Officer

FINANCIAL RESULTS

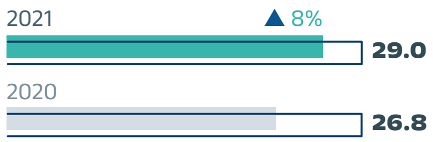
Increased profitability as costs controlled; strong Free Cash Flow supported successful deleveraging

- Adjusted Revenue rose 6% year on year to RUB 58.5 billion on the back of the recovery in gondola rates in H2 2021 coupled with continued robust pricing in the tank car segment.
- Total Operating Cash Costs were held in check contributing to an increase in the Adjusted EBITDA Margin to 50% in 2021 compared to 49% in 2020.
- Adjusted EBITDA rose 8% year on year to RUB 29.0 billion.
- Strong Free Cash Flow increased 7% year on year to RUB 16.1 billion despite a 22% increase in Total CAPEX to RUB 8.4 billion following purchases of tank cars and increased maintenance CAPEX.
- Net Debt reduced 32% in 2021 to RUB 18.5 billion compared to the end of 2020; leverage was at a low level with Net Debt to Adjusted EBITDA at 0.6x compared to 1.0x at end 2020.
- All the Group's debt has fixed interest rates and is denominated in roubles.

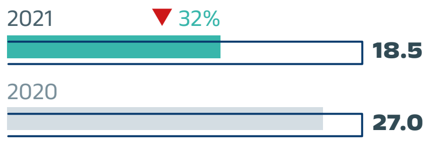
Adjusted Revenue, RUB mln



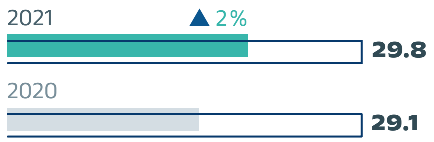
Adjusted EBITDA, RUB mln



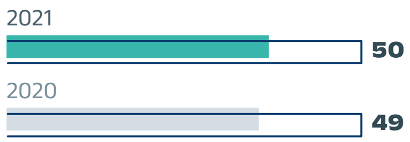
Net Debt, RUB mln



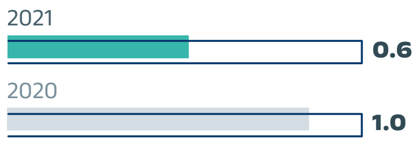
Total Operating Cash Costs, RUB mln



Adjusted EBITDA Margin, %



Net Debt to Adjusted EBITDA at year-end



DIVIDENDS

Robust above-target interim 2021 dividends delivered; final 2021 dividend on hold

- Improving dividend capacity over H1 2021 with gondola prices recovering enabled payment of above-target Interim 2021 dividends (regular and special) of RUB 4.0 billion or RUB 22.50 per share/GDR[1] in September 2021.
- Final dividends for 2021 temporarily suspended in April 2022 due to both technical limitations regarding upstreaming cash to the Cyprus holding company and the objective of establishing liquidity buffers.

OPERATIONAL PERFORMANCE

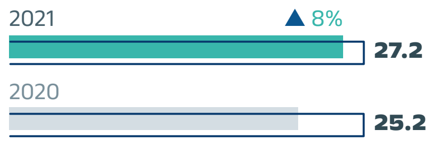
Freight Rail Turnover growth resumed and gondola rates recovered amid growing demand for Globaltrans' services

- The Group's Freight Rail Turnover (excluding Engaged Fleet) returned to growth in H2 2021, rising 8% on H1 2021, but could not fully compensate for the weather-related delays, congestion at key client facilities and sluggish demand in the oil products and oil segment seen in H1 2021 with full-year Freight Rail Turnover 2% lower year on year[2].
- Average Price per Trip rose 11% year on year in 2021 reflecting a recovery in gondola market rates in H2 2021 with continued solid pricing in the oil products and oil segment.
- Growing demand for Globaltrans' services drove the increase in the number of leased-in gondola cars with 2.2 thousand units added and underpinned the purchase of 381 tank cars, with 197 delivered in 2021. The remainder was delivered in March 2022 along with an additional 119 tanks cars acquired in early 2022.
- Gondola Empty Run Ratio further improved to 44% (2020: 45%) – one of the lowest in the Russian market - reflecting continued adjustments to cargo and client mix due to the ongoing impact of the COVID-19 pandemic.
- Total Empty Run Ratio (for all types of rolling stock) was unchanged year on year at 51%.
- Total Fleet declined 4% or 2,582 units to 69,106 units as of the end of 2021 largely reflecting the sale of the specialised container operator SyntezRail in October 2021. The average age of the Group's Owned Fleet was 13.8 years as of the end of 2021.

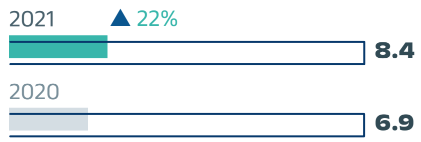
Robust client retention with successful key contract extensions in 2021

- Strong portfolio of service contracts contributed 59% of Net Revenue from Operation of Rolling Stock in 2021.
- These long-term service contracts provide for better volume visibility and lower pricing volatility and enable logistical efficiencies.
- Two key service contracts were successfully extended in 2021:
  - Rosneft for 5 years to the end of March 2026.
  - Metalloinvest for 2 years to the end of 2023 with serviced volumes increased to approximately 70% of Metalloinvest's freight rail needs from 50% previously.

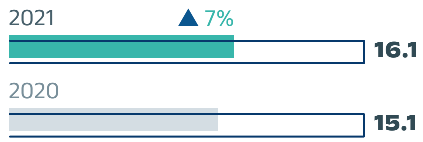
Net cash from operating activities, RUB mln



Total CAPEX, RUB mln



Free Cash Flow, RUB mln



[1] Global Depositary Receipt.

[2] The Group's Transportation Volumes (excluding Engaged Fleet) decreased 4% y-o-y in 2021 and were up 1% in H2 2021 compared to H1 2021.

Financial and Operational Review

Results in Detail

The following tables provide the Group's key financial and operational information for the years ended 31 December 2021 and 2020.

EU IFRS financial information

	2020 RUB mln	**2021** **RUB mln**	Change %
Revenue	68,367	**73,151**	7%
Total cost of sales, selling and marketing costs and administrative expenses	(50,664)	**(52,630)**	4%
Operating profit	18,811	**21,627**	15%
Finance costs - net	(2,100)	**(2,189)**	4%
Profit before income tax	16,712	**19,438**	16%
Income tax expense	(4,525)	**(4,338)**	–4%
Profit for the year	12,187	**15,100**	24%
Profit attributable to:			
Owners of the Company	10,587	**12,987**	23%
Non-controlling interests	1,600	**2,113**	32%
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (RUB per share)	59.24	**72.69**	23%

	2020 RUB mln	**2021** **RUB mln**	Change %
Cash generated from operations (after changes in working capital)	28,278	**30,058**	6%
Tax paid	(3,052)	**(2,808)**	–8%
Net cash from operating activities	25,226	**27,250**	8%
Net cash used in investing activities	(6,528)	**(6,854)**	5%
Net cash used in financing activities	(20,357)	**(12,517)**	–39%

Non-IFRS financial information

	2020 RUB mln	**2021** **RUB mln**	Change %
Adjusted Revenue	54,934	**58,492**	6%
Including			
Net Revenue from Operation of Rolling Stock	50,527*	**54,319***	8%
Operating lease of rolling stock	1,932	**1,832**	–5%
Net Revenue from Specialised Container Transportation	1,923*	**1,643***	–15%
Total Operating Cash Costs	29,121	**29,751**	2%
Including			
Empty Run Cost	15,799*	**15,429***	-2%
Employee benefit expense	4,154	**5,491**	32%
Repairs and maintenance	4,261	**3,969**	-7%
Fuel and spare parts - locomotives	1,630	**1,972**	21%
Adjusted EBITDA	26,807	**29,044**	8%
Adjusted EBITDA Margin, %	49%	**50%**	
Total CAPEX (including maintenance CAPEX)	6,941	**8,439**	22%
Free Cash Flow	15,103	**16,131**	7%
Attributable Free Cash Flow	13,503	**14,018**	4%

Debt profile

	As of 31 December 2020 RUB mln	**As of 31 December 2021** **RUB mln**	Change %
Total debt	32,015	**31,318**	–2%
Cash and cash equivalents	4,978	**12,855**	158%
Net Debt	27,037	**18,464**	–32%
Net Debt to Adjusted EBITDA (x)	1.0	**0.6**	

Financial and Operational Review

Operational information

	2020	2021	Change, %
Freight Rail Turnover, billion tonnes-km (excluding Engaged Fleet)	150.3	**146.8**	–2%
Transportation Volume, million tonnes (excluding Engaged Fleet)	88.9	**85.1**	–4%
Average Price per Trip, RUB	36,909	**41,075**	11%
Average Rolling Stock Operated, units	57,484	**57,347**	0%
Average Distance of Loaded Trip, km	1,681	**1,716**	2%
Average Number of Loaded Trips per Railcar	23.8	**23.1**	–3%
Total Empty Run Ratio (for all types of rolling stock), %	51%	**51%**	
Empty Run Ratio for gondola cars, %	45%	**44%**	
Share of Empty Run Kilometres paid by Globaltrans, %	99%	**99%**	
Total Fleet, units (at year end), including:	71,688	**69,106**	–4%
Owned Fleet, units (at year end)	67,762	**65,067**	–4%
Leased-in Fleet, units (at year end)	3,926	**4,039**	3%
Leased-out Fleet, units (at year end)	7,032	**8,458**	20%
Average age of Owned Fleet, years (at year end)	12.4	**13.8**	
Total number of employees (at year end)	1,697	**1,777**	5%

REVENUE

In 2021, the Group's Total revenue increased 7% year on year to RUB 73,151 million reflecting a 6% year-on-year rise in Adjusted Revenue and an 18% year-on-year increase in "pass through item "Infrastructure and locomotive tariffs: loaded trips". Net Revenue from Operation of Rolling Stock (a key component of Adjusted Revenue) benefited from improved pricing conditions in the gondola segment in the second half of 2021 and increased 8% year on year.

The following table provides details of Total revenue, broken down by revenue-generating activity, for the years ended 31 December 2021 and 2020.

	2020 RUB mln	2021 RUB mln	Change %
Railway transportation – operators services (tariff borne by the Group)[1]	27,197	**31,744**	17%
Railway transportation – operators services (tariff borne by the client)	36,671	**37,238**	2%
Operating lease of rolling stock	1,932	**1,832**	–5%
Revenue from specialised container transportation	2,168	**1,824**	–16%
Other	400	**514**	29%
Total revenue	68,367	**73,151**	7%

[1] Includes "Infrastructure and locomotive tariffs: loaded trips" for 2021 of RUB 12,964 million (2020: RUB 10,957 million) and "Services provided by other transportation organisations" of RUB 1,695 million (2020: RUB 2,476 million).

Adjusted Revenue

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

The Group's Adjusted Revenue was RUB 58,492 million up 6% year on year primarily as a result of the 8% year-on-year rise in Net Revenue from Operation of Rolling Stock.

The following table provides details of Adjusted Revenue for the years ended 31 December 2021 and 2020 and its reconciliation to Total revenue.

	2020 RUB mln	2021 RUB mln	Change %
Total revenue	68,367	**73,151**	7%
Minus "pass through" items			
Infrastructure and locomotive tariffs: loaded trips	10,957	**12,964**	18%
Services provided by other transportation organisations	2,476	**1,695**	–32%
Adjusted Revenue	54,934	**58,492**	6%

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

The following table provides a breakdown of the components of Adjusted Revenue for the years ended 31 December 2021 and 2020.

	2020 RUB mln	2021 RUB mln	Change %
Net Revenue from Operation of Rolling Stock	50,527*	**54,319***	8%
Operating leasing of rolling stock	1,932	**1,832**	–5%
Net Revenue from Specialised Container Transportation	1,923*	**1,643***	–15%
Net Revenue from Engaged Fleet	152*	**184***	21%
Other	400	**514**	29%
Adjusted Revenue	54,934	**58,492**	6%

Financial and Operational Review

Net Revenue from Operation of Rolling Stock

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

The Group's Net Revenue from Operation of Rolling Stock, which accounted for 93% of the Group's Adjusted Revenue in 2021, increased 8% year on year to RUB 54,319 million*, principally due to the improved pricing conditions in the gondola segment in the second half of 2021.

- Average Price per Trip was RUB 41,075, an 11% year-on-year increase resulting from a recovery in gondola pricing and continued solid pricing in the tank cars segment.
- Average Rolling Stock Operated remained unchanged year on year at 57,347 units.
- Average Number of Loaded Trips per Railcar declined 3% year on year as weather related delays at the main export ports as well as congestion at key gondola client facilities impacted the gondola segment performance.

Revenue from operating leasing of rolling stock

Revenue from operating leasing of rolling stock contributed 3% of the Group's Adjusted Revenue in 2021 and was 5% lower year on year at RUB 1,832 million reflecting the decline in average leasing rates in the tank car segment.

Net Revenue from Specialised Container Transportation

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

Net Revenue from Specialised Container Transportation, which accounted for 3% of Adjusted Revenue in 2021, was down 15% year on year to RUB 1,643 million* in 2021 due the deconsolidation of this business segment reflecting the sale of SyntezRail from October 2021.

Net Revenue from Engaged Fleet

Net Revenue from Engaged Fleet is a non-IFRS financial measure, derived from management accounts, that represents the net sum of the price charged to clients for transportation by the Group utilising Engaged Fleet less the respective "pass-through" loaded railway tariffs charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips") and less the "pass-through" cost of engaging fleet from third- party rail operators (included in the EU IFRS line item "Services provided by other transportation organisations").

Net Revenue from Engaged Fleet, which contributed less than 1% of the Group's Adjusted Revenue in 2021, increased 21% year on year in 2021 to RUB 184 million*, largely reflecting a rise in the number of Engaged Fleet operations in the oil products and oil segment.

Other revenue

Other revenue, comprising 1% of the Group's Adjusted Revenue in 2021, includes revenues generated by the Group's auxiliary business activities such as freight forwarding, repair and maintenance services provided to third parties, and other. It increased 29% year on year to RUB 514 million in 2021 primarily due to higher revenues from repair and maintenance services.

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 2021 and 2020.

	2020 RUB mln	**2021** **RUB mln**	Change %
Cost of sales	47,066	**48,334**	3%
Selling and marketing costs	205	**249**	22%
Administrative expenses	3,394	**4,046**	19%
Total cost of sales, selling and marketing costs and administrative expenses	50,664	**52,630**	4%

A 4% year-on-year rise in the Group's Total cost of sales, selling and marketing costs and administrative expenses to RUB 52,630 million in 2021 was principally due to the following factors:

- "Pass through" cost items (a combination of "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations") increased to RUB 14,659 million up 9% year on year resulting mainly from an increase in the proportion of clients that pay Infrastructure and locomotive tariffs: loaded trips through the Group.
- The Group's Total cost of sales, selling and marketing costs and administrative expenses adjusted for "pass-through" cost items rose 2% year on year to RUB 37,971 million in 2021, due to:
  - Optimisation measures that helped the Company to hold Total Operating Cash Costs relatively steady, increasing just 2% year on year to RUB 29,751 million in 2021. Reductions in Empty Run Costs, Repairs and maintenance, Engagement of locomotive crews and Expense relating to short-term leases (rolling stock) were more than offset by year-on-year increases in Employee benefit expense, Fuel and spare parts - locomotives expenses and Infrastructure and Locomotive Tariffs - Other Tariffs.
  - Total Operating Non-Cash Costs increased 1% year on year to RUB 8,221 million as a 5% year-on-year decrease in the Depreciation of property, plant and equipment and a 99% year-on-year decline in the Amortisation of intangible assets were more than offset by a 72% rise in the Depreciation of right-of-use assets as the Group increased the number of leased-in gondola cars.

Financial and Operational Review

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

	2020 RUB mln	**2021 RUB mln**	Change %
"Pass through" cost items	13,434	**14,659**	9%
Infrastructure and locomotive tariffs: loaded trips	10,957	**12,964**	18%
Services provided by other transportation organisations	2,476	**1,695**	–32%
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for "pass through" cost items)	37,231	**37,971**	2%
Total Operating Cash Costs	29,121	**29,751**	2%
Empty Run Costs	15,799*	**15,429***	–2%
Employee benefit expense	4,154	**5,491**	32%
Repairs and maintenance	4,261	**3,969**	–7%
Fuel and spare parts – locomotives	1,630	**1,972**	21%
Infrastructure and Locomotive Tariffs - Other Tariffs	998*	**1,219***	22%
Engagement of locomotive crews	421	**294**	–30%
Expense relating to short-term leases (rolling stock)	824	**274**	–67%
Other Operating Cash Costs	1,034	**1,103**	7%
Total Operating Non-Cash Costs	8,109	**8,221**	1%
Depreciation of property, plant and equipment	6,969	**6,643**	–5%
Depreciation of right-of-use assets	655	**1,127**	72%
Loss on derecognition arising on capital repairs	420	**484**	15%
Net impairment losses on trade and other receivables	6	**8**	40%
Amortisation of intangible assets	60	**0.7**	–99%
Net loss/(gain) on sale of property, plant and equipment	0.3	**(42)**	NM
Total cost of sales, selling and marketing costs and administrative expenses	50,664	**52,630**	4%

"Pass through" cost items

Infrastructure and locomotive tariffs: loaded trips

Infrastructure and locomotive tariffs: loaded trips is in principle a "pass through" cost item for the Group[1] *and is reflected in equal amounts in both the Group's Total revenue and Cost of sales.*

The 18% year-on-year increase in this item in 2021 to RUB 12,964 million primarily reflected the higher proportion of clients that pay infrastructure and locomotive tariffs: loaded trips through the Group.

[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, 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 fell 32% year on year to RUB 1,695 million in 2021 primarily due to a lower number of Engaged Fleet operations in the gondola segment.

Total Operating Cash Costs

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

Total Operating Cash Costs for 2021 of RUB 29,751 million were 2% higher compared to 2020 due to a combination of the factors described below.

The following table provides a breakdown of the Total Operating Cash Costs for the year ended 31 December 2021 and 2020.

	2021 % of total	2020 RUB mln	**2021 RUB mln**	Change %
Empty Run Costs	**52%**	15,799*	**15,429***	–2%
Employee benefit expense	**18%**	4,154	**5,491**	32%
Repairs and maintenance	**13%**	4,261	**3,969**	–7%
Fuel and spare parts - locomotives	**7%**	1,630	**1,972**	21%
Infrastructure and Locomotive Tariffs - Other Tariffs	**4%**	998*	**1,219***	22%
Engagement of locomotive crews	**1%**	421	**294**	–30%
Expense relating to short-term leases (rolling stock)	**1%**	824	**274**	–67%
Other Operating Cash Costs	**4%**	1,034	**1,103**	7%
Total Operating Cash Costs	**100%**	29,121	**29,751**	2%

Financial and Operational Review

Empty Run Costs

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

Empty Run Costs, which accounted for 52% of the Group's Total Operating Cash Costs in 2021, declined 2% year on year to RUB 15,429 million* due to:

- A 3.7% year-on-year increase in regulated RZD tariffs for the traction of empty railcars.
- A 2% year-on-year decrease in the Group's Freight Rail Turnover.
- A Total Empty Run Ratio (for all types of rolling stock) that was unchanged year on year at 51% with the Share of Empty Run Kilometers paid by Globaltrans also remaining broadly stable year on year at 99%.

Employee benefit expense

Employee benefit expense for 2021, which represented 18% of the Group's Total Operating Cash Costs, increased 32% year on year to RUB 5,491 million. This resulted from:

- Inflation driven growth in wages and salaries.
- A 5% year-on-year increase in the average headcount due to the continued shift to in-house locomotive crews.
- Increases in bonuses reflecting the strong 2021 business performance and an increase in reserves for the share price linked key management remuneration programme.

Repairs and maintenance

Repairs and maintenance costs, which comprised 13% of the Group's Total Operating Cash Costs in 2021, declined 7% year on year to RUB 3,969 million as lower prices for depot repairs and expenses for other spare parts and repair works were partially offset by the increase in depot repairs undertaken in the reporting year.

Fuel and spare parts - locomotives

Fuel and spare parts - locomotives expenses, which accounted for 7% of the Group's Total Operating Cash Costs in 2021, rose 21% year on year to RUB 1,972 million in 2021 reflecting an inflation-driven rise in the cost of fuel and certain spare parts along with greater usage of owned locomotives in light of the post-COVID recovery in the oil products and oil sector.

Infrastructure and Locomotive Tariffs - Other Tariffs

Infrastructure and Locomotive Tariffs - Other Tariffs (a non-IFRS financial measure, derived from management accounts), which is presented as part of the "Infrastructure and locomotive tariffs: empty run trips and other tariffs" component of cost of sales reported under EU IFRS. This cost item includes the costs of the relocation of rolling stock to and from maintenance, the transition of purchased rolling stock to its first place of commercial utilisation, and the relocation of rolling stock in and from lease operations, as well as other expenses.

Infrastructure and Locomotive Tariffs - Other Tariffs represented 4% of the Group's Total Operating Cash Costs in 2021 and rose 22% year on year to RUB 1,219 million* in 2021, impacted by higher regulated RZD tariffs and increased costs for relocating rolling stock to and from maintenance.

Engagement of locomotive crews

Costs related to the engagement of locomotive crews from RZD in 2021 (1% of the Group's Total Operating Cash Costs) declined 30% year on year to RUB 294 million due to the reduction in the amount of outsourcing of locomotive crews as the Group increased its use of in-house crews.

Expense relating to short-term leases (rolling stock)

In 2021, Expense relating to short-term leases (rolling stock), representing 1% of the Group's Total Operating Cash Costs, fell 67% year on year to RUB 274 million primarily due to the intentional decrease in the number of leased-in tank cars.

Other Operating Cash Costs

Other Operating Cash Costs (a non-IFRS financial measure) include the following cost items: "Advertising and promotion", "Auditors' remuneration", "Communication costs", "Information services", "Legal, consulting and other professional fees", "Expense relating to short-term leases (tank containers)", Expense relating to short-term leases (office)", "Taxes (other than income tax and value added taxes)" and "Other expenses".

The following table provides a breakdown of the Other Operating Cash Costs for the years ended 31 December 2021 and 2020.

	2020 RUB mln	**2021 RUB mln**	Change %
Expense relating to short-term leases (office)	109	**99**	–10%
Legal, consulting and other professional fees	69	**74**	7%
Auditors' remuneration	55	**57**	3%
Advertising and promotion	35	**46**	32%
Taxes (other than on income and value added taxes)	25	**27**	11%
Communication costs	26	**25**	–4%
Expense relating to short-term leases (tank containers)	24	**23**	–1%
Information services	16	**16**	5%
Other expenses	675	**735**	9%
Other Operating Cash Costs	1,034	**1,103**	7%

Other Operating Cash Costs, which comprised 4% of the Group's Total Operating Cash Costs, climbed 7% year on year to RUB 1,103 million in 2021.

Financial and Operational Review

Total Operating Non-Cash Costs

Total Operating Non-Cash Costs (a non-IFRS financial measure) include the following cost items: "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Loss on derecognition arising on capital repairs", "Depreciation of right-of-use assets", "Net impairment 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 2021 and 2020.

	2020 RUB mln	**2021 RUB mln**	Change %
Depreciation of property, plant and equipment	6,969	**6,643**	-5%
Depreciation of right-of-use assets	655	**1,127**	72%
Loss on derecognition arising on capital repairs[1]	420	**484**	15%
Net impairment losses on trade and other receivables	6	**8**	40%
Amortisation of intangible assets	60	**0.7**	–99%
Net loss/(gain) on sale of property, plant and equipment	0.3	**(42)**	NM
Total Operating Non-Cash Costs	8,109	**8,221**	1%

A 1% year-on-year increase in Total Operating Non-Cash Costs to RUB 8,221 million in 2021 stemmed primarily from: a 72% year-on-year rise in Depreciation of right-of-use assets as the Group increased the number of leased-in gondola cars, a 5% year-on-year decline in Depreciation of property, plant and equipment and a 99% year-on-year decline in Amortisation of intangible assets reflecting the full amortisation of intangible assets linked to the service contract with MMK.

ADJUSTED EBITDA (NON-IFRS FINANCIAL MEASURE)

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

Adjusted EBITDA (a non-IFRS financial measure) represents EBITDA excluding "Net foreign exchange transaction (gains)/losses on financing activities", "Share of profit/(loss) of associate", "Other gains/(losses) - net", "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 2021 Adjusted EBITDA rose 8% year on year to RUB 29,044 million. The Adjusted EBITDA Margin widened to 50% in 2021 from 49% in 2020 reflecting the 6% year-on-year increase in Adjusted Revenue while Total Operating Cash Costs rose 2% year on year.

[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.

The following table provides details on Adjusted EBITDA for the years ended 31 December 2021 and 2020, and its reconciliation to EBITDA and Profit for the year.

	2020 RUB mln	**2021 RUB mln**	Change %
Profit for the year	12,187	**15,100**	24%
Plus (Minus)			
Income tax expense	4,525	**4,338**	–4%
Finance costs – net	2,100	**2,189**	4%
Net foreign exchange transaction gains/(losses) on financing activities	147	**(10)**	NM
Amortisation of intangible assets	60	**0.7**	–99%
Depreciation of right-of-use assets	655	**1,127**	72%
Depreciation of property, plant and equipment	6,969	**6,643**	–5%
EBITDA	26,642	**29,388**	10%
Minus (Plus)			
Loss on derecognition arising on capital repairs	(420)	**(484)**	15%
Net foreign exchange transaction gains/(losses) on financing activities	147	**(10)**	NM
Other gains – net	108	**796**	639%
Net (loss)/gain on sale of property, plant and equipment	(0.3)	**42**	NM
Adjusted EBITDA	**26,807**	**29,044**	**8%**

FINANCE INCOME AND COSTS

The following table provides a breakdown of Finance income and costs for the years ended 31 December 2021 and 2020.

	2020 RUB mln	**2021 RUB mln**	Change %
Interest expense:			
Bank borrowings	(1,482)	**(1,483)**	0%
Non-convertible bonds	(808)	**(772)**	–4%
Interest expenses on loans	(5)	**—**	–100%
Other interest expense	(2)	**—**	–100%
Total interest expense calculated using the effective interest rate method	(2,298)	**(2,255)**	-2%
Leases with financial institutions	(74)	**—**	–100%
Other lease liabilities	(113)	**(202)**	78%
Total interest expense	(2,485)	**(2,457)**	–1%
Other finance costs	(25)	**(50)**	96%
Total finance costs	(2,510)	**(2,507)**	0%

Financial and Operational Review

(Continued from the previous page)

	2020 RUB mln	2021 RUB mln	Change %
Interest income:			
Bank balances	190	**209**	10%
Short term deposits	27	**72**	166%
Interest income on loans	0.1	**3**	NM
Total interest income calculated using the effective interest rate method	217	**284**	31%
Finance leases - related parties	—	**0.4**	NM
Finance leases - third parties	47	**42**	–12%
Total interest income	264	**326**	24%
Other finance income	—	**0.8**	NM
Total finance income	264	**327**	24%
Net foreign exchange transaction (losses)/gains on borrowings and other liabilities	(6)	**3**	NM
Net foreign exchange transaction gains/(losses) on cash and cash equivalents and other monetary assets	153	**(12)**	NM
Net foreign exchange transaction gains/(losses) on financing activities	147	**(10)**	NM
Net finance costs	(2,100)	**(2,189)**	4%

Finance costs

Total finance costs for 2021 remained unchanged year on year at RUB 2,507 million.

Finance income

In 2021, the Group's Total finance income increased 24% year on year to RUB 327 million primarily due to increases in short term deposits and bank balances along with the rise in deposit rates over the period.

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

The Group had Net foreign exchange transaction losses on financing activities of RUB 10 million in 2021 compared to Net foreign exchange transaction gains on financing activities of RUB 147 million in 2020. This resulted from foreign exchange volatility on the available cash and cash equivalents denominated in foreign currency.

PROFIT

Profit before income tax

The Group reported an increase of 16% in Profit before income tax to RUB 19,438 million in 2021 compared to 2020, reflecting in large part the 15% year-on-year increase in the Group's Operating profit to RUB 21,627 million, which was largely linked to the factors described above.

Income tax expense

Income tax expense fell 4% year on year to RUB 4,338 million in 2021 following a decline in the average tax rate to 22% in 2021 compared to 27% in 2020.

Profit for the year

The 24% year-on-year increase in the Group's Profit for the year to RUB 15,100 million reflected the factors described above.

Profit for the year attributable to the owners of the Company increased 23% year on year to RUB 12,987 million reflecting the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

In 2021, the Group's capital expenditure consisted principally of maintenance CAPEX (including capital repairs) and the selective acquisition of fleet.

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

The Group manages its liquidity based on expected cash flows. As at 31 December 2021, the Group had Net Working Capital of RUB 2,571 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 2021 and 2020.

	2020 RUB mln	2021 RUB mln
Cash flows from operating activities	*26,932*	***29,104***
Changes in working capital:	*1,346*	***954***
Inventories	*816*	***620***
Trade receivables	*(427)*	***(139)***
Other assets	*1,439*	***(488)***
Other receivables	*10*	***23***
Trade and other payables	*(208)*	***524***
Contract liabilities	*(283)*	***414***
Cash generated from operations	28,278	**30,058**
Tax paid	(3,052)	**(2,808)**
Net cash from operating activities	25,226	**27,250**

Financial and Operational Review

(Continued from the previous page)

	2020 RUB mln	2021 RUB mln
Cash flows from investing activities		
Cash inflow from disposal of subsidiary undertakings - net of cash disposed of	—	1,110
Loans granted to third parties	—	(75)
Loan repayments received from third parties	4	79
Purchases of property, plant and equipment	(6,941)	(8,439)
Proceeds from sale of property plant and equipment	67	78
Interest received	264	326
Receipts from finance lease receivable	78	108
Other	—	(41)
Net cash used in investing activities	(6,528)	(6,854)
Cash flows from financing activities		
Net cash inflows from borrowings and financial leases[1]:	1,946	1,521
Proceeds from bank borrowings	23,265	18,058
Repayments of borrowings	(19,603)	(15,287)
Repayments of non-convertible unsecured bonds	—	(1,250)
Principal elements of lease payments for leases with financial institutions	(1,716)	—
Principal elements of lease payments for other lease liabilities	(672)	(1,068)
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,315)	(2,239)
Interest paid on leases with financial institutions	(81)	—
Interest paid on lease liabilities	(114)	(183)
Dividends paid to the owners of the Company	(16,637)	(9,023)
Dividends paid to non-controlling interests in subsidiaries	(2,272)	(1,225)
Purchase of treasury shares	(31)	—
Prepayment for acquisition of non-controlling interest	—	(300)
Payments to non-controlling interest	(180)	—
Net cash used in financing activities	(20,357)	(12,517)
Net (decrease)/increase in cash and cash equivalents	(1,659)	7,879
Exchange gains/(losses) on cash and cash equivalents	116	(3)
Cash and cash equivalents at beginning of the year	6,522	4,978
Cash and cash equivalents at the end of the year	4,978	12,855

[1] Net cash inflows (outflows) from borrowings and financial leases (a non-IFRS financial measure) is 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".

Net cash from operating activities

Net cash from operating activities rose 8% year on year to RUB 27,250 million due to:
- The increase in Cash generated from operations (after "Changes in working capital") which increased 6% year on year to RUB 30,058 million largely due to the 8% year-on-year increase in Cash flows from operating activities.
- Tax paid was 8% lower year on year at RUB 2,808 million primarily reflecting the decline in the average tax rate.

Net cash used in investing activities

Net cash used in investing activities increased 5% year on year to RUB 6,854 million largely reflecting:
- A 22% or RUB 1,498 million year-on-year increase in Purchases of property, plant and equipment (on a cash basis; including maintenance CAPEX) to RUB 8,439 million. This was primarily due to the acquisition of 381 tank cars in response to the accelerated post-COVID recovery in the oil products and oil segment in the second half of 2021 along with a rise in maintenance CAPEX.
- RUB 1,110 million of cash inflows from the sale of the Group's 60% stake in the non-core specialised container subsidiary SyntezRail in October 2021.

Net cash used in financing activities

The 39% year-on-year decline in Net cash used in financing activities which decreased to RUB 12,517 million in 2021, was due to the factors described below:
- The Group continued refinancing its debt portfolio in 2021 with repayments of borrowings largely matched by proceeds from borrowings. The net cash inflows from borrowings and financial leases declined 22% year on year to RUB 1,521 million in 2021.
- Interest paid (including "Interest paid on bank borrowings and non-convertible unsecured bonds" and "Interest paid on leases with financial institutions") was 7% lower year on year at RUB 2,239 million in 2021.
- Cash outflows in the amount of RUB 300 million related to the prepayment for the acquisition of the outstanding 40% stake in BaltTransServis.
- As per the announced targets, the amount of dividends paid to owners of the Company in 2021 (which includes total final dividends paid in respect of second half of 2020 and total interim dividends paid in respect of first half of 2021) declined 46% to RUB 9,023 million largely due to the weak pricing environment in the gondola segment which continued to the end of first half of 2021.
- Dividends paid to non-controlling interests in subsidiaries decreased 46% year on year to RUB 1,225 million in 2021 as Globaltrans upstreamed a lower amount of dividends year on year from its non-wholly owned subsidiaries.

Financial and Operational Review

Capital expenditure

Total CAPEX (a non-IFRS 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).

In 2021 the Group's Total CAPEX (on a cash basis, including maintenance CAPEX) was 22% or RUB 1,498 million higher year on year at RUB 8,439 million, reflecting:

- A 14% or RUB 809 million year-on-year increase in Maintenance CAPEX to RUB 6,612 million* due to a larger number of capital repairs and higher wheel pairs costs.
- A 60% or RUB 689 million year-on-year increase in Expansion CAPEX (on a cash basis) to RUB 1,828 million[1] mainly consisting of the acquisition of 381 tank cars and 350 specialised containers (compared to the purchase of 300 flat cars and 151 specialised containers in the previous year).

The Group's capital expenditure (including maintenance CAPEX) on an accrual basis was RUB 7,994 million in 2021 (2020: RUB 8,626 million). The difference between capital expenditure given on a cash basis and on an accrual basis is principally because of a time lag between the prepayments for and the delivery of rolling stock.

The following table sets out the principal components of the Group's Total CAPEX for the years ended 31 December 2021 and 2020.

	2020 RUB mln	**2021 RUB mln**	Change %
Purchase of property, plant and equipment	6,941	**8,439**	22%
Purchase of intangible assets	—	—	—
Total CAPEX	6,941	**8,439**	22%
Not included			
Principal elements of lease payments for leases with financial institutions[2]	1,716	—	–100%

Free Cash Flow

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

Free Cash Flow increased 7% year on year or RUB 1,028 million to RUB 16,131 million in 2021, primarily due to:

- A 6% or RUB 1,779 million year-on-year increase in Cash generated from operations (after "Changes in working capital") to RUB 30,058 million.
- Total CAPEX (including maintenance CAPEX) of RUB 8,439 million which was 22% or RUB 1,498 million higher year on year.
- Lower Tax paid, down 8% or RUB 244 million year on year to RUB 2,808 million.
- A 59% or RUB 395 million year-on-year rise in Principal elements of lease payments for other lease liabilities which rose to RUB 1,068 million as the Group substantially increased the number of leased-in gondola fleet to meet the growing demand for its services.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for the years ended 31 December 2021 and 2020, and its reconciliation to Cash generated from operations.

	2020 RUB mln	**2021 RUB mln**	Change %
Cash generated from operations (after "Changes in working capital")	28,278	**30,058**	6%
Total CAPEX (including maintenance CAPEX)	(6,941)	**(8,439)**	22%
Tax paid	(3,052)	**(2,808)**	–8%
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,315)	**(2,239)**	–3%
Principal elements of lease payments for other lease liabilities	(672)	**(1,068)**	59%
Interest paid on leases with financial institutions	(81)	—	–100%
Interest paid on other lease liabilities	(114)	**(183)**	61%
Cash inflow from disposal of subsidiary undertakings - net of cash disposed of	—	**1,110**	NM
Prepayment for acquisition of non-controlling interest	—	**(300)**	NM
Free Cash Flow[2]	15,103	**16,131**	7%
Minus			
Adjusted Profit Attributable to Non-controlling Interests	1,600	**2,113**	32%
Attributable Free Cash Flow[2]	13,503	**14,018**	4%

Capital resources

As of 31 December 2021, the Group's financial indebtedness consisted of borrowings and non-convertible unsecured bonds for an aggregate principal amount of RUB 31,318 million (including accrued interest of RUB 398 million*), a decrease of 2% compared to the end of 2020.

Under IFRS 16, Other lease liabilities (not included in Total debt) of RUB 5,842 million were recognised on the balance sheet as of 31 December 2021 (31 December 2020: RUB 1,405 million) which was primarily related to the long-term leasing of certain fleet and offices. The increase largely reflects a significant rise in the number of leased-in gondola cars in response to strong demand for the Group's services in 2021.

The Group's Net Debt decreased 32% to RUB 18,464 million compared to 31 December 2020 with the Net Debt to Adjusted EBITDA ratio improving to 0.6x compared to 1.0x at the end of 2020.

1 Including "Purchases of intangible assets".
2 Free Cash Flow, Attributable Free Cash Flow and Total CAPEX are presented net of principal elements of lease payments for leases with financial institutions for 2020. During the first six months of 2020 the entire financial lease portfolio was refinanced to bilateral loans, therefore principal elements of lease payments were eliminated.

Financial and Operational Review

The following table sets out details on the Group's total debt, Net Debt and Net Debt to Adjusted EBITDA at 31 December 2021 and 2020, and the reconciliation of Net Debt to Total debt.

	As of 31 December 2020	**As of 31 December 2021**	Change
	RUB mln	**RUB mln**	%
Total debt	32,015	**31,318**	–2%
Minus			
Cash and cash equivalents	4,978	**12,855**	158%
Net Debt	27,037	**18,464**	–32%
Net Debt to Adjusted EBITDA	1.0	**0.6**	

Rouble-denominated borrowings accounted for 100% of the Group's debt portfolio as of 31 December 2021. The Russian rouble is the functional currency of the Company.

The weighted average effective interest rate rose to 7.5% as of 31 December 2021 (31 December 2020: 6.9%) reflecting a backdrop of higher rates across the financial markets in Russia. All of the Group's debt had fixed interest rates as of the end of 2021.

The Group has a balanced maturity profile supported by the Group's cash flow generation, available cash and cash equivalents, as well as undrawn borrowing facilities of RUB 42,888 million as of 31 December 2021.

The following table gives the maturity profile of the Group's borrowings (including accrued interest of RUB 398 million*) as of 31 December 2021.

	As of 31 December 2021
	RUB mln
Q1 2022	3,318*
Q2 2022	2,631*
Q3 2022	5,473*
Q4 2022	2,246*
2023	11,189*
2024	5,431*
2025	1,031*
Total	31,318

RELATED PARTY TRANSACTIONS

The information below represents an extract from Note 35 to the Group's Consolidated Management Report and Consolidated Financial Statements which is included in full in the Financial Statements section of this Annual Report.

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

Litten Investments Ltd, controlled by a Director of the Company, has a shareholding in the Company of 5.1% as at 31 December 2021 (31 December 2020: 5.1%)[1]. Goldriver Resources Ltd, controlled by a Director of the Company, has a shareholding in the Company of 3.1% as at 31 December 2021 (31 December 2020: 4.0%)[2]. As at 31 December 2021, another 0.2% (2020: 0.2%) of the shares of the Company is controlled by Directors and key management of the Company.

The following transactions were carried out with related parties:

Key management compensation

	2020	**2021**
	RUB mln	**RUB mln**
Key management salaries and other short-term employee benefits	1,139	**1,887**
Share based compensation (Note 21)[3]	29	**124**
	1,168	**2,011**

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 604 million (2020: RUB 433 million) and analysed as follows:

	2020	**2021**
	RUB mln	**RUB mln**
Non-executive directors' fees	26	**26**
Emoluments in their executive capacity	406	**561**
Share based compensation in their executive capacity	1	**17**
	433	**604**

[1] Beneficially owned by Alexander Eliseev, Non-executive Director and co-founder of Globaltrans.
[2] Beneficially owned by Sergey Maltsev, Chairman of the Board of Directors, Chief Strategy Officer and co-founder of Globaltrans.
[3] More information is available in the Group's Consolidated Management Report and Consolidated Financial Statements which is included in full in the Financial Statements section of this Annual Report.

Financial and Operational Review

Sale of goods and services

	2020 RUB mln	2021 RUB mln
Revenue from entity under control of member of key management:		
Operating lease of rolling stock	—	134
Other	—	0.1
	—	134

Other gains

	2020 RUB mln	2021 RUB mln
Other gains from entity under control of member of key management:		
Other gains	—	0.5
	—	0.5

Year-end balances arising from sales/purchases of goods or services

	2020 RUB mln	2021 RUB mln
Trade receivables from related parties - current (Note 22):		
Entity under control of member of key management	—	0.6
Other receivables from related parties – current (Note 22):		
Entity under control of member of key management	—	0.02
Key management remuneration – current (Note 31):		
Accrued salaries and other short-term employee benefits	255	919
Share based payment liability (Note 21)	104	124
	359	1,043

Interest income

	2020 RUB mln	2021 RUB mln
Finance leases (Note 23):		
Entity under control of members of key management	—	0.4
	—	0.4

Contract liabilities

	2020 RUB mln	2021 RUB mln
Contract liabilities relating to railway transportation contracts – current (Note 10):		
Entity under control of member of key management	—	1
Contract liabilities relating to railway transportation contracts – non-current (Note 10):		
Entity under control of member of key management	—	5

Finance leases

	2020 RUB mln	2021 RUB mln
Finance leases to related parties – current (Note 23):		
Entity under control of member of key management	—	9
Finance leases to related parties – non-current (Note 23):		
Entity under control of member of key management	—	12

Disposal of investment in subsidiary to member of key management

During the year 2021, the Company disposed of its 60% shareholding in SyntezRail Ltd (Note 20). Within this, 20% was sold to an entity controlled by a director of the Company for a consideration of RUB 376 million.

Operating lease commitments – Group as lessor

	2020 RUB mln	2021 RUB mln
Entity under control of member of key management		
Not later than 1 year	—	821
Later than 1 year and not later than 5 years	—	1,693
	—	2,514

Risk Management

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

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

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

The oversight of risk management is delegated to the Audit Committee. In January 2021, the Board established the ESG Committee to analyse and oversee risks related to environmental, social and governance issues. 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 evaluate their effectiveness. Appropriate actions are then taken to manage the risk to an acceptable level as defined by the Board.

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

Globaltrans bases its risk management activity on a series of well-defined risk management principles, derived from experience, best practice and in accordance with corporate governance principles. The Group's risk management principles consist of nine interdependent and interconnected components that aim to provide a holistic view of risk across the whole organisation.

Risk management principles

Enterprise-wide

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

Systematic and structured

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

Based on top-down and bottom-up approach

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

Forward-thinking approach

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

Risk management principles

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.

Aligned with the Group's objectives

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

Integrated into corporate culture

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

Clear and understandable

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

Evolving

The Group's risk management system should be continually evolving. The management of 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.

Risk Management

Principal risks and uncertainties

Globaltrans has grouped risks that it considers significant into key categories – strategic, operational, compliance and financial.

This list is not exhaustive, and the order of information does not reflect the probability of occurrence or the magnitude of any potential effect. The current geopolitical situation and conflict surrounding Russia and Ukraine creates additional risks, which may have significant impacts on the business of the Group and its business environment. Additional risks not currently known or that are currently considered immaterial could also have an impact on the Group's business, financial condition, operational results and prospects, 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 to the extent possible.

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

General economic situation and operating environment

Description

The Group and its subsidiaries operate mainly in Russia and other emerging markets. Emerging markets, such as Russia, 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 another event in Russia or another relevant country (such as the recent conflict between Russia and Ukraine), may negatively impact the Group's business and growth prospects.

In addition to the human impact, the spread of Coronavirus (COVID-19) continues to affect global businesses and may lead to further and/or continued lockdowns, trade wars and turbulence in different currencies. The Group's outlook for 2022 may be further impacted by the Coronavirus outbreak, which continues to cause uncertainty. The freight rail market may experience reduced demand stemming from the effects of COVID-19. The Company cannot predict the full impact of COVID-19 on its markets, business or prospects although they may be materially adversely impacted by the rapidly evolving situation. Also, the appearance of new pandemics or other dangerous illnesses could seriously affect the global and local business environment and lead to negative consequences for the Group's business.

Significant levels of COVID-19 illness in the Group or its key clients could interfere with the stability of the Group's operations.

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

The threat of sanctions against the Group's existing customers and the existing sanctions imposed, any deterioration in or threat to their financial condition and/or the temporary closure of certain markets (whether as a result of the current situation in Ukraine or otherwise) may decrease demand for the Group's services and/or negatively impact the Group's logistics.
In addition, the current situation 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. Should further or intensified sanctions be imposed against companies who have businesses in, or are based in, Russia, there is a risk that some of the Group's railcars which were used to transport cargo from Russia into or through the territory of Ukraine (about 5% of the Group's Total Fleet) could be blocked in Ukraine.

Risk Management

General economic situation and operating environment (continued)

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

The situation in Russia and Ukraine and the resulting sanctions imposed on Russia by various countries around the world may have unforeseen, long term and far reaching consequences for the global economy, the Russian economy and the freight rail transportation industry in Russia. These consequences, including restrictions and limitations on the business activity of Russian companies (including access to funds located outside of Russia) and widespread and/or localised economic downturn and/or volatility, could have an adverse and unforeseen impact on the Group's business, operational results and financial effect on the Group's performance.

Controls and mitigating factors

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

The Group maintains a balanced fleet as one of the cornerstones of its business model. A balanced fleet (between universal gondola cars, adaptable to the demand for the transportation of various bulk cargoes, and rail tank cars, which are used for the transportation of oil products and oil) enables the Group to adapt to market conditions and reduces its dependence on any one cargo flow.

In addition, the Group has entered into long-term service contracts with several large clients. Management assesses the possible impairment of the Group's tangible assets by considering the current economic environment and outlook.

Management believes that it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

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

Regulatory risk and relations with government authorities and state-owned enterprises

Description

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

In addition, the Group relies on its relationship with and the services (including maintenance and repairs), infrastructure and information provided by RZD, an entity controlled by the state. While the Group has enjoyed a good relationship with RZD, there is no assurance it will always continue to do so in the future or that RZD will not increase its charges for such service provision and infrastructure use. Railway transportation regulations in countries bordering Russia may change, limiting the access of the Group's rolling stock to certain territories.

Controls and mitigating factors

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 the usage of infrastructure and locomotive traction by providing that these changes are adequately passed on to the Group's customers where possible.

Risk Management

Regulatory risk, risks of banking system and risk of termination of listing of Company's GDRs on London Stock Exchange (LSE) and admission to trading

Description

Since late February 2022, the Russian economy and the Group's operating environment have been negatively impacted by the escalated military and political conflict between Russia and Ukraine and the associated international sanctions against a number of Russian institutions, companies, banks and individuals. These events have drastically changed the business environment of the Group and changed the regulation of business processes in a number of European countries, the US, Russian Federation and Ukraine.

On March 3, 2022, the London Stock Exchange suspended the trading of Company's GDRs and as at the date of publication this suspension is still in place. There is a risk that the admission of Company's GDRs to trading on the London Stock Exchange will be cancelled due to a potential change in the listing rules of LSE. In this case, the Company's GDRs may be converted into ordinary shares of the Company. The major clearing systems Euroclear and Clearstream have, as at the date of publication, suspended the instructions for transfers and settlements of accounts connected to Russian Federation. In addition, an increasing number of Russian banks have been banned from SWIFT, the global messaging system for financial transactions. The conversion between the Russian Rouble and other currencies is, as at the date of publication, not possible in most cases.

Controls and mitigating factors

Management is closely monitoring the situation with the assistance of legal and tax consultants and is ready to act depending on the developments.

Growth strategies

Description

Business growth can be constrained by an increase in prices for new rolling stock and spare parts, overproduction of rolling stock, partial scrappage of Group's rolling stock due to expiration of its useful life, sanctions imposed on Russian Federation and some Russian industrial groups, a limited supply of long-term funding, an increase in the cost of borrowing and/or adverse market conditions that can have a negative impact on the return on any investments. Although the Group takes a conservative approach to investments, any deterioration in the market environment may negatively impact the profitability and payback period of investments in rolling stock, thus limiting the Group's return on its investments and ability to expand its business. Alongside pursuing organic growth strategies, the Group has expanded its operations through acquisitions in the past and may pursue more in the future if appropriate opportunities arise. The pursuit of an acquisition strategy entails certain risks, including problems with integrating and managing such new acquisitions. The expiry of long-term service contracts with its key customers may also limit the Group's growth opportunities as these may result in volatility in logistics, a reduction in the Group's business volumes and/or profitability of its operations.

Controls and mitigating factors

Any acquisition of rolling stock is matched against projected demand for railway transportation and the economically viable expected payback period for such investments. The Group cooperates with numerous rolling stock producers in Russia and other CIS countries without placing too much reliance on any particular supplier.

The Group is also focused on the diversification of its business.

Any valuation of an acquisition target is subject to review by external advisers, and fairness opinions are normally provided by reputable appraisal companies to the Group's Board of Directors when a transaction is considered.

Competition and customer concentration

Description

The Russian freight rail transportation market is highly competitive in terms of unregulated operators' services tariffs. The ongoing market consolidation may lead to greater price competition. The risk of an irrational supply of railcars on the market by railcar producers and/or irrational behavior 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 68% of the Group's Net Revenue from Operation of Rolling Stock in 2021. While the Group has long-term service contracts with several key customers, failure to extend and/or maintain the current service contracts or for such customers to no longer have the volume requirements they have had in the past may have a negative impact on the Group's operational results and financial performance.

Controls and mitigating factors

Globaltrans has significant competitive advantages that mitigate some of the risks of competition. These advantages include its strong reputation for high-quality service and reliability; its independent status; its long-term partnership with customers; its sophisticated operating capabilities; and its modern fleet. The Group has long-term, established relationships with its key customers and their affiliates and suppliers. In most cases, Globaltrans has become an integrated part of their operations. Around 59% of the Group's Net Revenue from Operation of Rolling Stock in 2021 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 2021, the share of small and medium companies amounted to 32% of Net Revenue from Operation of Rolling Stock (2020: 28%). Furthermore, the Group's marketing function regularly monitors competitors' business strategies, their use of technology, their price strategies and industry trends.

Risk Management

Locomotive traction

Description

The Group is dependent on RZD to issue permits allowing it to operate locomotives and to approve its use of locomotives for particular routes. If those routes are not in demand by the Group's clients, their utilisation could be lower. Furthermore, there is uncertainty about the prospects for, and the timing of, further deregulation of locomotive traction.

Controls and mitigating factors

The Group has a competitive advantage in providing freight rail transportation services to some clients, as it operates its own locomotives for the traction of block trains dedicated to particular routes. By assembling full trains composed only of its own railcars, the Group increases the speed and reliability of transportation for its clients. The Group has established controls to obtain the timely renewal of locomotive operation licenses 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.

Shareholder Activism

Description

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

Controls and mitigating factors

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

OPERATIONAL: RISKS THAT INFLUENCE THE GROUP'S OPERATIONAL EFFICIENCY

Infrastructure

Description

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

Controls and mitigating factors

With immaterial exceptions, all of the Group's rolling stock is insured against damage. Moreover, as a freight carrier on the railway network, RZD bears full responsibility for third-party losses caused by accidents on the network. The Group monitors its rolling stock through its dispatch centre on a 24/7 basis and plans its routes accordingly to optimise logistics and minimise the risks of disruption. The Group monitors FAS initiatives to detect possible changes in tariff-setting methodology and tries to reflect relevant changes in contracts with customers.

Operational performance

Description

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

Controls and mitigating factors

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

Risk Management

Employees

Description

The Group's future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team and logistics and railway experts. Competition in Russia for such personnel with relevant expertise is intense due to the small number of qualified individuals with suitable practical experience in the rail industry.

Controls and mitigating factors

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

Customer satisfaction

Description

Customers rely on the Group for the provision of high-quality freight rail transportation and other related services and expect the Group to be commercially responsive to their needs. These include the timely collection and delivery of cargo and availability of rolling stock, which is not always within the direct control of the Group because it is dependent upon RZD for locomotive traction and maintenance of infrastructure. Accordingly, timely delivery of cargo is highly dependent on a third party whose performance could be unsatisfactory to the Group's customers.

Controls and mitigating factors

The Group has a strong reputation for delivering good quality, reliable and flexible freight rail transportation services to its customers. Customer satisfaction is one of the key metrics that the Group's management monitors. Each customer is assigned an account manager responsible for the day-to-day relationship with that customer. Customer feedback is analysed and appropriate follow-up actions are taken. The Group has a track record of high customer retention and the majority of key customers stay with the Group for many years. In addition, the Group serves several key clients on a long-term basis and has recently added new contracts and extended others.

IT availability/continuity

Description

The Group uses specialised rail transport and logistics software to ensure the efficiency and effectiveness of its logistics, dispatching and rolling stock tracking services. These systems are either licensed to the Group and then customised to the Group's needs or delivered to the Group and maintained for its needs by third parties under service agreements.

Due to recent sanctions imposed by the US, European Union and a number of other countries, a number of IT solutions used by the Group will no longer be maintained by American and European Union suppliers. The Group may potentially face risks related to access privileges, audit trails, authentication, authorisation, backup procedures, business continuation, change management (software and hardware), data integrity, disaster recovery, infrastructure, information/data security and cyber-attacks. The Group may lose access to IT products if third party providers do not renew commitments under existing or expiring service agreements. Further systems and products that the Group uses could cease to be maintained by third party service providers, requiring the Group to adopt new systems or products.

Controls and mitigating factors

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

Risks of terrorist attacks, natural disasters or other catastrophic events beyond the Group's control

Description

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

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

Controls and mitigating factors

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

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

Risk Management

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

Pending and potential legal actions

Description

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

Controls and mitigating factors

The Group runs its operations in compliance with tax, currency, sanctions, labour, customs, antimonopoly and other applicable legislation and constantly monitors any changes in the regulatory environment. The Group monitors its compliance with the terms of its agreements. Standard forms of agreements are used for transportation services, and various controls are in place to ensure that the terms of agreements are adhered to. All contracts are subject to rigorous review by all of the Group functions concerned and to a formal approval process prior to execution.

ESG risks

Description

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

More information on climate-related risks is available in the Sustainability section on pages 102-105

Controls and mitigating factors

Although rail is one of the greenest modes of transport, the Group is committed to the protection of the environment by seeking to reduce the environmental footprint of its business and develop a sustainable supply chain. The Group aims to ensure compliance with regulations governing the protection of human rights, operational and occupational health and safety, and ESG practices in the jurisdictions in which the Group operates. The Group promotes high ethical standards and respect for human rights.

In January 2021, the Group formally adopted an ESG policy and also established the ESG Committee of the Board of Directors. The main purpose of ESG Committee is to oversee the development and implementation of the corporate environmental and social responsibility initiatives of the Group, monitor and review activities, and make recommendations to the Board of Directors of the Company on actions needed to address any issues identified or to make improvements where desirable.

Compliance with regulations and sanctions

Description

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

Controls and mitigating factors

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

Fiscal risk

Description

Local tax, currency and customs legislation, especially in Russia, other emerging markets and Cyprus, may be subject to varying interpretations, inconsistencies between federal laws, regional and local laws, rules and regulations, frequent changes and a lack of judicial and administrative guidance on interpreting legislation.

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

Controls and mitigating factors

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

Risk Management

Impact of Brexit and Takeover regulations

Description

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

Controls and mitigating factors

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

FINANCIAL: RISKS THAT INFLUENCE THE GROUP'S FINANCIAL PERFORMANCE

Currency risks

Description

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

Controls and mitigating factors

A large proportion of the Group's revenues and expenses are denominated and settled in Russian roubles. At present, the risks related to liabilities denominated in foreign currency are not material and are partly compensated for by assets and income denominated in foreign currency. The Group has refinanced all of its liabilities denominated in US dollars with long-term debt denominated in Russian roubles. Since 2008, the Group has taken action to mitigate currency risks and adjusted the profile of the borrowings in its credit portfolio. As of 31 December 2021, all the Group's debt was denominated in Russian roubles.

Interest-rate risks

Description

The Group's income and operating cash flows are exposed to changes in market interest rates. These arise mainly from floating rate lease liabilities and borrowings. An increase in market interest rates in Russia may negatively influence the Group's profits.

Controls and mitigating factors

The Group enters into long-term borrowing and leases with financial institutions to finance purchases of rolling stock and acquisitions of subsidiaries. The Group borrows at current market interest rates and does not use any hedging instruments to manage 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 2021, all of the Group's debt was at fixed interest rates. Management also considers alternative means of financing.

Credit risk

Description

Financial assets that potentially subject the Group to credit risk consist principally of trade receivables, cash and cash equivalents. Furthermore, the Group's business is substantially dependent on a few large key customers, including their affiliates and suppliers. Its top 10 clients accounted for around 76% of the Group's trade and other receivables as of 31 December 2021 and around 68% of the Group's Net Revenue from Operation of Rolling Stock in 2021.

Controls and mitigating factors

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Substantially all of the Group's bank balances are held with reputable banks.

Liquidity risk

Description

The Group's business is capital-intensive. The current situation in Ukraine and the resulting increased and intensified sanctions imposed by the United States, the European Union and numerous other countries on Russia have had a negative impact on the Russian financial markets and have limited the Group's access to international sources of funding. Any lack of available funding and potential increases in market interest rates could have a negative impact on the Group's ability to obtain financing for the settlement of its liabilities or cash to meet its financial obligations.

Controls and mitigating factors

The Group has a budgeting policy in place that allows 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.

Sustainability Report

"At Globaltrans nothing is more important than the safety and well-being of our employees. We are committed to developing a strong culture of zero-harm and promoting a safe work environment. The Group regards safety as both an individual and collective responsibility, thus employee involvement is key to our safety programme. In 2021 we put our efforts into boosting employee awareness and increasing the number of ongoing training opportunities needed for our employees to perform their job tasks in a safe manner.

Stanislav Khromov
H&S expert, BaltTransServis

Sustainability

HIGHLIGHTS OF 2021

ESG Committee formed
to guide Globaltrans' ESG agenda

2.6x increase in training hours
largely attributable to safety training

LTIFR[1] zero
Improved safety performance with Lost Time Injury Frequency Rate (LTIFR) falling from 0.66 to zero while business continuity maintained throughout the COVID-19 pandemic

GPG[2] -3%
First time disclosure of gender pay gap (measured at non-managerial level) - women earn on average 3% more due to greater proportion of women in highly skilled positions

Scope 2 emissions
First time reporting

Reinforced ESG disclosure
with the publication of the Integrated Report, ESG Data Book and TCFD Report

Green office initiative
Introduced

External recognition
Further external recognition of the Group's ESG efforts with **improved rating** by leading rating agency Sustainalytics

OUR APPROACH

The Sustainability Report which is integrated into the 2021 Annual Report has been prepared in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI).

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

The details within this sustainability report cover the key results and activities of Globaltrans Investment PLC and its subsidiaries in the field of sustainable development for the year ended 31 December 2021.

HOW IT WORKS:

Step 1
Identification of material topics

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

Step 2
Prioritisation of material topics

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

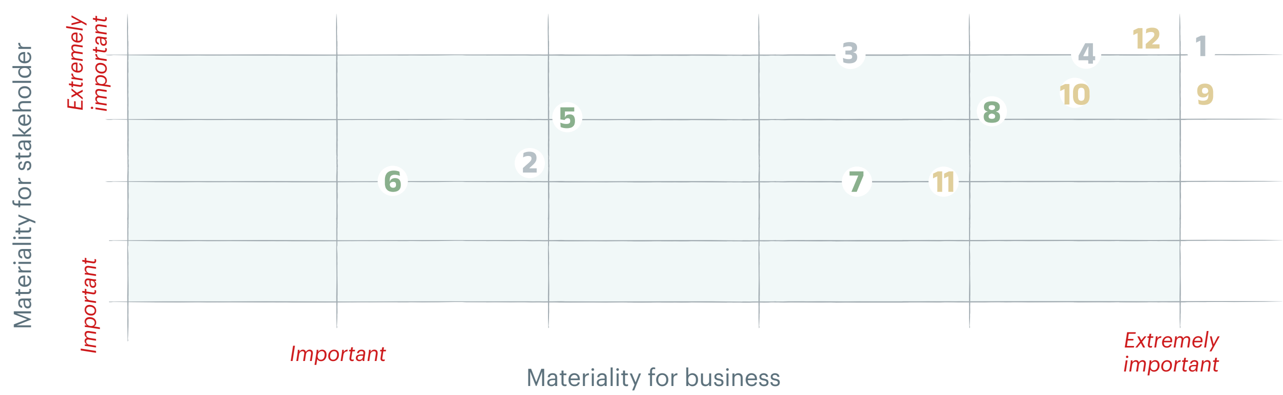
Step 3
Preparation of materiality matrix

We developed a materiality matrix to identify those topics that are deemed most important/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.

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

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

MATERIALITY MATRIX



Economic impact

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

Social impact

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

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

Sustainability

ESG COMMITTEE CHAIR'S MESSAGE

Advancing ESG at Globaltrans

I joined the Board of Globaltrans in 2008, the year the company went public, and strong governance, based on the highest standards of ethical business practices, has always been held by the Board as an absolute prerequisite for future success. In other words, our commitment to sustainable business development that benefits all stakeholders started long ago, even as the approach has evolved and changed significantly over the years.

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

In 2021, we expanded our governance approach to better monitor and organise our ESG work. In January, we issued our ESG policy and established the ESG Committee, which I chair, to advise and oversee the Group's sustainability programmes. I see these as major milestones in our journey towards full integration of sustainable business practices across our operations at all levels of the organisation. Managing our business increasingly sustainably is by definition a work in progress, but I am pleased our efforts last year were recognised, resulting in improved sustainability scores, notably from Sustainalytics, one of the leading global ESG rating agencies, as well as approval from shareholders.

2021

We faced a second year of health and safety challenges, travel restrictions and remote working as the pandemic persisted. However, we learned to adapt quickly to changes and adopted new ways of doing things effectively during this period. Our top priorities were the well-being of our employees and the continuation of all business processes. Last year, the ESG Committee met twice to discuss a broad range of ESG-related topics, approve our 2020 integrated sustainability report and review the Group's current environmental and employee-related policies and initiatives planned for 2021.

Over the past year, the ESG Committee continued to support the establishment of more substantial ESG foundations across the businesses. As part of this, the Group recruited several specialists to increase our internal expertise in critical areas such as health and safety, environment, and training and development. In addition, as part of our support for employees, Globaltrans significantly increased its provision of skills and learning in this area, resulting in a more than doubling of the number of training hours over the year.

Safety is one of our core values: it is the primary consideration in terms of our employees' welfare. Although the Group has a strong safety track record, there is still more we can do. Hence, we introduced a stringent new safety compliance regime last year, which promotes a 'zero-harm' culture and included a formal Health & Safety Code as well as increased hours of safety training. As a result, I am pleased to report that in 2021, there was a reduction to zero in our Lost Time Injury Frequency Rate and, most importantly, there were no recorded fatalities.

In terms of our environmental performance, it is reassuring to report that there were no cases of non-compliance with environmental laws and regulations during the reporting period. However, as a responsible business, we are determined to move beyond compliance and proactively reduce our impact on the environment. As many of you know, rail is not a significant contributor to greenhouse gas emissions, but we still have a duty to reduce our carbon footprint.

The most effective way we achieve this is by delivering highly efficient logistics, minimising the mileage that railcars travel empty. In 2021, we again led the industry in operational efficiency, and maintained low levels of Empty Runs.

Our GHG emissions for 2021 were impacted by the increased use of our locomotive fleet our most significant source of GHG emissions — on the back of accelerating growth in volumes for oil products and oil. However, while these emissions were up 11% compared to the extraordinarily low levels of 2020 (as a result of the pandemic), they were still 5% lower than the pre-COVID level of 2019.

We are at the same time taking steps to offset our impact. For instance, BaltTransServis, which operates the bulk of our locomotive fleet, is planting trees in 2022 in order to help offset our CO_2 emissions, a project that could grow over the next few years.

As well as making our fleet operations more eco-friendly, we are doing our best to promote green policies in day-to-day office activities. In 2021, we introduced a Green Office initiative which will be rolled out across the Group, with the aim of reducing overall waste levels, particularly plastic. We believe that such actions contribute to society's broader efforts to protect the environment.

Last year, we took steps to improve disclosure of the Group's ESG factors to meet stakeholder expectations. New metrics were included in our integrated sustainability report to enhance our disclosure levels. For the first time we included analysis of gender pay differences in 2021 our gender pay gap[1] at the non-managerial level stood at –3%, meaning our female employees earn, on average, a 3% higher wage. The report which was prepared with reference to the Global Reporting Initiative (GRI) Standards, also saw a greater focus on materiality.

We included for the first time a description of the climate-related risks and opportunities facing the business, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). We intend to raise awareness of climate-related risks internally and develop a greater understanding of the TCFD framework so we can use it to track our climate action progress in future.

Closing remarks on the future development

We strive to be a responsible and attractive employer, business partner and investment target. We recognise that by prioritising sustainability and gradually integrating it into everything we do, we will improve our long-term prospects, reduce our business risk and build greater engagement with our stakeholders. We are fully aware that we have a long journey ahead to become a truly sustainable organisation. However, we are working hard to raise awareness of our sustainability work among stakeholders, and executing well across multiple initiatives throughout the Group. Our progress in 2021 gives me confidence that we are on the right track and we will continue to pursue our sustainability ambitions.

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

Sustainability

OUR RESPONSE TO THE ONGOING COVID-19 PANDEMIC

Supporting our people

In 2021, COVID-19 continued to present many challenges to the wellbeing of people around the world. That is why the safety of our employees, clients and other stakeholders remained the Group's highest priority throughout the year. Despite a high percentage of vaccinated employees, as a responsible employer Globaltrans continued to promote hybrid working, offering all employees the opportunity to work from home with voluntary and more limited office attendance.

In response to the pandemic, we enhanced our internal policies to further support a safe environment at our offices and facilities. In addition to ensuring the basic health and safety of our people, we also focused on their mental wellbeing, maintaining an active and open dialogue with them. We introduced a number of initiatives to support the needs of our employees, and to enable us all to get through this difficult period.

STAKEHOLDER ENGAGEMENT

Building good, strong relationships with a diverse range of stakeholders sets the foundation for sustainable growth and, therefore, the success of any business. Globaltrans has always listened to and considered the interests of its stakeholders and is committed to maintaining an open, constructive and ongoing dialogue with all.

Through a programme of active year-round engagement using various channels and processes, we strive to improve transparency for our stakeholders and deepen their understanding of our strategy, performance and initiatives. These interactions also allow us to gather valuable feedback, opinions and expectations and, in due course, to reflect them in our business.

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

As 2021 was another year of COVID-19 restrictions and physical distancing, we continued to rely on digital communication methods.

For the second consecutive year, all client communications, investor roadshows and conferences, and the Annual General Meeting of shareholders, were held online.

During the pandemic we saw an increase in demand for information, as would be expected during any period of market uncertainty. The Group devoted considerable time and effort to maintaining close engagement with our stakeholders and we believe we made effective use of the digital format to respond to information requests.

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

STAKEHOLDER ENGAGEMENT MECHANISMS

Employees

Mechanisms of engagement

- Intranet
- Labour-management consultations
- Staff surveys
- Corporate booklets, information boards

Outcomes in 2021

- Regular, direct communication between managers, teams and individuals
- Career development, training and performance reviews
- No COVID-related redundancies
- COVID-related measures to protect health and safety of employees implemented
- Number of training hours up 2.6x due to resumption of training programs and increased volume of safety training
- Reduction of LTIFR to 0
- Provision of social benefits and guarantees, including medical insurance

Shareholders and investors

Mechanisms of engagement

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

Outcomes in 2021

- Information disclosure on a semi-annual basis
- Analyst and investor conference calls and webcasts
- Virtual non-deal roadshows: more than 200 international investor meetings held
- Series of investor meetings with Russian retail investors introducing Globaltrans to local investors
- Publication of Annual Report and integrated sustainability report
- Completion of numerous ESG questionnaires received from international and local investors, financial institutions and rating agencies
- Interaction with international and local credit rating agencies

Customers and business partners

Mechanisms of engagement

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

Outcomes in 2021

- Strong portfolio of service contracts with superior clients in metallurgical and oil products and oil segments maintained contributing 59% of Net Revenue from Operation of Rolling Stock in 2021
- Successful service contract extensions with two key customers: Metalloinvest and Rosneft

Sustainability

Stakeholder engagement mechanisms (continued)

Government, regulators and professional authorities

Mechanisms of engagement

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

Outcomes in 2021

- Participation in industry associations including the Council of Railway Operators and the Russian Union of Transport Workers
- All applicable guidelines to manage the impact of COVID-19 implemented

Local communities

Mechanisms of engagement

- Corporate philanthropy and charitable contributions
- Community investment

Outcomes in 2021

- Assistance to support socioeconomic development of our communities
- Regular contributions to aid charitable projects

Media

Mechanisms of engagement

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

Outcomes in 2021

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

ETHICS AND BEHAVIOUR

A company's reputation is the bedrock on which its business is built. At Globaltrans, maintaining our good name is of paramount importance and we are well aware of how easily it could be damaged by actual or suspected unethical behaviour. We are committed to operating to the highest ethical and professional standards and to ensuring that all our business dealings are conducted openly and transparently.

Our **Code of Ethics and Conduct** sets out the ethical standards that our Group adheres to and how we expect our employees to act to maintain them. It describes the Group's principles with respect to confidential information, anti-bribery, conflicts of interest and reporting concerns. Its purpose is to help our employees understand the Group's core values and what is expected of them to ensure compliance with our policies and all relevant laws and regulations.

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

Our partners are an integral part of our business, and how they behave also reflects on us. Therefore, they must understand and commit to upholding the same ethical standards as we set for ourselves. Accordingly, in 2020 the Group formally adopted a **Supplier Code of Conduct**, based on the principles set out in the UN Global Compact, which describes what Globaltrans expects from its suppliers with regards to business ethics, human and labour rights, employee relations, health and safety and other related topics. By building on our shared values, Globaltrans and its suppliers can create stronger and more successful businesses.

In January 2021, Globaltrans established an **ESG Committee** to support and direct the Group towards improving its sustainability-related practices and policies and its reporting and transparency. Its creation reflects the Group's conviction that behaving responsibly underpins our ability to deliver sustainable value for all our stakeholders. By assisting the Board with oversight of ESG-related issues, the Committee supports the development of a practical Group-wide approach to sustainability and disclosure.

The Committee's efforts were bolstered by the adoption in January 2021 of a formal **ESG policy** that set out formal ESG commitments and established lines of responsibility and accountability.

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

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

Charts of Code of Ethics and Conduct

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

Sustainability

Ethics and behaviour (continued)

Globaltrans makes every effort to be an employer, partner and community member who values people and respects their fundamental rights and freedoms. We are committed to maintaining strong human rights and labour practices not just in our own operations and business network, but within the broader community as well. The **Human Rights Policy** we introduced in 2020 sets out the minimum human rights standards that everyone who works for and with Globaltrans must meet. To ensure that we are constantly progressing on this front, we regularly review our conduct, policies and training and integrate any changes or learnings required into our operations. Our approach is consistent with international human rights standards such as the UN Guiding Principles on Business and Human Rights. Our commitment to human rights is also clearly stated in our Code of Ethics and Conduct, Supplier Code of Conduct, and in our Diversity and Inclusion Policy.

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

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

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

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

Senior management meets regularly to discuss, inter alia, anti-fraud and anti-corruption measures. During 2021, no instances of alleged fraud, bribery or corruption were reported within the Group.

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

KEY ESG ACTIVITIES:

Corporate governance

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

Employees

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

Environment

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

Communities

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

Globaltrans continuously strives to improve the way it controls, manages and mitigates the impact of non-financial risks, which include strategic, operational and compliance risks. This is not just to satisfy regulatory obligations but also to meet the expectations of our stakeholders.

Further details on Globaltrans' risk management are set out on pages 62-77.

Sustainability

EMPLOYEES

People are the driving force behind the success of any business. Globaltrans is committed to caring for its employees, creating a safe and supportive workplace, promoting professional development, and protecting their working conditions and well-being.

Our role and responsibility as an employer is to create an environment where every employee is engaged, heard, valued and rewarded. This aligns with our culture and central principles of various Group's commitments, policies and programs. We are committed to creating the conditions in which every employee can work productively and grow professionally. At Globaltrans, we offer fair remuneration that recognises individual performance. In doing so, we strive to encourage our people to reach their full potential by providing them with expertise, education and training opportunities.

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

We continue to put the safety of our employees first. The pandemic period has led us to strengthen our commitment to health and safety issues.

To enable our people to work safely, we have implemented the appropriate frameworks and reviewed our training programmes. As a result, the company has improved its safety indicators.

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

Our core policies and guidance include:

- Anti-fraud Policy;
- Code of Ethics and Conduct;
- Compensation and benefits Policy;
- Diversity and Inclusion Policy;
- Freedom of Association Policy;
- Health and Safety Policy;
- Human Rights Policy;
- Internal code of labour conduct;
- Regulations on business trips;
- Regulations on contractual work;
- Regulations on protection of personal data of employees.

In 2021 average employee headcount increased 5% year on year to 1,750 (2020: 1,664) employees. Overall headcount as at the year end rose 5% compared to 2020 to 1,777[1] employees (2020: 1,697). The increase was mostly attributable to the shift to using in-house locomotive crews. Consequently, the Group's subsidiary BaltTransServis continued to employ the most people within the Group.

Diversity

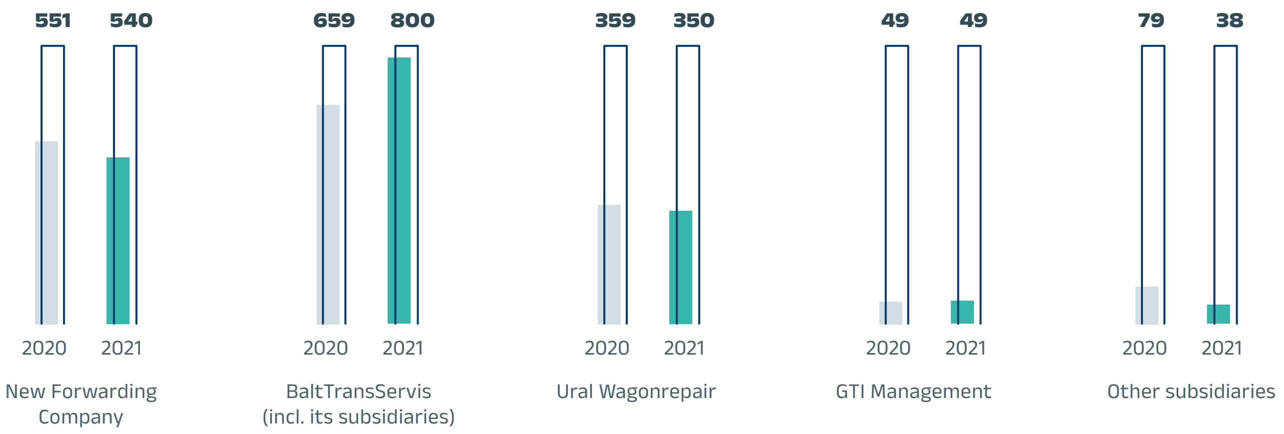
We believe that equality, inclusion and diversity are essential elements that must be incorporated into the culture and business strategy of any business. Globaltrans strives to be an equal opportunity employer and our philosophy is to treat everyone fairly and respectfully. Regardless of age, disability, ethnicity, country, gender, race, color, religion, or sexual orientation, we value and embrace our employees' individuality and respect them for their performance, talents, and contributions.

We seek to prevent any act of discrimination and provide our people with equal employment. This zero tolerance for discrimination is set out in the Group's Diversity and Inclusion Policy, the breaches of which are grounds for disciplinary action.

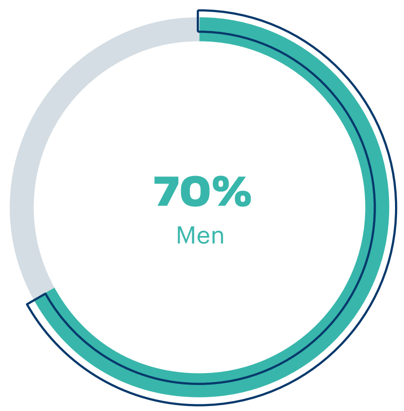
Globaltrans' commitment to diversity extends to all of our business activities including hiring, employee retention, promotions, pay and benefits, career development and training, working arrangements and appointments to the Board.

[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 2021, while the average headcount is calculated by summing up the number of employees in each month of the reporting period and dividing this sum by the number of months.

Headcount by companies, 2020-21 (at year-end)

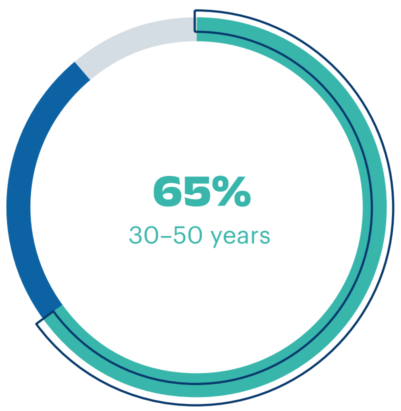


Headcount by gender in 2021 (at year-end)



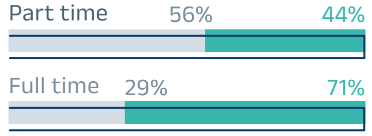
30% Women

Headcount by age in 2021 (at year-end)

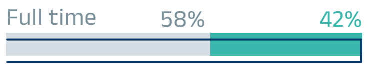


24% > 50 years
11% < 30 years

Permanent contract in 2021 (at year-end)



Temporary contract in 2021 (at year-end)



Women
Men

Source: Globaltrans

Sustainability

The Group has always sought to provide equal pay opportunities for both women and men. To increase the transparency of our diversity data this year we are publishing our first-ever gender pay gap[1] figures. The gender pay gap relates to differences in average pay between men and women within an organisation; it does not compare the wages paid to men and women for doing identical or similar jobs (known as equal pay). In 2021 the average pay gap between men and women in our non-managerial workforce was –3% which indicates that female employees' average hourly pay is higher than male employees. This reflects the fact that there are proportionally more men in our workforce in less-skilled roles.

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

As at year end 2021, women comprised 30% of our workforce. At board level, women comprised 13% of the Board of Directors (two Board members).

The second priority of how we manage diversity is the inclusion of employees with disabilities. There Group currently employs 27 individuals with disabilities whose daily contributions help the Group meet its business goals and achieve success.

–3%

Average pay gap between men and women in our non-managerial workforce in 2021

95%

of all training and development happening online

Training and education

Globaltrans regards education and talent development as important contributors to the Group's high efficiency and long-term success. We strive to retain our people and their knowledge and enable them to grow professionally by providing them with the experience and skills they need. In doing so, we keep them engaged in their work and with the Company and help them reach their full potential.

At Globaltrans, we educate and train our people in many ways, including training, workshops, seminars and programmes that are tailored to individual work requirements and current needs.

Over 2021, the Group increased its training hours by 2.6 times devoting 55,780 hours to learning and development activities (2020: 21,226). Those areas where training was provided included health and safety, accounting, business administration, environmental safety, information security, financial management and marketing, as well as the development of technical and soft skills.

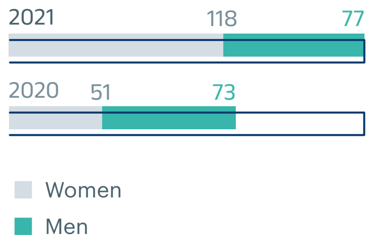
In 2021, as the pandemic persisted and our people kept working from home, the majority of learning activities remained digital, with 95% of all training and development happening online. The pandemic has accelerated our digital transformation, especially in two key areas: deepening digital literacy for all our employees and advancing the digitisation of processes throughout the Group.

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

Source: Globaltrans

Distribution of training among employees by employee categories in 2021

Average training hours by gender in 2021



Motivation

Nothing can be achieved without our people. In order to demonstrate strong results and achievements, we have to keep our workforce engaged, enthusiastic about what they do and highly motivated. These are critical drivers of sustainable business success.

Globaltrans strives to offer the best employee experience. Our goal is to inspire and motivate our people and provide them with a safe, creative and collaborative workplace and culture. We are determined to stay closely in touch with our colleagues and respond to their needs. We can best serve our people by listening carefully, collaborating together and adapting. We help them monitor their performance and achievements through ongoing feedback.

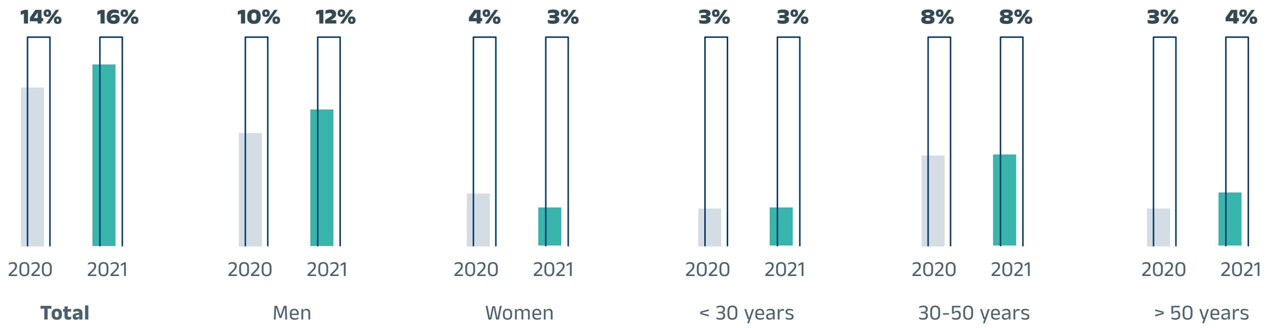
The pandemic created a very different social environment for our people, which prompted us to reassess and strengthen our support for them. We arranged flexible working arrangements for our staff, ensured their well-being, provided learning opportunities, communicated frequently and shared feedback.

Globaltrans did not make any COVID-related redundancies and, most importantly, kept salaries at pre-COVID levels.

We are committed to maintaining a motivated and productive workforce that values being part of Globaltrans. To retain talent within the organisation, we must continually improve working conditions and offer attractive compensation and benefits as well as rewarding work and opportunities for learning and development. Our staff reward packages include health insurance, childcare support, extra holidays and other benefits. Eligible employees can participate in various incentive schemes operated by the Group.

In 2021 our overall staff turnover rate increased slightly to 16% (12% for men and 3% for women) (2020:14%). We still regard it as a low figure, but nevertheless, the Group will work in future to reduce the level of employee exits. The HR function of each subsidiary conducts exit interviews when colleagues leave to analyse the reasons for leaving and improve the loyalty of our employees.

Employee Turnover Rate based on gender and age, 2020-21



Sustainability

Corporate culture and internal communications

Our culture is built around what we value: respect, mutual appreciation, transparency and collaboration. We believe that they contribute to sound business decisions, foster a trustworthy and supportive workplace, and help us achieve better outcomes in everything we do.

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

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

To encourage a sense of community and promote better teamwork, we also regularly host sports, cultural and recreational events for our employees and their families.

During COVID-19, taking care of people became our everyday priority. We did our best to make our employees feel connected and engaged. The Group communicated regularly with staff via reports and updates, management calls, webinars, and formal and informal virtual meetings.

Health and safety

Health and safety are a fundamental part of our philosophy. We strongly believe that supporting the physical and mental health and well-being of our employees is the correct thing to do for us and our business. The Group has always been committed to maintaining high standards of occupational safety and to complying with all applicable health and safety regulations and legislation.

However, during the pandemic, safety took on a new meaning and became an entirely new level of concern. In 2021, Globaltrans continued to apply safety management and distancing measures to support our employees and suppliers. We provided our office-based staff with flexible working arrangements and the option to continue working remotely. For our on-site (repair depot) employees, we revised our work procedures to ensure their safety, implementing precautions that included workplace disinfection, shift rotations, social distancing, mask-wearing, and the use of temperature scans and hand sanitisers.

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

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

In 2022, following the pandemic, in order to formalise our commitment to safety at the Group level and strengthen our workplace safety programme we introduced a Group **Health and Safety Policy**. We believe this will help us improve and promote our culture of zero harm and risk awareness among our people, thereby reducing the number of work-related incidents. While we have a positive occupational health and safety track record, as typically most of our employees work in a low risk environment, we remained focused on our ultimate target of zero incidents.

Safety is always a team effort. We encourage our employees to adopt good health and safety practices and to make the right decisions about their everyday wellbeing. As a responsible employer, we provide appropriate information and training opportunities to all employees to prevent future workplace incidents.

We conduct regular safety spot-checks at our operations to ensure that they continue to meet high standards. In 2021, due to the pandemic and the move to remote working, we reduced the number of workplace safety audits to 173 visits (2020: 341 visits). Instead, we focused on providing on-line training sessions on occupational health and safety, the numbers of which increased significantly across the Group.

We are glad to report that there were no work-related incidents or fatalities in 2021. Following our first-ever workforce fatality at one of our repair depots in 2020, the Group made every effort to prevent the recurrence of such tragic incidents. The Group immediately investigated the incident, took corrective measures and improved internal safety protocols. All employees underwent extensive training following the incident. We also enhanced our expertise in the area of health and safety by hiring specialists to help implement a continuous improvement plan for occupational safety management.

Our continued focus on safety and proactive measures allowed us to improve our overall safety performance in 2021 and achieve a zero Loss Time Injury Frequency Rate (LTIFR). In 2020, the LTIFR (per million hours worked) performance of the Group stood at 0.66.

In 2022, our approach to health and safety will continue to be proactive and preventative. We will continually reinforce employees' risk awareness, increase internal audits and improve accountability.

LTIFR ▼ zero

Improved safety performance with Lost Time Injury Frequency Rate (LTIFR) falling from 0.66 to zero while business continuity maintained throughout the COVID-19 pandemic

Sustainability

ENVIRONMENT

Rail is one of the greenest and most efficient modes of transport. Therefore, with its limited impact on the environment, rail is well positioned to meet the growing need for low-carbon freight transportation, due to its lower greenhouse gas emissions[1] and low rates of energy consumption.

Globaltrans recognises its operations have the potential to impact the environment. The Group is committed to minimising the environmental impact of its activities, recognising it has a responsibility to protect the environment on behalf of the communities it serves, its stakeholders and society as a whole. To this end, we focus not just on controlling emissions but also on other areas such as energy efficiency, water management, and waste recycling.

The Group is fully compliant with all applicable environmental laws, industry regulations and requirements, and we continually seek to improve our environmental performance to stay compliant. Our overall environmental management approach is underpinned by the Group's formal ESG Policy and Environmental and Energy policies. These policies define our commitment to conduct our activities in an environmentally responsible way. We ensure that all of our employees understand and act in a manner consistent with our policies.

Guided by these policies, we are constantly investigating ways to improve our subsidiaries' environmental management and reporting systems to better monitor, measure and assess the environmental aspects of our activities.

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

Our 2021 results are set out below. There were no violations of environmental legislation or regulations during the reporting period.

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

Energy usage

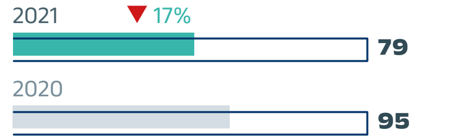
At Globaltrans, our focus is always on energy efficiency. We are determined to use energy prudently and strive to be climate conscious. This goal is something that we are working to promote and improve at all levels of the organisation. The Group's operations use different forms of energy, including diesel, electricity, gas, and we are constantly working to improve our energy efficiency and reduce our carbon footprint.

In 2021, our pattern of energy consumption showed mixed dynamics due to several factors. There was a 5% year-on-year increase in electricity use, primarily attributable to the reopening of offices, following the gradual lifting of COVID-19 restrictions. Also, increased locomotive operations due to the post-pandemic recovery in demand in oil products and oil segment contributed to an 11% year-on-year rise in diesel consumption.

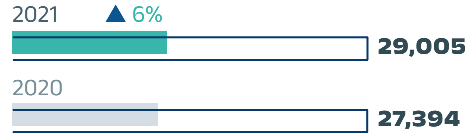
Total consumption of energy resources by type, 2020-21

Energy type	2020	2021	Change
Electricity (KWh)	4,182,373	**4,401,655**	5%
Diesel (litres)	45,584,067	**50,758,074**	11%
Petroleum (litres)	158,816	**137,723**	–13%

Petrol consumption, 2020-21
litres per employee



Diesel consumption, 2020-21
litres per employee



Source: Globaltrans

Sustainability

Use of water

As part of our commitment to conserve resources, we monitor water usage to optimise its use and consumption. While Globaltrans is not a major user of water, we recognise that it is a vital resource for society and we are committed to using it responsibly. Our internal management systems and practices ensure effective oversight of water use in our everyday operations.

Since 2018, we have been improving our monitoring, collection and processing of water usage data across the Group's subsidiaries. In 2020, we released our first annual water consumption results. In 2021, water consumption declined by 2% year on year to 16,279 m³ (2020: 16,627 m³)[1]. Globaltrans continues to look for ways to improve water use and adopt practices to help its employees manage and use water efficiently.

–2%

The decrease in water consumption in 2021, y-o-y

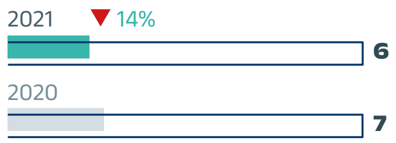
Paper recycling

We are very familiar with the issue of office waste because the Group consumes relatively large quantities of paper. Consequently, we actively promote the value of a green workplace and encourage employees to reduce the frequency and volume of printing. We have focused on digitising business processes and using electronic documentation over recent years, but the COVID-19 pandemic has accelerated these trends. In 2021, we further reduced employee paper consumption by 14% year-on-year, as most of our office activities remained "virtual".

–14%

The reduction in paper consumption by employees in 2021, y-o-y

Paper consumption, 2020-21
kg per employee



Source: Globaltrans

Green office

We strive to take proactive steps to reduce the Group's environmental impact, for instance, by undertaking various corporate sustainability initiatives. One of the latest is our **Green Office initiative**, which we introduced in 2022. As a responsible business, we want to make all of our processes and day-to-day activities more efficient, including in the workplace. This initiative is designed to promote the adoption of the green office best practices across the Group and encourage employees to adopt environmentally friendly behaviours.

We are committed to reducing energy and natural resource use and waste generation by improving the environmental efficiency of the Group's offices. Concerning energy savings, we plan to replace lighting containing mercury with energy-efficient LED lighting and optimise the efficiency of our facilities' heating and cooling systems. Waste management measures include paperless communication methods, reduced use of plastic and environmentally responsible waste collection and recycling.

As part of the Green office initiative, we are encouraging our employees to participate and take responsibility for their day-to-day actions, as these will significantly influence the success of the project. Moreover, we hope that in future years this initiative will enable us to increase transparency and better manage and report on our waste management data.

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

Greenhouse gas management

Our industry is among the greenest and least polluting forms of transport from an energy and emissions perspective. Rail remains the most fuel-efficient mode of transport. Nevertheless, we recognise that we can do more to minimise our impact on the environment.

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

In the freight rail industry, GHG emissions are directly linked to fuel consumption and, therefore, the primary source of emissions is from locomotives.

The Russian state railway company JSC Russian Railways (RZD) retains a monopoly in the provision of rail infrastructure, and is by far the largest provider of locomotive traction services.

Globaltrans runs one of Russia's largest privately-owned locomotive fleets, providing a specialist service for its clients primarily in the oil products and oil segment. Therefore, we only measure, report and record those emissions (Scope 1) directly attributable to our fleet of 71 mainline locomotives. Operating a modern and well-maintained fleet also helps reduce our environmental footprint. Of our locomotive fleet, 14% consists of new, more fuel-efficient and cleaner diesel locomotives.

Since 2018 we have made significant progress in measuring, managing and disclosing direct GHG emissions information in our operations, and this process is ongoing. In 2021, our GHG emissions were impacted by greater utilisation of our locomotive fleet due to a post-COVID-19 recovery in oil product and oil volumes. Direct GHG emissions at 153,794 tonnes of CO_2 equivalent[2] were 11% higher than the COVID-affected levels of 2020 (2020: 138,198 tonnes of CO_2 equivalent). However, they were still 5% lower than the pre-pandemic levels of 2019 (2019: 161,299 tonnes of CO_2 equivalent).

We are constantly working to improve the quality and consistency of our data. In recent years, we have been working toward a better understanding of our carbon footprint.

For the first time, we calculated the indirect GHG emissions generated by our energy purchases (Scope 2) using Scope 2 GHG Protocol guidelines. In 2021 the Group's indirect emissions totalled 1,555 tonnes of CO_2 equivalent.

We will continue to take action and explore ways to improve fuel efficiency and lower our emissions. For instance, we will investigate whether different diesel additives can help us achieve the goal of lower emissions in the future. In addition, in 2022, we are investing in a small environmental project that may expand in the coming years: BaltTransServis, which operates the bulk of our locomotive fleet, will be planting trees to help offset our CO_2 emissions.

Minimising our environmental footprint is a fundamental part of our sustainability strategy. Therefore, we will continue to monitor our environmental practices and performance, improve our energy efficiency and explore appropriate options and proposals to reduce our GHG emissions.

[2] The Group's greenhouse gas emissions were calculated per IPCC Guidelines for National Greenhouse Gas Inventories (2006).

COMMUNITIES

Globaltrans works hard to make a positive impact on the communities where it operates. As an employer and business partner, we have a responsibility to our society and the people around us. This approach is evident in our commitment to following applicable rules and our transparent approach to financial and non-financial reporting. Our ethos is also apparent in how we engage with our employees, partners and the environment.

It is by continuing to be a successful and sustainable business that we will remain a vibrant contributor to our communities, supporting their economic and social development. We add value through our business operations in various ways: direct and indirect employment, tax payments and social activities, and by providing internships and educational support. Our employees welcome the opportunity to engage with interns or take part on our pro bono social programmes to develop their capabilities and contribute more to society. Having a close relationship with our local communities means we can identify what support — skills, time or financial assistance — will help deliver the best outcome.

It is our business success that enables us to provide this support and create opportunities for both current and future employees. It also means we are making a direct financial contribution to the broader economy through the payment local and national taxes of license and other fees and the use of third-party services and suppliers.

The table on page 101 illustrates how our company creates financial value for its stakeholders.

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

We believe participation in charitable activities, sports and community initiatives gives our employees a greater sense of well-being and helps instill our core values of respect and cooperation within our communities. We contribute directly to charitable efforts in the areas of health, well-being, sports, culture and education. We also support groups working with vulnerable groups like the disabled and elderly. We have supported the Life Line Fund for many years, which provides vital assistance to children with life-threatening conditions.

We understand that we can play a pivotal role in improving the lives of those in and around our business. By creating opportunities to grow, feel valued and prosper — within our business and within our communities — we are setting in place the best foundations for success, for us and all our stakeholders.

Direct economic value generated, distributed and retained[1]

	2021 RUB mln
Direct economic value generated[2]	73,151
Economic value distributed	68,108
Total cost of sales (excluding Employee benefit expense)	46,148
Total selling, marketing and administrative expenses (Community investments and excluding Employee benefit expense and Taxes (other than income tax and value added tax)	0.964
Employee benefit expense	5,491
Payments to the providers of capital[3]	12,670
Payments to the government[4]	2,835
Economic value retained	5,043

1 Information in the table is derived from the Consolidated Management Report and Consolidated Financial Statements for the year ended 31 December 2021.

2 Direct economic value generated includes "Revenue".

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

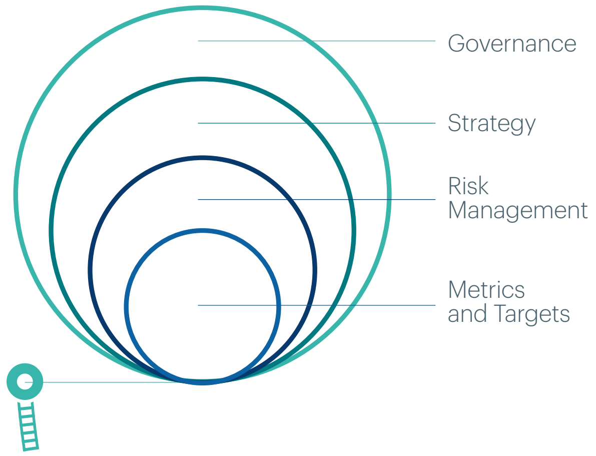
4 Payments to government include "Tax paid" and "Taxes (other than income tax and value added taxes)". The Company also pays Russian Value Added Tax ("VAT"). VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Purchases 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.

Climate-related Financial Disclosure (TCFD)

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

In line with applicable regulations, the Group will make disclosures as required by the TCFD recommendations in its 2022 Annual Report. In preparation for full compliance, the Group has undertaken to proactively include the following TCFD-compliant disclosures addressing the key elements ofthe TCFD recommendations.

Core Elements of Recommended Climate-Related Financial Disclosures



- **Governance**
  The organisation's governance around climate-related risks and opportunities
- **Strategy**
  The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
- **Risk Management**
  The processes used by the organisation to identify, assess, and manage climate-related risks
- **Metrics and Targets**
  The metrics and targets used to assess and manage relevant climate-related risks and opportunities

GOVERNANCE AND RISK MANAGEMENT

Globaltrans has long identified climate change as a material issue, and we include the most relevant climate-related risks in the Group's risk management process. However, we understand that companies are increasingly expected to take more proactive measures to combat climate change.

Therefore, to improve transparency and respond to our stakeholders' growing interest in our approach to climate change, Globaltrans has chosen to adopt the Taskforce for Climate-related Financial Disclosures methodology (TCFD) to align its climate-change reporting. As our understanding of the risks and opportunities posed by climate change develops, we will incorporate climate-related issues into our business strategy and further increase the levels of related disclosure.

In the coming year, we will conduct an assessment of the climate-related risks and opportunities relevant to our business and report on the four areas of Governance, Strategy, Risk Management and Metrics.
Our intention is to increase the level of disclosures year-by-year.

The Board of Directors, through the work of its Audit and ESG committees, is accountable for the overall management of all risks, including climate-related risks.
The ESG Committee ensures that all the appropriate policies, mechanisms and processes are in place to allow the Board to effectively manage sustainability matters and address stakeholder needs. Furthermore, the Board has delegated responsibility for the efficient implementation and maintenance of the risk management system to the Group's CEO.

The CEO is actively involved in all sustainability-related matters, including climate change, and closely monitors the Group's overall ecological performance. He receives updates from the Group's subsidiaries on their performance and planned initiatives. This careful monitoring of the Group's environmental activities allows the CEO to set the right tone and guide the development of Globaltrans' sustainability strategy.

Management of climate-related issues

Responsibilities of the Board include:

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

Responsibilities of the management team include:

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

Sustainability

STRATEGY

Globaltrans' operations and financial results could be adversely affected by climate change and regulatory and legislative responses to climate change. Following the TCFD's methodology, we identify and consider both the transitional risks (those associated with the transition to a low-carbon society) and the physical risks of climate change.

Physical

Acute physical risk

Description

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

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

Controls and mitigating factors

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

Transition

Policy/regulation

Description

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

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

Controls and mitigating factors

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

Market

Description

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

Controls and mitigating factors

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

Reputation

Description

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

Controls and mitigating factors

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

METRICS AND TARGETS

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

In 2021, for the first time we also provided data on our Scope 2 GHG indirect emissions.

Scope 1:
153,794 tonnes of CO_2 equivalent.

Scope 2:
1,555 tonnes of CO_2 equivalent.

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

Governance

"Our people are at the heart of everything that we do and in 2021 our focus was again on protecting our employees' well-being with Health & Safety our top priority. We also focused on supporting their mental health and motivation through positive engagement with staff throughout the year. The pandemic taught us to quickly adapt to the rapidly changing environment. The acceleration in the Group's digital transformation we believe is benefitting both our people and our Company.

Julia Ryzhkova
Head of HR, New Forwarding Company

Board of Directors

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

Committee Memberships

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

Sergey Maltsev

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

Appointed: Chairman in April 2018 and Chief Strategy Officer in 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 to join JSC Russian Railways as Senior Vice President for strategy and corporate governance. He rejoined Globaltrans as Chief Strategy Officer in 2017 before becoming Chairman the following year.

Mr. Maltsev was a founding member and Chairman of the non-profit partnership "Council of Railway Operators". In recognition of his services to the rail industry, Mr. Maltsev received the "Honoured Railwayman of Russia" award. He has a degree in railway engineering.

John Carroll Colley

Independent Non-executive Director, Chairman of the Audit Committee

Appointed: April 2013.

Committee Memberships:

A N R E

Skills and experience: Mr. Colley has extensive experience in international trade and risk management both in the public and private sectors. From 2007 to 2010, Mr. Colley served as country manager for Russia at Noble Resources SA. Prior to that, he held 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, Chairman of the Remuneration and Nomination committees

Appointed: March 2008.

Committee Memberships:

R N

Skills and experience: Dr. Durrer began his career at Union Bank of Switzerland and in 1970 founded Fidura Treuhand AG which provides bookkeeping, 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.

Vasilis Hadjivassiliou

Independent Non-executive Director, member of the Audit committee

Appointed: September 2019.

Committee Memberships:

A

Skills and experience: Mr. Hadjivassiliou was a partner in Assurance and Advisory services at PricewaterhouseCoopers (PwC), Cyprus, from 1990 until 2018 when he retired. During this time he held various leadership positions with PwC including as an elected member of the Executive Board, Head of the Limassol office 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 several companies affiliated with his family and is also a Board member in a number of other private companies.

15 **members**

of the Board of Directors

Board of Directors

George Papaioannou
Independent Non-executive Director

Appointed: April 2013.

Committee Memberships:

A

Skills and experience:
Mr. Papaioannou has more than 20 years in financial reporting, risk management, auditing, financial performance analysis and taxation. In 2004, he founded G. Papaioannou Auditors Ltd, which provides accounting, audit, tax and consulting services. From 2002 to 2004, he worked at Grant Thornton in Cyprus and before that for PricewaterhouseCoopers in Cyprus.

Mr. Papaioannou holds a degree in Accounting and Financial Management from the University of Essex. He is a qualified chartered accountant and a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments: Mr. Papaioannou holds directorships in a number of family owned companies and in a very limited number of other private companies.

Alexander Eliseev
Non-executive Director, co-founder of Globaltrans

Appointed: March 2008.

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

Appointed: April 2017.

Skills and experience: Mr. Gomon has over 13 years management experience in the railway industry. From 2006 to 2012 he was CEO of Transoil, one of 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

Appointed: March 2008.

Committee Memberships:

E

Skills and experience: Ms. Nicolaou has extensive experience in commercial, corporate and funds law. She is currently the Managing Director of Amicorp (Cyprus) Ltd. Previously, she was head of the Corporate Legal department at Polakis Sarris LLC and also worked at C. Patsalides LLC. Ms. Nicolaou is a member of the Board of CIFA and WICCI, the Chair of Cyprus-South East Asia Business Association, participates in various associations of the Cyprus Chamber of Commerce and sits on the boards of other listed and private companies.

Ms. Nicolaou graduated with an LLB in Law from the University of Nottingham and holds an LLM in Commercial and Corporate Law from University College London. She has an advanced diploma in Business Administration from the Cyprus International Institute of Management. She was admitted to the Bar in Cyprus in 2003.

Melina Pyrgou
Non-executive Director

Appointed: April 2013.

Skills and experience: Ms. Pyrgou is a barrister and registered insolvency practitioner and has practised corporate law for over 25 years. She is 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.

4 independent
Non-executive Directors

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

Board of Directors

Konstantin Shirokov
Executive Director,
Head of Internal Audit

Appointed: March 2008.

Skills and experience: Mr. Shirokov has over 12 years of senior international management experience. Prior to joining Globaltrans, he worked in senior finance roles at Mechel and as an economist at Glencore International. He served as a non-executive member on the board of Global Ports Investments PLC between 2008 and April 2018 where he was a member of the Audit and Risk committee.

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

Alexander Storozhev
Executive Director, Chief Procurement Officer

Appointed: April 2013.

Skills and experience: Mr. Storozhev has held senior management roles throughout a 20-year career in the rail industry and has been with Globaltrans since it was established. He is chairman of 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

Appointed: 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

Appointed: April 2014.

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

Mr. Thomaides graduated from London Southbank University with a BSc degree in Consumer Product Management.

Marios Tofaros
Non-executive Director

Appointed: April 2013.

Skills and experience: Mr. Tofaros is a director of the Client Accounting department at Amicorp (Cyprus) Ltd. He was a financial accountant at Depfa Investment Bank Ltd from 2004 to 2008 and a finance officer at Louis Catering Ltd from 2003 to 2004. He has held various positions in the Audit department at KPMG Cyprus.

Mr. Tofaros has a degree in Accounting, Finance and Economics and a master's degree in Business Studies, both from the University of Kent. He holds a chartered certified accountant (FCCA) diploma and is a member of the Institute of Certified Public Accountants of Cyprus.

Sergey Tolmachev
Executive Director,
Managing Director

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

Skills and experience: Mr. Tolmachev became the Group's Managing Director in October 2013. He joined N-Trans Group in 2001 and has held various management positions focused on corporate finance and treasury. He 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 has responsibility for managing the Group's day-to-day business operations and support functions. The senior management team comprises the executive directors along with individuals responsible for the key subsidiaries and Group functions. Senior management is in turn supported by a team of highly skilled and competent line managers.

Valery Shpakov

Chief Executive Officer

Mr. Shpakov became CEO in March 2016, having served as interim CEO since November 2015. He joined New Forwarding Company, a Globaltrans subsidiary, in 2003 and has been its CEO since 2007.

He is an experienced manager with a track record of over 30 years in the rail industry. He began his career in the private sector in 1999 and has held managerial positions at various companies in the transport sector. He is a recipient of the "Honoured Railwayman of Russia" award.

Sergey 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 over 30 years and was instrumental in the development of the private freight rail market in Russia. He 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 a 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 16 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.

Executive Management

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

Dear Shareholders,

On behalf of the Board, I am pleased to introduce the Group's Corporate Governance Report for 2021. The report provides an overview of what the Board focused on during the year, with details on our governance framework that supports the business.

The Board believes that good governance is essential to the long-term success of the Group and has committed to high standards of compliance. Our governance principles are based on the UK Code of Corporate Governance and are regularly updated and adapted to ensure we remain in line with best practice and meet our obligations to stakeholders.

The Board's governance focus over the last year was on our sustainability agenda, the health and wellbeing of our people, dialogue with shareholders and business resilience.

Sustainability is central to the achievement of our strategic goals and the long-term viability of the business. It is critical that the Group has the governance structure to support its environmental, social and governance strategies, and in January 2021 the Board established a new ESG committee to oversee our sustainability strategy. Thanks to the committee's work, and improved ESG disclosures, our ESG profile improved, and we were rewarded with upgraded ESG ratings and supportive shareholder feedback.

Climate change is high on the Board's agenda. Our industry is well-positioned to facilitate the green transport development and we continue to support management in its efforts to reduce emissions and optimise energy usage. Reflecting our commitment to strong sustainability governance, sustainability plan identifies and focuses on specific sustainability priorities. The Board oversees, and is ultimately responsible for, sustainability and the progress made against the sustainability plan. In response to stakeholders' increasing interest in our climate change approach, Globaltrans has chosen to use the Taskforce for Climate-related Financial Disclosures methodology (TCFD) to align its climate-change reporting. Looking ahead, we intend to increase the level of disclosure as we develop our understanding of the risks and opportunities posed by climate change, as reflected in the Governance of climate-related issues section of this report.

COVID-19 has focused interest on the social aspects of ESG. The Board recognises that the demand for companies to do more in areas such as health and safety, staff development, workforce diversity and equality can only intensify. One of the most important and visible manifestations of how a business treats its employees is safety. Our Company's culture has always been one of safety first, helping to ensure that our people are not put in harm's way. However we can still do more build a sustainable safety culture.

We greatly value the views of shareholders and we appreciate their support of the business. The Board is committed to maintaining high levels of engagement with shareholders. In 2021, we expanded our contact programme to include Russian investors following the successful secondary listing of the Company's GDRs on MOEX in 2020. Our 2021 discussions with shareholders covered a wide range of topics with corporate strategy, governance, and ESG matters especially in focus.

As I have briefly outlined, I am pleased with our progress this year.

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

Corporate Governance Report

Corporate governance policies

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

Globatrans' policies include, inter alia:

Corporate documents and policies

- Articles of Association
- Appointment Policy for the Board of Directors and committees
- Audit committee – terms of reference
- Board of Directors – terms of reference
- Dividend Policy
- ESG (Environmental, Social and Governance) committee – terms of reference
- Nomination committee – terms of reference
- Policy on assessment of independence and objectivity of external auditor
- Remuneration committee – terms of reference

Business ethics

- Anti-Fraud Policy
- Business Continuity Policy
- Code of Ethics and Conduct
- Corporate Diversity and Inclusion Policy
- Environmental and Energy Policy
- ESG Policy
- Freedom of Association Policy
- Health and Safety Policy
- Human Rights Policy
- Policy on reporting and investigating allegations of suspected improper activities (Whistleblowing Policy)
- Supplier Code of Conduct

Disclosure, transparency and market abuse regulation

- Continuing Obligations Policy
- Corporate Policy on the treatment of the rights of minority shareholders
- Disclosure Policy
- Internal control rules for insider information
- List of insider information
- Securities Dealing Code and the PDMR Securities Dealing Code

Privacy

- Privacy Policy

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

Board responsibilities and activities

Globaltrans' Board of Directors is accountable to the Company's shareholders for standards of governance across the Group's activities. The Board is committed to providing effective, transparent and ethical oversight of the Group so that 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 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, audit and financial services, and have appropriate experience working with and for large international organisations. In addition, the Group selects Independent Directors intending to ensure that the views of the free-float shareholders are represented and that the interests of all stakeholders are taken into account.

The Board comprises 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 2021, members of the Board of Directors held 14,716,545 shares and GDRs in Globaltrans.

Diversity

The Board does not operate a formal diversity policy concerning age, gender or educational and professional backgrounds. However, in line with best practice, the Board does take into account these aspects when making new Board appointments and considering the composition of the Board.

There are 2 female members on the Board, equivalent to about 13% of the Board. The average age of the Board is 53.5 years, and ranges in age from 40 to over 70 years old. Board members have experience across the following areas: the transportation and ports industry, audit, accounting, economics, finance and banking, legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management.

Corporate Governance Report

Induction and professional development

The Chair is responsible for ensuring that 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 17 times during 2021 and considered 70 items including the following:

Regular meetings

- Review of the Group's financial and operational performance.
- Approval of the annual budget.
- Review of the Group's performance against the approved annual budget.
- Approval of the annual and semi-annual financial statements and the respective regulatory announcements.
- Review of the results of risk assessments.
- Approval of the Annual General Meeting agenda, including dividend proposals and Board reappointments.
- Approval of appointments to the Board of Directors of subsidiaries.
- Approval of the interim dividend of the Company.

Ad hoc meetings

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

17 times

The Board met in 2021

The Board and the Board Committees meetings in 2021 and the attendance of Directors

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

E – Eligible
A – Attended

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 2021 at the Annual General Meeting held on 29 April 2021. For details of the remuneration paid to the Board and key executives in 2021, 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.

Corporate Governance Report

Board committees

Globaltrans has 4 principal committees that advise the Board: the Audit committee, the Nomination committee, the Remuneration committee and the ESG committee. These committees oversee, review and monitor key areas on behalf of the Board and while they have the authority to make recommendations, ultimate decision-making responsibility for all matters lies with the full Board. Each committee has written terms of reference, approved by the Board, that summarise the committee's role and responsibilities.

4

Board committees

AUDIT COMMITTEE

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

Members and meetings

Number of members	Members as at 31 December 2021	Minimum meetings a year	Number of meetings in 2021
3 members; all independent	**John Carroll Colley,** Independent Non-executive Director (Chairman) **Vasilis Hadjivassiliou,** Independent Non-executive Director **George Papaioannou,** Independent Non-executive Director	4	6

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 2021

- Review of the Group's Consolidated Financial Statements for 2020 and interim financial results for the six months ended 30 June 2021.
- Review of the external auditor's report to the Audit Committee following its full-year audit for 2020 and review for the six months ended 30 June 2021.
- Review of the Group's external auditor and terms of reappointment for 2021. The Committee recommended reappointment of the external auditors to the Board which, in turn, proposed their reappointment at the Annual General Meeting of the Group held on 29 April 2021.
- Review of the report of the external auditor on the audit strategy for 2021.
- 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.

The Audit Committee meetings in 2021

	Eligible	Attended
John Carroll Colley	6	6
George Papaioannou	6	6
Vasilis Hadjivassiliou	6	6

NOMINATION COMMITTEE

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

Members and meetings

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

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

The Nomination Committee meetings in 2021

	Eligible	Attended
Dr. Johann Franz Durrer	1	1
John Carroll Colley	1	1

Corporate Governance Report

REMUNERATION COMMITTEE

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

Members and meetings

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

- Approval of bonuses to the chief strategy officer, chief financial officer and managing director.

The Remuneration Committee meetings in 2021

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

ESG COMMITTEE

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

Members and meetings

Number of members	Members as at 31 December 2021	Minimum meetings a year	Number of meetings in 2021
2 members; 1 independent	**Elia Nicolaou,** Non-executive Director (Chair) **John Carroll Colley,** Independent Non-executive Director	2	2

Responsibilities

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

Issues considered in 2021

- Review of the Group's ESG activities and key performance indicators in 2020 covered in the annual integrated sustainability report.
- Approval of the annual integrated sustainability report for 2020.
- Approval of the 2021 meetings/work plan of the ESG committee.
- Review of latest sustainability trends, the Group's ESG activities, and investor feedback during the H1 2021 non-deal roadshow.
- Review of the Group's ESG plan, key activities and ESG performance in H1 2021.
- Review and approval of the ESG work plan for H2 2021.

The ESG Committee meetings in 2021

	Eligible	Attended
Elia Nicolaou	2	2
John Carroll Colley	2	2

Corporate Governance Report

Shareholder engagement

The Board places great importance on its relationships with the Company's shareholders. It continually strives to provide high levels of transparency and build trust, recognising that engaging with shareholders is key to creating long-term, sustainable shareholder value. The Board engages with shareholders in a variety of ways. The CEO and CFO meet regularly with the Group's institutional investors to hear their views and provide updates on the Group's strategy and business performance. The Group has a dedicated Investor Relations team that acts as the primary point of contact with the investor community.

>2,000

local investors took part in dedicated seminars in 2021

Management undertakes a regular schedule of meetings, presentations, conference calls and webcasts with institutional investors and sell-side analysts. The Group's commitment to open and constructive communication has been particularly important in the last year in light of the coronavirus pandemic. The management, along with Investor Relations team, worked hard to maintain open channels of communications, using remote communications tools to interact with investors. In connection with the Group's secondary listing on the Moscow Exchange, the Company focused on events and seminars for Russian retail investors to introduce them to the Company and set out the investment case. Over 2,000 local investors took part in these events during 2021 contributing to the significant increase in the stock liquidity. The Group's new website was also launched in 2020, providing easy-to-navigate access and an enhanced investor relations experience.

Corporate information, including annual reports, Company announcements and presentations is available on the corporate website at www.globaltrans.com/investors.

INTERNAL CONTROL AND AUDIT

The Board is primarily responsible for establishing a framework of prudent and effective internal controls and risk management in relation to the financial reporting process for the undertakings included in the Group consolidation that enables risks to be assessed and managed and financial reports to be prepared.

The Audit committee reviews and assesses the Group's internal control and risk management processes. The system of controls is designed to manage rather than eliminate the risks relevant to the Group's operations and, therefore, can only provide reasonable, and not absolute, assurance against material errors, losses, fraud or breaches of laws and regulations.

At Globaltrans, the body responsible for internal audit is the Internal Audit Service (IAS).

It tests the Group's systems of risk management, internal control and corporate governance to obtain reasonable assurance that:

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

Every year the Audit committee approves an internal audit plan, which is developed by identifying the audit universe, performing a risk analysis and obtaining input from management relative to risks, controls and governance processes. The internal auditor regularly reports to the Audit committee on the progress of planned audits. If any material internal control deficiencies are identified, they are immediately communicated to the Audit committee and consequently to the Board.

EXTERNAL AUDITOR

The Audit committee manages the relationship with the external auditor on behalf of the Board. Each year it considers the reappointment of the external auditor, reviews requirements on the rotation of the audit partner and the audit firm when applicable, as well as its remuneration and other terms of engagement, and makes a recommendation to the Board. Shareholders are then asked to approve the appointment at the Annual General Meeting.

The Group has a formal policy 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 Pricewaterhouse-Coopers as the Group's external auditor for 2021 and 2022. The appointment for 2021 was approved by the Group's shareholders at the Annual General Meeting on 29 April 2021.

Share Capital

Globaltrans was formed in 2004 when a group of like-minded entrepreneurs brought their freight rail businesses together to form the Company, giving it the scale, governance and focus to become one of the leading players in the region.

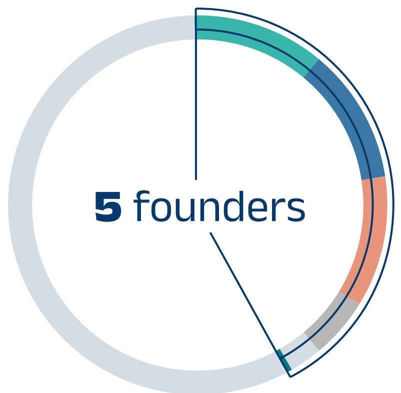
These founders remain shareholders with a total stake of about 43% between them, and their entrepreneurial December 2021, news surrounding spirit remains at the heart of our culture and approach today. In addition, other directors and officers of Globaltrans are shareholders of the Company representing approximately 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 (LSE), becoming the first freight rail company serving Russian cargo flows to be listed internationally. In 2020, Globaltrans' GDRs were admitted to trading on the Moscow Exchange (MOEX). Today, the majority of the Company's shares are in public hands with Globaltrans' free float amounting to approximately 56.8% of the issued share capital.

The issued share capital of Globaltrans consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of Global Depositary Receipts ("GDRs"). The GDRs represent one ordinary share each and have been traded on the Main Market of the LSE (ticker symbol: GLTR) since May 2008[1] and on the Level One quotation list of MOEX (ticker symbol: GLTR) since October 2020. Citibank N.A. is the depositary bank for the GDR programme of Globaltrans.

As of 4 March 2022 the total number of the GRDs held in treasury represented 0.24% of the Company's share capital.

Ownership structure as of 4 March 2022



- **11.5%** Marigold Investments Ltd[2]
- **11.5%** Onyx Investments Ltd[2]
- **10.8%** Maple Valley Investments Ltd[2]
- **5.1%** Litten Investments Ltd[3]
- **3.1%** Goldriver Resources Ltd[4]
- **0.9%** Transportation Investments Management Ltd[5]
- **0.2%** Directors and management
- **0.24%** Treasury shares
- **56.8%** Free float[6]

[1] Imposed suspension of GDRs trading on the London Stock Exchange on 3 March 2022 continued as of the date of publication.

[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.

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

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

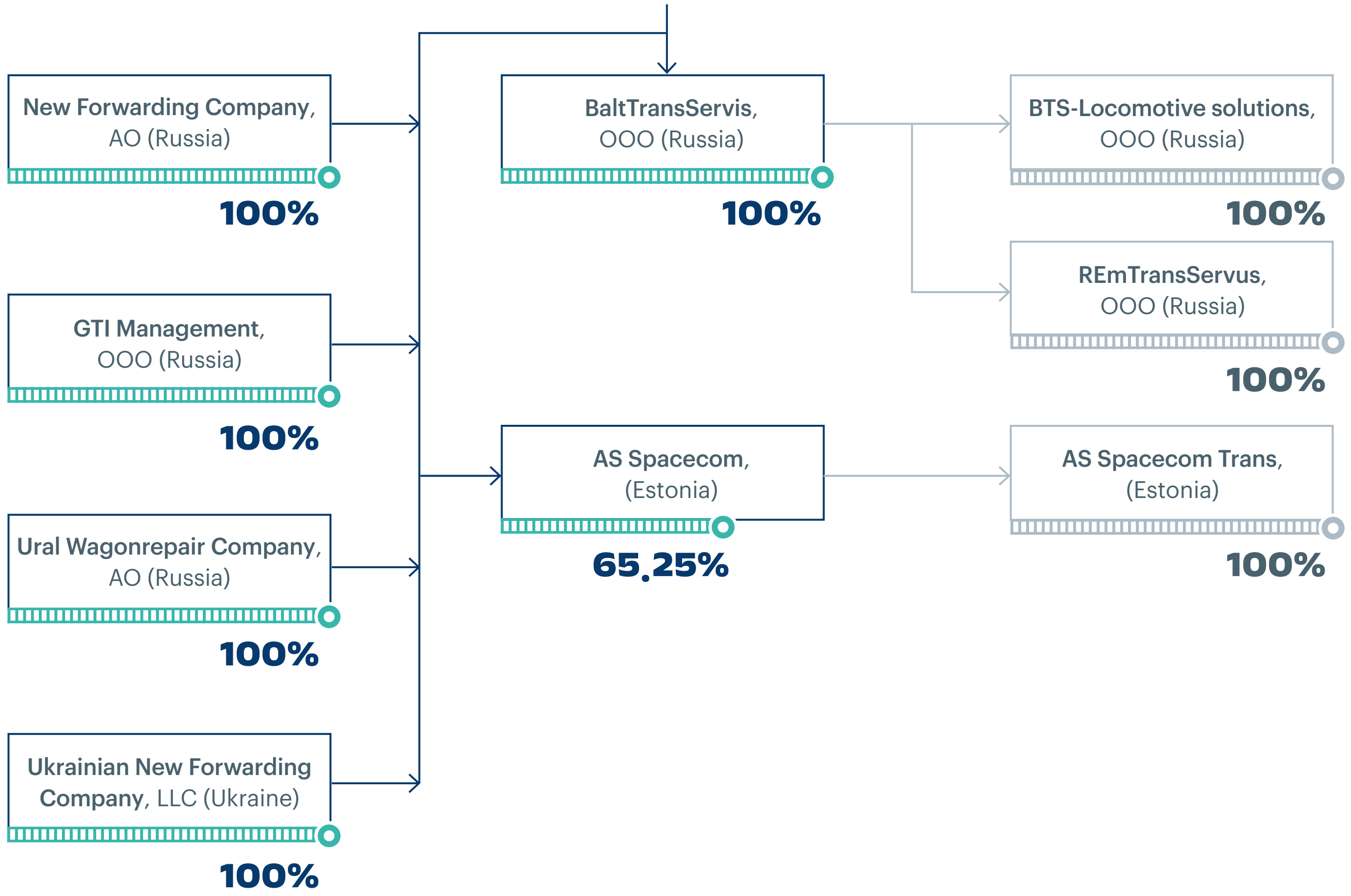
Corporate Structure

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

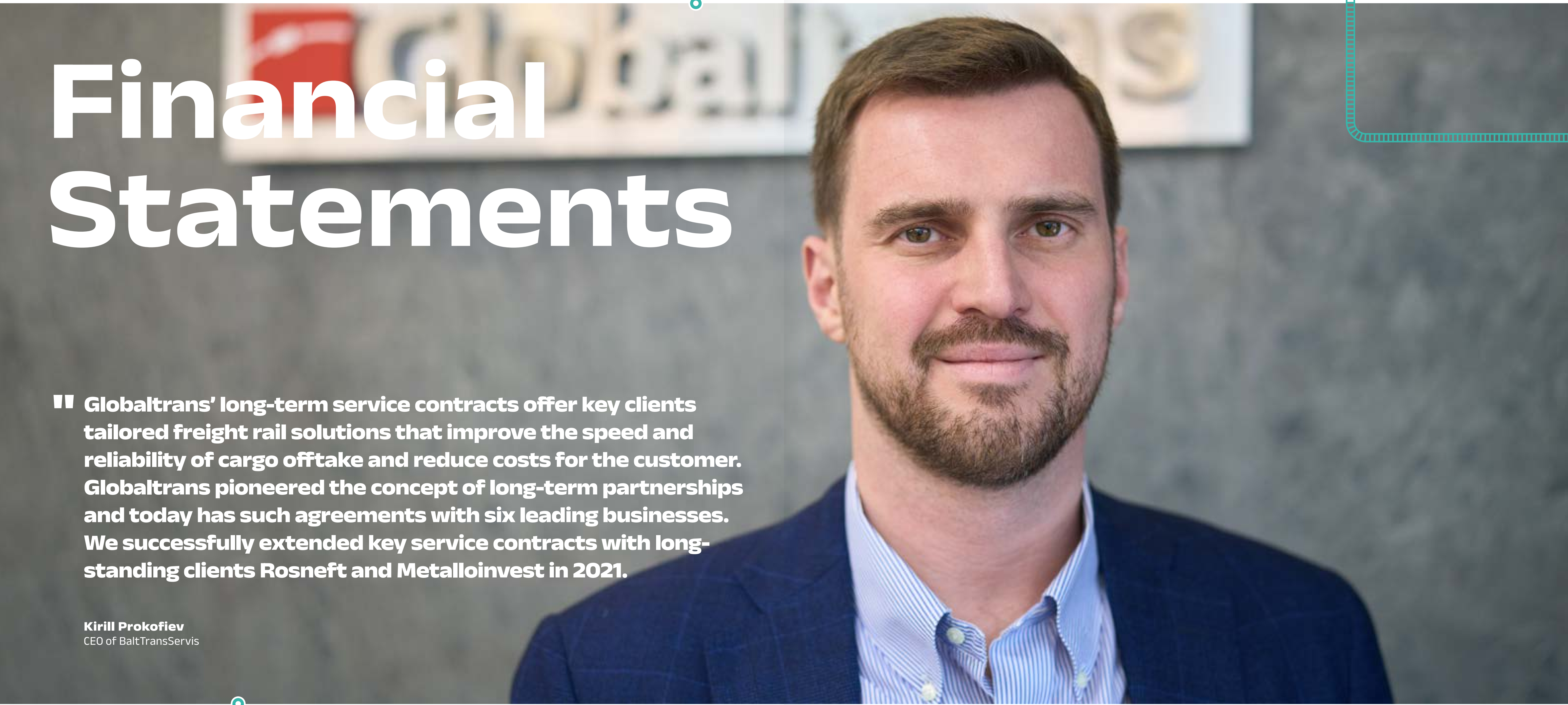
The Group's corporate structure ensures effective asset management and operational control while creating logical business segments.

Globaltrans Investment PLC

as of 1 March 2022



Source: Globaltrans



Financial Statements

> **"Globaltrans' long-term service contracts offer key clients tailored freight rail solutions that improve the speed and reliability of cargo offtake and reduce costs for the customer. Globaltrans pioneered the concept of long-term partnerships and today has such agreements with six leading businesses. We successfully extended key service contracts with long-standing clients Rosneft and Metalloinvest in 2021.**

Kirill Prokofiev
CEO of BaltTransServis

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2021

Board of Directors and other officers

Board of Directors

Mr. Johann Franz Durrer
Senior Independent Non-Executive Director
Chairman of the Remuneration Committee
Chairman of the Nomination Committee

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

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

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

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

Mr. Michalakis Thomaides
Non-Executive Director

Ms. Melina Pyrgou
Non-executive Director

Mr. Marios Tofaros
Non-executive Director

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

Mr. Sergey Tolmachev
Executive Director

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

Mr. Konstantin Shirokov
Executive Director

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

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

Mr. Alexander Tarasov
Non-executive Director

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 2021. 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

The first half of 2021 saw weak gondola pricing conditions. However, continued momentum in the bulk cargo market supported an improvement in gondola rates toward the end of the second quarter that has carried through the second half of the year. The significant market recovery seen in the second half of 2021 was converted into a strong business performance for the full year. The Group has improved the financial results, reduced the leverage and renewed key long-term contracts during 2021. Group's Free Cash Flow remained robust despite the moderate increase in expansion CAPEX, reflecting mainly purchases of additional tank cars.

IFRS financial information

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

The Group's Total revenue increased 7% year on year to RUB 73,151,013 thousand in 2021 (2020: RUB 68,367,404 thousand). Operating profit increased 15% year on year to RUB 21,627,259 thousand in 2021 (2020: RUB 18,811,071 thousand). The Profit for the year ended 31 December 2021 increased 24% year on year to RUB 15,099,559 thousand (2020: RUB 12,186,847 thousand).

On 31 December 2021 the total assets of the Group were RUB 108,284,996 thousand (2020: RUB 98,327,207 thousand) and net assets were RUB 56,505,223 thousand (2020: RUB 52,773,813 thousand).

On 31 December 2021 the total debt of the Group was RUB 31,318,470 thousand and decreased by 2% as compared to end of 2020 which amounted to RUB 32,015,239 thousand. Total cash and cash equivalents on 31 December 2021 increased by 158% and amounted to RUB 12,854,707 thousand (31 December 2020: 4,978,322 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 6% year on year to RUB 58,492,364 thousand (2020: RUB 54,933,713 thousand) supported by substantial recovery in gondola rates in second half of 2021 coupled with continued robust pricing in the tank car segment. Total Operating Cash Costs were up 2.16% year on year to RUB 29,750,883 thousand (2020: RUB 29,121,210 thousand).

Adjusted EBITDA increased 8% year on year to RUB 29,044,127 thousand (2020: RUB 26,807,224 thousand) with the Adjusted EBITDA Margin rose to 50% (2020: 49%), mainly impacted by growing Adjusted revenue and costs remaining stable.

The Group had a strong balance sheet with Net Debt to Adjusted EBITDA decreasing to 0.64x (2020 end: 1.01x). Net Debt reduced by 32% to RUB 18,463,763 thousand (2020 end: RUB 27,036,917 thousand). As at 31 December 2021 and 31 December 2020 100% of the Group's debt was denominated in Russian roubles.

Free Cash Flow of RUB 16,130,930 thousand increased 7% year on year (RUB 15,103,243 thousand for 2020) despite a 22% increase in Total CAPEX year on year to RUB 8,439,159 thousand (2020: RUB 6,941,159 thousand) following purchases of additional tank cars, and increased maintenance CAPEX.

Operational information

In 2021, Freight Rail Turnover (excluding Engaged Fleet) decreased by 2.3% year on year and the Group's Transportation Volume (excluding Engaged Fleet) decreased by 4.3%. The Freight Rail Turnover amounted to 146.8 billion tonnes-km (2020: 150.3 billion tonnes-km) and the Group's Transportation Volume was 85.1 million tones in 2021 (2020: 88.9 million tones).

The Average Number of Loaded Trips per Railcar decreased by 3.2% year on year and the Average Distance of Loaded Trips increased by 2.1% year on year, mainly reflecting changed logistics.

Average Price per Trip increased by 11% year on year to RUB 41,075 (2020: RUB 36,909), with solid pricing in the gondola segment.

The decrease in the Empty Run Ratio for gondola cars to 44% (2020: 45%) due to continued adjustments to cargo and client mix due to the impact of the COVID-19 pandemic whereas the Total Empty Run Ratio remains stable on the level 51% (2020: 51%).

Total Fleet decreased by 4% to 69,106 units (2020 end: 71,688 units) primarily reflecting the sale of Syntezrail LLC, which more than offset the additions of units in the year and increase in leased-in fleet.

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

Consolidated Management Report

Definitions to Non-IFRS financial measures

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

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

Adjusted Revenue is calculated as “Total revenue” less the following “pass through” items “Infrastructure and locomotive tariffs: loaded trips” and “Services provided by other transportation organisations”.

Average Distance of Loaded Trip is calculated as the sum of the distances of all loaded trips for a period divided by the number of loaded trips for the same period.

Average Number of Loaded Trips per Railcar is calculated as total number of loaded trips in the relevant period divided by Average Rolling Stock Operated.

Average Price per Trip is calculated as Net Revenue from Operation of Rolling Stock divided by the total number of loaded trips during the relevant period in the respective currency. Net Revenue from Operation of Rolling Stock is defined as the sum of “Revenue from railway transportation — operators services (tariff borne by the Group)” and “Revenue from railway transportation — operators services (tariff borne by the client)” less “Infrastructure and locomotive tariffs: loaded trips”, “Services provided by other transportation organisation” and net revenue from engaged fleet.

Average Rolling Stock Operated is calculated as the average weighted (by days) number of rolling stock available for operator services (not including rolling stock in maintenance, purchased rolling stock in transition to its first place of commercial utilisation, rolling stock leased out, Engaged Fleet, flat cars and tank containers used in petrochemical business).

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

Empty Run Ratio is calculated as the total of empty trips in kilometres by respective rolling stock type divided by total loaded trips in kilometres of such rolling stock type. Empty trips are only applicable to rolling stock operated (not including rolling stock in maintenance, purchased rolling stock in transition to its first place of commercial utilisation, rolling stock leased out, engaged fleet, platforms and tank containers used in petrochemical business).

Engaged Fleet is defined as rolling stock subcontracted or otherwise engaged from a third-party rail operator for a loaded trip from the point of origination to the cargo’s destination, at which point the railcar is then released to such third-party.

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

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

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

Net revenue from engaged fleet represents the net sum of the price charged for transportation to clients by the Group utilising Engaged Fleet less the loaded railway tariff charged by OAO “Russian Railways” (included in “Infrastructure and locomotive tariffs: loaded trips”) less the cost of attracting fleet from third-party operators (included in “Services provided by other transportation organisations”).

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

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

Total Empty Run Ratio is calculated as total kilometres travelled empty divided by the total kilometres travelled loaded by the rolling stock fleet operated by Globaltrans (not including the relocation of rolling stock to and from maintenance, purchased rolling stock in transition to its first place of commercial utilisation, or rolling stock leased out, Engaged Fleet, platforms and tank containers used in petrochemical business) in the relevant period.

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

Total Operating Cash Costs represent operating cost items payable in cash and calculated as “Total cost of sales, selling and marketing costs and administrative expenses” less the “pass through” items: “Infrastructure and locomotive tariffs: loaded trips” and “Services provided by other transportation organisations” and non-cash items: “Depreciation of property, plant and equipment”, “Amortisation of intangible assets”, “Depreciation of right-of-use assets”, “Loss on derecognition arising on capital repairs”, “Net impairment losses on trade and other receivables”, “Reversal of impairment/(impairment) of property, plant and equipment” and “Net gain/(loss) on sale of property, plant and equipment”.

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

Consolidated Management Report

Changes in group structure

There were no changes in the Group structure of the Company during the year ended 31 December 2021, apart from the sale of 60% in Syntezrail Ltd and Syntezrail LLC. Furthermore, in February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO (Note 36). For the principal subsidiaries of the Company, refer to Note 20 of the consolidated financial statements.

Environmental matters

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

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

Human resources

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

The Group's future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team. Competition in Russia for such personnel with relevant expertise is intense due to the small number of qualified individuals with suitable practical experience in the rail industry.

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

Principal risks and uncertainties

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

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

The escalation of the conflict in Ukraine and the associated sanctions imposed by the US, European Union and a number of other countries on some of the biggest Russian industrial groups, as described in Note 36 to the consolidated financial statements, may adversely affect the business environment and prospects of the Company and its subsidiaries and create significant new risks, which did not exist as at the balance sheet date.

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

Strategic risks

The strategic risks faced by the Group that pose risks that influence the Group's ability to achieve its strategy include the general economic situation and operating environment in Russia, Kazakhstan, Ukraine, 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 68% of the Group's Net Revenue from the operation of rolling stock in 2021; cost of borrowing and/or deterioration in market conditions with potential impacts on the profitability and recoverability of investments; and reliance on RZD for issuing permits allowing the Group to operate locomotives.

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

Consolidated Management Report

The management of the Group constantly monitors the developments in the operating environment and regulatory regime of the railway transportation market in the countries in which the Group operates. The Group's business model is to maintain a balanced fleet between universal gondola cars, adaptable to the demand for transportation of various bulk cargoes and rail tank cars, which are used for the transportation of oil products and oil. Further, the Group has long-term, established relationships with its key customers and their affiliates and suppliers and in some cases, the Group becomes an integrated part of its customers' operations. Around 59% of the Group's Net Revenue from the Operation of Rolling Stock in 2021 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding transport volumes for the Group. In addition, the Group's marketing function regularly monitors competitors' strategies, their use of technology, their price strategies and industry trends.

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

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

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

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

Operational risks

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

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

Consolidated Management Report

Compliance risks

The Group is also subject to compliance risk, being the risks that influence the Group's adherence to relevant laws and regulations, including the regulations of the London Stock Exchange ("LSE") and the Moscow Exchange ("MOEX"), where Company's GDR are admitted to trading. The Group is involved in legal actions from time to time. Some of it may have an adverse effect on the Group. The ambiguity of the law in Russia and CIS countries creates regulatory uncertainty and might result in claims from different government authorities. Local tax, currency, sanctions and customs legislation, especially in Russia, other emerging markets and Cyprus, may be subject to varying interpretations, inconsistencies between federal laws, regional and local laws, rules and regulations, frequent changes and a lack of judicial and administrative guidance on interpreting legislation.

The Group runs its operations in compliance with tax, currency, labour, sanctions, customs, antimonopoly and other applicable legislation and constantly monitors any changes in the regulatory environment as well as compliance with the terms of its agreements. Standard forms of agreements are used for transportation services, and various controls are in place to ensure that the terms of agreements are adhered to. All contracts are subject to rigorous review by all of the Group functions concerned and a formal approval process prior to execution. The Group has controls in place, including highly qualified and experienced personnel, to monitor changes in legislation and determine the appropriate action needed to minimise the risk of a challenge to such treatments by the authorities. For complex matters, the Group retains external consultants.

Financial risks

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

Foreign exchange risk

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

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

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

Cash flow and fair value interest rate risk

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

Credit risk

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

Liquidity risk

The Group has an excess of current liabilities over current assets of RUB 233,557 thousand as at 31 December 2021. Due to availability of undrawn borrowing facilities, 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 Group's strategic objective is to strengthen its position as a leading private freight rail group in Russia. The future development of the Group may be affected by the escalation of the conflict in Ukraine in the period after the balance sheet date, as described in Note 36. It is not possible for the Board of Directors to predict with any degree of certainty the impact of this uncertainty on the future operations of the Group and estimate the financial effect on the Group.

Results

The Group's results for the year are set out on pages 164 and 165. On the date of this report, the Board of Directors, having considered the profitability and liquidity position of the Group as well as all the risks and recent developments, does not recommend the payment of a final dividend and the net profit for the year is retained.

Consolidated Management Report

Dividends

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

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

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

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

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

Share capital

As at 31 December 2021 the issued share capital of the Company which remains unchanged from the prior year, comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

Treasury shares

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company's GDRs, each representing one ordinary share of the Company with a par value of US$0.10 per share, and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2020 and May 2020. The total number of purchased GDRs shall not exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). The buyback programme allows the Company to take advantage of opportunities, if any, when its return criteria are better met by way of a GDR buyback than through investment in fleet expansion. The shareholders of the Company at the Annual General Meeting which took place on 29 April 2021 approved the prolongation of the term of the buyback program until the earlier of the close of the Annual General Meeting of the Company to be held in 2022 or 12 months from the date of the approval.

During the year 2020, the Company has purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand). No further acquisitions took place within the year 2021. For details of acquisitions of treasury shares in 2022 refer to the Note 36.

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

Research and development activities

The Group has not undertaken any research and development activities during the year ended 31 December 2021.

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 2021 (eight branches and eight representative offices during 2020).

Going concern

The Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2022, including cash flows and borrowing facilities, and taking into account the developments after the reporting date impacting the economic and business environment in which the Group operates, as set out in Note 36 to the consolidated financial statements, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Consolidated Management Report

Auditors

The Independent Auditor, 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 2021 and at the date of this report, the Board comprises 15 members (2020: 15 members),11 (2020: 11 members) of whom are non-executive directors. Four (2020: 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 2021 and at the date of this report are shown on page 135. All of them were members of the Board throughout the year 2021.

There were no significant changes in the assignment of responsibilities of the Board of Directors, with the exception of Mr. Hadjivassiliou who replaced Ms. Nicolaou as a member of the Audit Committee in January 2021 and Ms. Nicolaou and Mr. Colley who were appointed to the ESG Committee in January 2021.

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 2021 amounted to RUB 604,062 thousand (2020: RUB 433,063 thousand).

Consolidated Management Report

Board performance

The Board held 17 meetings in 2021. The Directors' attendance is presented in the table below.

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

The Board Committees

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

Audit Committee

The Audit Committee comprises of three Directors and meets at least four times each year. As of 31 December 2021 the members Audit Committee were independent and the Audit Committee was chaired by Mr. Colley and was also attended by Mr. Papaioannou and Mr. Hadjivassiliou. In January 2021 Mr. Hadjivassiliou became a member of the Audit Committee and Ms. Nicolaou resigned from the Audit Committee and was appointed to the ESG Committee. The Audit Committee is responsible for considering, among other matters: the integrity of the Company's financial statements, including its annual and interim accounts, and the effectiveness of the Company's internal controls and risk management systems; auditors' reports and the terms of appointment and remuneration of the auditor.

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

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

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

Nomination Committee

The Nomination Committee comprises of two Independent Directors and meets at least once a year. The Nomination Committee is chaired by Dr. Durrer and Mr. 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 of two Independent Directors and meets at least once a year. The Remuneration Committee is chaired by Dr. Durrer and Mr. 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.

Consolidated Management Report

ESG Committee

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

Board and Management Remuneration

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

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

The shareholders of the Company approved the remuneration of the members of the Board of Directors at the Annual General Meeting of shareholders held on 29 April 2021.

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 53.5 years. The Board members have the following educational backgrounds: transportation and ports industry, accounting, economics and financial, banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management. The Board has a necessary balance of skills and expertise to run the Company and the Group.

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

Regulations with regards to the amendment of the article of association

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

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

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

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

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

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

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

The system of controls is designed to manage rather than eliminate the risks relevant to the Group's operations and, therefore, can only provide reasonable, and not absolute, assurance against material errors, losses, fraud or breaches of laws and regulations.

At Globaltrans, the body responsible for internal audit is the Internal Audit Service (IAS). It tests the Group's systems of risk management, internal control and corporate governance to obtain a reasonable assurance that:

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

Consolidated Management Report

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.

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 and in the Moscow Exchange, under the ticker GLTR. The free float of Globaltrans amounts to approximately 56.9%[1] of the issued share capital. The Company's depositary bank for the GDR programme is Citibank N.A.

The shareholder structure of the Company as at 31 December 2021 was as follows:

Onyx Investments Ltd[2]	11.5%
Marigold Investments Ltd[2]	11.5%
Maple Valley Investments Ltd[2]	10.8%
Litten Investments Ltd[3]	5.1%
Goldriver Resources Ltd[4]	3.1%
Transportation Investments Management Ltd[5]	0.9%
Treasury shares	0.04%
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.
(5) Beneficially owned by Andrey Filatov, Nikita Mishin and Konstantin Nikolaev, co-founders of Globaltrans.

Directors' interests

The interests in the share capital of Globaltrans Investment PLC and its Group companies, both direct and indirect, of those who were Directors of the Company as at 31 December 2021 and 31 December 2020 are shown below:

Name	Type of holding	2021	2020
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	9,065,790
Sergey Maltsev	Indirect holding of GDRs	5,490,149	7,099,725
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, 25 March 2022

Directors' responsibility

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

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

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

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

Directors' confirmations

Each of the directors, whose names and functions are listed in page 135 confirms that, to the best of his or her knowledge:

(a) the consolidated financial statements, which are presented on pages 164 to 262, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation take as a whole; and
(b) the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces/they face.

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

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

By order of the Board

....

Sergey Tolmachev
Director

Limassol, 25 March 2022

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 2021, 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 164 to 262 and comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

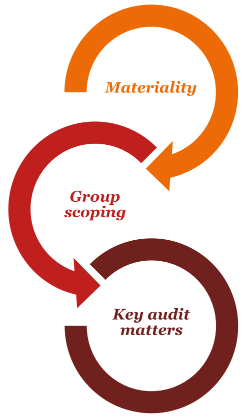
Emphasis of matter: events after the balance sheet date

We draw attention to Note 36 to the consolidated financial statements, which describes the events after the balance sheet date impacting the Group's operating environment and activities. Our opinion is not modified in respect of this matter.

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 934,000 thousand, which represents 5% of profit before tax as adjusted for non—recurring items (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 a full scope audit 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.

Independent Auditor's Report

Overall group materiality	RUB 934,000 thousand
How we determined it	5% of profit before tax as adjusted for non—recurring items (rounded)
Rationale for the materiality benchmark applied	We chose the adjusted 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 46,700 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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 Directors' responsibility, which we obtained prior to the date of this auditor's report, and the Company's complete Annual Report, 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, 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 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.

Independent Auditor's Report

- 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, actions taken to eliminate threats or safeguards applied.

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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

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

- In our opinion, 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 our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 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.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these consolidated financial statements form part of the European Single Electronic Format (ESEF)-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This independent auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

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

25 March 2022

Consolidated income statement

for the year ended 31 December 2021

	Note	2021 RUB'000	2020 RUB'000
Revenue	10	**73,151,013**	68,367,404
Cost of sales	11	**(48,334,442)**	(47,065,999)
Gross profit		**24,816,571**	21,301,405
Selling and marketing costs	11	**(249,390)**	(204,666)
Administrative expenses	11	**(4,046,220)**	(3,393,665)
Other income		**310,381**	1,000,232
Other gains — net	12	**795,917**	107,765
Operating profit		**21,627,259**	18,811,071
Finance income	14	**326,962**	263,968
Finance costs	14	**(2,506,627)**	(2,510,495)
Net foreign exchange transaction (losses)/gains on financing activities	14	**(9,559)**	147,008
Finance costs — net	14	**(2,189,224)**	(2,099,519)
Profit before income tax		**19,438,035**	16,711,552
Income tax expense	15	**(4,338,476)**	(4,524,705)
Profit for the year		**15,099,559**	12,186,847
Profit attributable to:			
Owners of the Company		**12,987,020**	10,586,535
Non-controlling interest		**2,112,539**	1,600,312
		15,099,559	12,186,847
Weighted average number of ordinary shares in issue (thousand)	32	**178,664**	178,705
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	**72.69**	59.24

[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 174 to 262 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	2021 RUB'000	2020 RUB'000
Profit for the year	**15,099,559**	12,186,847
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(564,312)**	2,050,512
Losses on cash flow hedge reserve	**(86,158)**	(475,042)
Reclassification to the income statement	**86,158**	475,042
Items that will not be reclassified to profit or loss		
Currency translation differences attributable to non-controlling interest	**(311,762)**	1,066,715
Other comprehensive income for the year, net of tax	**(876,074)**	3,117,227
Total comprehensive income for the year	**14,223,485**	15,304,074
Total comprehensive income for the year attributable to:		
— owners of the Company	**12,422,708**	12,637,047
— non-controlling interest	**1,800,777**	2,667,027
	14,223,485	15,304,074

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 174 to 262 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 December 2021

	Note	31 December 2021 RUB'000	31 December 2020 RUB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	81,101,184	84,420,941
Right-of-use assets	18	5,606,845	1,080,415
Intangible assets	19	85	1,460
Other assets	23	1,146,917	549,493
Trade receivables	22	—	236,165
Loans and other receivables	22	237,680	3,887
Total non-current assets		88,092,711	86,292,361
Current assets			
Inventories	24	680,363	691,033
Other assets	23	2,681,218	2,586,593
Loans and other receivables	22	30,358	47,483
Trade receivables	22	3,638,450	3,465,381
Current income tax assets		307,189	266,024
Cash and cash equivalents	25	12,854,707	4,978,322
		20,192,285	12,034,836
Assets classified as held for sale		—	10
Total current assets		20,192,285	12,034,846
TOTAL ASSETS		108,284,996	98,327,207
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	26	516,957	516,957
Share premium	26	27,929,478	27,929,478
Treasury shares		(31,496)	(31,496)
Common control transaction reserve		(10,429,876)	(10,429,876)
Translation reserve		4,878,875	5,443,187
Capital contribution		2,694,851	2,694,851
Retained earnings		24,688,577	20,724,107
Total equity attributable to the owners of the Company		50,247,366	46,847,208
Non-controlling interest		6,257,857	5,926,605
Total equity		56,505,223	52,773,813

	Note	31 December 2021 RUB'000	31 December 2020 RUB'000
Non-current liabilities			
Borrowings	28	17,650,210	21,084,067
Other lease liabilities	29	3,928,163	720,487
Trade and other payables	31	9,225	—
Contract liabilities	10	14,019	8,710
Deferred tax liabilities	30	9,752,314	8,862,587
Total non-current liabilities		31,353,931	30,675,851
Current liabilities			
Borrowings	28	13,668,260	10,931,172
Other lease liabilities	29	1,913,410	684,109
Trade and other payables	31	2,721,027	2,197,994
Contract liabilities	10	1,371,024	964,042
Current tax liabilities		752,121	100,226
Total current liabilities		20,425,842	14,877,543
TOTAL LIABILITIES		51,779,773	45,553,394
TOTAL EQUITY AND LIABILITIES		108,284,996	98,327,207

On 25 March 2022, 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 174 to 262 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 2021

	Note	Share capital	Share premium	Treasury shares	Common control transaction reserve	Cash flow hedge reserve	Translation reserve	Capital contribution	Retained earnings	Total	Non-controlling interest	Total
		Attributable to the owners of the Company										
		RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Balance at 1 January 2020		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**
Comprehensive income												
Profit for the year		–	–	–	–	–	–	–	10,586,535	10,586,535	1,600,312	**12,186,847**
Other comprehensive income												
Currency translation differences		–	–	–	–	–	2,050,512	–	–	2,050,512	1,066,715	**3,117,227**
Losses on cash flow hedge reserve		–	–	–	–	(475,042)	–	–	–	(475,042)	–	**(475,042)**
Reclassification to the income statement		–	–	–	–	475,042	–	–	–	475,042	–	**475,042**
Total comprehensive income for 2020		–	–	–	–	–	2,050,512	–	10,586,535	12,637,047	2,667,027	**15,304,074**
Transactions with owners												
Dividends to owners of the Company	27	–	–	–	–	–	–	–	(16,637,178)	(16,637,178)	–	**(16,637,178)**
Dividends to non-controlling interest	27	–	–	–	–	–	–	–	–	–	(2,387,652)	**(2,387,652)**
Purchase of treasury shares	26	–	–	(31,496)	–	–	–	–		(31,496)	–	**(31,496)**
Total transactions with owners		–	–	(31,496)	–	–	–	–	(16,637,178)	(16,668,674)	(2,387,652)	**(19,056,326)**
Balance at 31 December 2020		516,957	27,929,478	(31,496)	(10,429,876)	–	5,443,187	2,694,851	20,724,107	46,847,208	5,926,605	**52,773,813**

The notes on pages 174 to 262 are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2021

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

The notes on pages 174 to 262 these consolidated financial statements are an integral part of these consolidated financial statements

Consolidated cash flow statement

for the year ended 31 December 2021

		2021 RUB'000	2020 RUB'000
Cash flows from operating activities			
Profit before tax		**19,438,035**	16,711,552
Adjustments for:			
Depreciation of property, plant and equipment	17	**6,642,505**	6,968,694
Depreciation of right-of-use assets	18	**1,127,459**	655,070
Amortisation of intangible assets	19	**675**	59,856
Net (gain)/loss on sale of property, plant and equipment	17	**(41,501)**	316
Loss on derecognition arising on capital repairs	17	**483,647**	419,982
Profit on sale of subsidiaries	12	**(751,487)**	—
Net impairment losses on trade and other receivables	11	**7,735**	5,511
Interest income	14	**(326,140)**	(263,968)
Interest expense and other finance costs	14	**2,506,627**	2,510,495
Net foreign exchange transaction losses/(gains) on financing activities	14	**9,559**	(147,008)
Other losses		**6,731**	11,496
		29,103,845	26,931,996
Changes in working capital:			
Inventories		**619,532**	816,127
Trade receivables		**(139,090)**	(427,317)
Other assets		**(487,942)**	1,438,733
Other receivables		**23,294**	9,979
Trade and other payables		**523,879**	(208,134)
Contract liabilities		**414,084**	(283,141)
Cash generated from operations		**30,057,602**	28,278,243
Tax paid		**(2,807,806)**	(3,051,888)
Net cash from operating activities		**27,249,796**	25,226,355
Cash flows from investing activities			
Cash inflow from disposal of subsidiary undertakings — net of cash disposed of	20	**1,110,051**	—
Loans granted to third parties		**(75,000)**	—
Loans repayments received from third parties		**78,803**	4,301
Purchases of property, plant and equipment		**(8,439,159)**	(6,941,159)
Proceeds from sale of property, plant and equipment	17	**77,932**	66,765
Interest received		**326,140**	263,968
Receipts from finance lease receivable		**108,327**	77,870
Other		**(41,418)**	—
Net cash used in investing activities		**(6,854,324)**	(6,528,255)

		2021 RUB'000	2020 RUB'000
Cash flows from financing activities			
Proceeds from bank borrowings	28	**18,058,000**	23,265,000
Repayments of borrowings	28	**(15,286,973)**	(19,603,415)
Repayments of Non-convertible unsecured bonds	28	**(1,250,000)**	—
Principal elements of lease payments for leases with financial institutions	28	**—**	(1,715,794)
Principal elements of lease payments for other lease liabilities	28	**(1,067,922)**	(672,432)
Interest paid on bank borrowings and non-convertible unsecured bonds	28	**(2,238,779)**	(2,314,937)
Interest paid on leases with financial institutions	28	**—**	(80,813)
Interest paid on other lease liabilities	28	**(183,057)**	(113,771)
Dividends paid to the owners of the Company	27	**(9,022,550)**	(16,637,178)
Dividends paid to non-controlling interests in subsidiaries	27	**(1,225,275)**	(2,271,815)
Purchase of treasury shares	26	**—**	(31,496)
Prepayment for acquisition of non-controlling interest	23	**(300,000)**	—
Payments to non-controlling interest	20	**—**	(180,281)
Net cash used in financing activities		**(12,516,556)**	(20,356,932)
Net increase/(decrease) in cash and cash equivalents		**7,878,916**	(1,658,832)
Exchange (losses)/gains on cash and cash equivalents		**(2,531)**	115,611
Cash and cash equivalents at beginning of year	25	**4,978,322**	6,521,543
Cash and cash equivalents at end of year	25	12,854,707	4,978,322

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 174 to 262 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 25 March 2022.

Global Depositary Receipts

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

Principal activities

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

2. Basis of preparation

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

As of the date of the authorization of these financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are relevant to the Group's operations and are effective as at 1 January 2021 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 2021. None of these had a significant impact on these financial statements.

4. Summary of significant accounting policies

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

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

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.

Notes to the consolidated financial statements

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

(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.

Notes to the consolidated financial statements

(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.

Notes to the consolidated financial statements

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of foreign exchange differences that relate to qualifying cash flow hedges which are deferred in equity.

Net foreign exchange differences arising from borrowings and other liabilities and from cash and cash equivalents and other monetary assets are presented on the face of the income statement in the line "net foreign transaction (losses)/gains on financing activities", with the appropriate disclosure of the split between the two in the note "Finance income and costs".

All other foreign exchange gains and losses are presented in the income statement within "Other gains — net".

(c) Group companies

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, including foreign exchange differences on long term loans receivable designated as part of the net investment in foreign operations, are recognised in other comprehensive income. When a foreign operation is disposed of or sold and control or significant influence is lost, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal. On a partial disposal of a foreign operation, the proportionate share of the cumulative amount of the exchange differences recorded in equity relating to the amount disposed is reclassified in the income statement. The Group assesses whether there is a partial disposal of a foreign operation on the basis of the change in the Group's proportionate ownership interest in the foreign operation.

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

Hedging activities

The Group is exposed to foreign exchange risk arising from dividends declared in Russian Roubles and paid in US Dollar at the rate set at the date of the declaration. The Group uses foreign currency cash deposits denominated in US Dollars to hedge this foreign exchange risk exposure.

In particular, the US Dollar denominated cash deposits are designated by the Group as hedging instruments in hedging the foreign exchange risk associated with the highly probable dividend payment and the resulting payable. At inception of the hedge relationship, the Group documents, amongst others, the economic relationship between the hedging instrument and hedged item, including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of the hedged item. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

As a result of the application of hedge accounting, the foreign exchange difference on the hedging instrument is recognised in other comprehensive income in the "Cash flow hedge reserve" within equity. Amounts recognised in equity are reclassified to the income statement, within "Finance income and costs", in the same period or periods during which the hedged item impacts the income statement, being once foreign exchange differences are recognised on the hedged item.

Accordingly, in the cash flow statement "Dividends paid to the owners of the Company" are disclosed net-off foreign exchange differences on the relevant cash deposits (i.e. at the amounts declared) and the "Exchange (losses)/gains on cash and cash equivalents" do not include the impact from the relevant cash deposits used for hedging. In the income statement the amounts included in "Finance income and costs" (Note 14) within "Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets" and "Net foreign exchange transaction gains/(losses) on borrowings and other liabilities" are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging).

Notes to the consolidated financial statements

Property, plant and equipment

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

Land is not depreciated.

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

	Number of years, range
Buildings	30
Rolling stock: (except locomotives)	
Gondola cars	22
Rail tank cars	32
Rail tank cars (specialised types)	30—40
Hoppers	15—26
Flat cars	20—32
Tank containers	20
Locomotives	9—45
Mounted wheels	7
Motor vehicles and other property, plant and equipment	3 to 10

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

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

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

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

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

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

Rolling stock repair and maintenance costs

Repair and maintenance costs relating to periodical capital repairs of locomotives and other rolling stock and periodical middle repairs of locomotives constitute major repairs that result in enhancement of the economic benefits of the rolling stock and as such are capitalised by the Group.

In particular, the cost of each major periodic capital repair is recognised in the carrying amount of the relevant item of rolling stock repaired and separately depreciated over the expected period until the next periodic capital repair or until the end of the useful economic life of the item of rolling stock, if earlier. Significant components replaced as part of periodic major capital repairs are capitalised and depreciated separately over their useful economic life. Simultaneously with the capitalisation of the costs of the new periodic major capital repair, the carrying amount of the repaired rolling stock that is attributable to the previous periodic capital repair and/or significant component replaced, if any, is derecognised and debited in 'cost of sales' in the income statement as 'loss on derecognition arising on capital repairs'.

If it is not practicable for the Group to determine the carrying amount of the repaired rolling stock that is attributable to the previous periodic capital repair and/or significant component replaced to be derecognised, the Group uses the cost of the current periodic major capital repair or replaced part as an indication of what the cost of the replaced part was at the time the rolling stock was acquired.

Other types of repairs of rolling stock, such as current repairs and depot repairs, are viewed by the Group as routine repairs and maintenance and thus their cost is charged in the Group's income statement as and when incurred.

Upon initial recognition of rolling stock, the Group's accounting policy is not to separately identify and depreciate the element of its cost that is reflecting the maintenance element of the periodic major capital repair of the rolling stock on initial recognition. The cost attributed to significant components, such as wheel pairs, is separately identified and depreciated over their useful economic life.

Intangible assets

(a) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Customer relationships are being amortised using the straight-line method over their estimated useful life. The useful lives of the customer relationships are reviewed, and adjusted if appropriate, at the end of each reporting period.

(b) Computer software

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

Notes to the consolidated financial statements

Impairment of non-financial assets

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

Leases

(a) The Group is the lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, with limited exceptions as set out below. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option, if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Contracts may contain both lease and non-lease components. The Group accounts for each lease component within such contracts as a lease separately from the non-lease components. The consideration in the contract is allocated to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components. The consideration for non-lease components relating to services is recognised as an expense in the income statement.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

The Group is exposed to potential future increases in variable lease payments based on an index or a rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right-of-use asset. The adjustment can be positive or negative.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Right-of-use assets are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an expense on a straight-line basis in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet, except for right-of-use assets and associated lease liabilities arising from leases with financial institutions that include purchase options that are reasonably certain to be exercised due to the exercise price being a nominal amount compared to the fair value of the leased asset on the exercise date. The latter are presented within the same line item as the corresponding underlying assets would be presented if they were owned and within borrowings, respectively. Management believes that this presentation best reflects the substance of the leases with financial institutions, being similar to that of purchases via collateralised borrowings.

Security deposits paid by the Group at the commencement of a lease contract that are held by the lessor throughout the term of the lease and are refunded to the Group at the end of the lease term if the Group has fully performed and observed all of the conditions set out in the contract are accounted for as financial assets.

Sale and leaseback

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

The accounting of a sale and leaseback transaction depends on whether the transfer of the asset qualifies as a sale. In making this assessment, the Group assesses whether the buyer-lessor obtained control of the underlying asset.

Notes to the consolidated financial statements

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.

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.

Notes to the consolidated financial statements

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.

Notes to the consolidated financial statements

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other income or finance costs.

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

Trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Inventories

Group entities usually maintain a store of spare parts and servicing equipment. These are carried as inventory and recognised in the income statement as consumed, unless they meet the definition of property, plant and equipment in which case they are classified as such. Major spare parts are also recognised within property, plant and equipment when they meet the definition of property, plant and equipment. Spare parts in inventory as well as other inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less the cost of completion and applicable variable selling expenses and takes into account, amongst others, evidence of damage or obsolescence.

Cash flow statement

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

When the Group enters into a sale and lease back arrangement which constitutes collateralised borrowing, the proceeds received are included within cash flows from financing activities. Receipts from finance lease receivables are included within cash flows from investing activities.

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.

Notes to the consolidated financial statements

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.

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, respectively.

Russian Value Added Tax (VAT)

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

Employee benefits

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

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

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Share based payment transactions

The Group operates a cash-settled share-based compensation plan. In accordance with compensation plan, key management personnel and selected employees of the Group are entitled to receive cash compensations based on the weighted average market quotations of the fixed number of global depository receipts ("GDR") of the Company. The fair value of the employee services received in exchange for the grant of the equivalent GDR instruments is recognised as an expense over the vesting period.

At each balance sheet date, if required by the terms of the compensation plan, the Group revises its estimates of the monetary equivalent of GDRs that are expected to vest. It recognises the impact of the revision of original estimates, including number of instruments expected to vest and fair values, in profit or loss, with a corresponding adjustment to share-based payment liability.

Dividend distribution

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

Notes to the consolidated financial statements

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Other income

Other income generally represents amounts received from transactions that are outside the Group's principal activities. This is recognised in the income statement over the period it relates to, based on the terms of the arrangement. Other income that it is not linked to the Group's future performance and/or satisfaction of any future obligations is recognised in the period in which the Group is entitled to receive it.

5. New accounting pronouncements

Certain new standards, amendments to existing standards and interpretations have been issued that are mandatory for annual periods beginning after 1 January 2021. 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.

- **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. In addition, the amendments clarify the classification requirements for debt a company might settle by converting it into equity.
- **Classification of liabilities as current or non-current, deferral of effective date — Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*.** The effective date of the amendment to IAS 1 on classification of liabilities as current or non-current that was issued in January 2021 with an original effective date 1 January 2022 was deferred by one year.
- **Proceeds before intended use, Onerous contracts — cost of fulfilling a contract, Reference to the Conceptual Framework — narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018–2020 — amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2021 and effective for annual periods beginning on or after 1 January 2022).** The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment to IAS 37 clarifies the meaning of "costs to fulfil a contract". IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements.
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2020 and effective for annual periods beginning on or after 1 January 2023).** IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies.
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2020 and effective for annual periods beginning on or after 1 January 2023).** The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
- **Deferred tax related to assets and liabilities arising from a single transaction — Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).*** The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. The amendments clarify that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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

Notes to the consolidated financial statements

6. Financial risk management

Financial risks factors

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

Market risk

(a) Foreign exchange risk

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

As of 31 December 2021, 100% of the Group's long-term borrowings are denominated in Russian Rouble. Further, a large proportion of the Group's expenses and revenues are denominated and settled in Russian Roubles. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency.

As of the end of December 2021 the Russian Rouble has decreased against the US Dollar from 73.8757 as of 31 December 2020 to 74.2926 Russian Roubles (0.6% decrease) and against the Euro from 90.6824 as of 31 December 2020 to 84.0695 Russia Roubles (7.3% increase).

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

The carrying amounts of monetary assets and liabilities denominated in US Dollars as at 31 December 2021 and 31 December 2020 are as follows:

	2021 RUB'000	2020 RUB'000
Assets	410,316	922,145
Liabilities	198,078	142,777

Had US Dollar exchange rate strengthened/weakened by 20% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2021, would have increased/decreased by RUB 32,074 thousand (2020: 20% change, effect RUB 84,057 thousand) and equity would have increased/decreased by RUB 491,067 thousand (2020: 20% change, effect RUB 503,185 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of cash and cash equivalents and accounts payable denominated in US Dollars for the Group entities with Russian Rouble being their functional currency. The impact on equity is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

Had Euro exchange rate strengthened/weakened by 30% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2021, would have increased /decreased by RUB 13,143 thousand (2020: 30% change, effect RUB 86,122 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 20% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group would have remained unchanged (2020: 20% change, no effect on post-tax profit) and the equity of the Group for the year ended 31 December 2021, would have decreased/increased by RUB 491,067 thousand (2020: 20% change, effect RUB 503,185 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.

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

The impact of application of hedge accounting has been to disclose in the cash flow statement "Dividends paid to the owners of the Company" net-off RUB 86,158 thousand (2020: RUB 475,042 thousand) foreign exchange losses and the "Exchange (losses)/gains on cash and cash equivalents" does not include the equivalent impact from the relevant cash deposits used for hedging. Furthermore, in the income statement the amounts included in "Finance income and costs" within "Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets" and "Net foreign exchange transaction gains/(losses) on borrowings and other liabilities" are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging of RUB 86,158 thousand (2020: RUB 475,042 thousand)).

(b) Cash flow and fair value interest rate risk

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

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

As at 31 December 2021 and 31 December 2020, the Group did not have any credit facilities at floating interest rates, therefore any reasonably possible change in market interest rates would not have any significant impact on the post-tax profit or equity of the Group.

Notes to the consolidated financial statements

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 75.74% of the Group's trade receivables as at 31 December 2021 (2020: 70.95%).

For banks and financial institutions, the Group has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of 'Ba2'. These policies enable the Group to reduce its credit risk significantly.

(ii) Impairment of financial assets

The Group has four types of assets that are subject to the expected credit loss model:

- trade receivables;
- finance lease receivables;
- loans and other receivables; and
- cash and cash equivalents.

The impairment methodology applied by the Group for calculating expected credit losses depends on the type of assets assessed for impairment. All assets are assessed for impairment on an individual basis. Specifically:

- For trade receivables and finance lease receivables the Group applies the simplified approach permitted by IFRS 9 for calculating expected credit losses, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.
- For loans and other receivables and cash and cash equivalents, the Group applies the general approach. In particular, the Group applies the three-stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Significant increase in credit risk. The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable balances. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Default and credit-impaired. A default on a financial asset is when the financial asset meets one or more of the following criteria: (i) the borrower is more than 90 days past due on its contractual payments, (ii) the borrower is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due, (iii) the Group, for economic or contractual reasons relating to the borrower's financial difficulty, granted to the borrower a concession(s) that it would not otherwise consider. The Group considers defaulted assets to be credit-impaired so that Stage 3 represents all debt financial assets which are considered defaulted.

Write-off. Assets are written-off, in whole or in part, when the Group has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

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.

Notes to the consolidated financial statements

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 2021		
Current (not past due)	2,786,170	196,557
1-30 days past due	782,791	—
31-90 days past due	67,298	—
more than 90 days past due	101,146	—
Total	**3,737,405**	**196,557**

	Trade receivables RUB'000	Finance lease receivables RUB'000
As at 31 December 2020		
Current (not past due)	2,444,086	422,972
1-30 days past due	693,461	—
31-90 days past due	304,793	—
more than 90 days past due	394,330	—
Total	**3,836,670**	**422,972**

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2021 and as at 31 December 2020 without taking into account any collateral held. The Group does not hold any collateral as security for any trade receivable balances. Finance lease receivables are effectively secured as the rights to the leased asset revert to the Group in the event of default.

The movement in the credit loss allowance for trade receivables during the years 2021 and 2020 is presented in the table below:

	Trade receivables	
	2021 RUB'000	2020 RUB'000
Opening balance as at 1 January	**(135,124)**	(138,915)
New assets originated or purchased	**(603)**	(11,643)
Net loss allowance of financial assets at the start of the year	**(1,277)**	(4,739)
Receivables modified during the year	**—**	(1,625)
Assets written off during the year as uncollectible	**37,310**	18,583
Recoveries	**—**	9,510
Other	**739**	(6,295)
Closing balance as at 31 December	**(98,955)**	(135,124)

The estimated expected credit loss allowance on finance lease receivables as at 31 December 2021 and as at 31 December 2020 was immaterial. This assessment takes into consideration the presence of the leased asset, which acts as a collateral for the finance lease receivable.

Loans and other receivables

The Group assesses, on an individual basis, its exposure to credit risk arising from loans and other receivables. This assessment takes into account, amongst others, the period the loan receivable or other receivable balance is past due (in days) and history of defaults in the past, adjusted for forward looking information.

The following table contains an analysis of the credit risk exposure other receivables on the basis of the Group's internal credit risk rating grades. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2021 and 2020:

Internal credit risk rating grade	Company definition of category	2021 RUB'000	2020 RUB'000
Performing	Stage 1 — Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	**260,896**	32,612
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	**7,122**	14,872
Non-performing or Credit-impaired	Stage 3 — Interest and/or principal repayments are more than 90 days past due	**14,868**	20,194

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2021 and as at 31 December 2020 without taking into account any collateral held. The Group does not hold any collateral as security for any loans receivable or other receivable balances.

Notes to the consolidated financial statements

The movement in the credit loss allowance for other receivables during the years 2021 and 2020 is presented in the table below:

	Non-performing	
	2021 RUB'000	2020 RUB'000
Opening balance as at 1 January	**(20,195)**	(29,341)
Assets written off during the year as uncollectible	**58**	6,195
Other	**5,269**	2,951
Closing balance as at 31 December	**(14,868)**	(20,195)

The estimated expected credit loss allowance on loans receivable as at 31 December 2020 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 2021 and 2020:

	Rating	2021 RUB'000	2020 RUB'000
Moody's [1]	A3 — Aa2	1,975,283	1,225,758
Moody's [1]	Baa3 — Baa1	10,677,131	2.595,738
Moody's [1]	Ba3 — Ba1	121	1,109,085
Moody's [1]	B1 — B2	84,865	16,204
Standard & Poor's [2]	BB+ — BBB–	43,378	30,831
Fitch [3]	BBB–	40,565	37
Other external non-rated banks — satisfactory credit quality (performing)		33,144	295
Total cash at bank and bank deposits [4]		12,854,487	4,977,948

(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 2021 and as at 31 December 2020 based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2021 and as at 31 December 2020.

Liquidity risk

The Group has an excess of current liabilites over current assets of RUB 233,557 thousand as at 31 December 2021 (2020: excess of current liabilities over current assets RUB 2,842,697 thousand).

The Group has predictable cash flows which allow the Group to repay its liabilities when they fall due. The Group also has successful credit and refinancing history and maintains enough flexibility ensuring the ability to attract necessary funds through committed credit facilities. Due to availability of undrawn borrowing facilities amounting to RUB 42,888,000 thousand as of 31 December 2021 (2020: RUB 29,449,091 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 2021 and 31 December 2020. 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	Over five years RUB'000	Total RUB'000
31 December 2021								
Borrowings	814,665	2,833,542	2,993,360	8,590,841	12,192,783	6,772,325	—	**34,197,516**
Trade and other payables	567,310	52,789	81,137	—	—	—	—	**701,236**
Other lease liabilities	208,682	407,189	626,712	1,255,483	2,385,022	2,172,370	24,427	**7,079,885**
	1,590,657	3,293,520	3,701,209	9,846,324	14,577,805	8,944,695	24,427	**41,978,637**
31 December 2020								
Borrowings	628,404	2,197,010	2,831,036	6,836,340	12,720,064	10,163,762	—	**35,376,616**
Trade and other payables	989,317	41,546	78,802	—	—	—	—	**1,109,665**
Other lease liabilities	71,618	116,864	186,957	376,826	508,047	248,577	—	**1,508,889**
	1,689,339	2,355,420	3,096,795	7,213,166	13,228,111	10,412,339	—	**37,995,170**

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

Notes to the consolidated financial statements

(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 2021 and 31 December 2020 are as follows:

	2021 RUB'000	2020 RUB'000
Total borrowings	**31,318,470**	32,015,239
Total capitalisation	**81,565,836**	78,862,447
Total borrowings to total capitalisation ratio (percentage)	**38.40%**	40.60%

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 2021 and 2020. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

Fair value estimation

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

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

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

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

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 2021 and 31 December 2020 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 2021 and 31 December 2020 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 2021 and 31 December 2020, respectively. The discount rate used was 10.5% p.a. (2020: 6.3% p.a.) (Note 28). The fair value as at 31 December 2021 and 31 December 2020 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

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

Notes to the consolidated financial statements

7. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

i) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 33).

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

The Group also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Revenue recognition

The assessment of the accounting treatment of certain of the Group's revenue contracts requires management to make certain critical judgments. The judgments that had the most significant effect on management's conclusion are the following:

- Identification of performance obligations

  Operator's services contracts involve the provision by the Group of a wide range of services. Management believes that, although some of these services can be obtained by the clients from the market separately and different combinations of services can be provided to different customers, in the context of each individual contract with a customer, the services provided by the Group are highly dependent and interrelated with each other and, therefore, are not distinct. In making this assessment, management noted that, despite the fact that the Group's contracts contain a promise to deliver multiple services, the nature of the promise within the context of the contracts and the economic substance of the transaction is that the customers are purchasing integrated operator's services to which the individual services promised are inputs rather than separate services and consequently this is considered to constitute a single performance obligation.

- Assessment as to whether the Group is acting as an agent or principal for certain operator's services contracts

  Operator's services are rendered using own or leased rolling stock. In those cases when the Group's customers do not interact with OAO "Russian Railways", a full service is charged by the Group to its customers and the OAO "Russian Railways" tariff is borne by the Group with or without further recharge to its customers. There are certain characteristics indicating that the Group is acting as an agent in these arrangements, particularly the fact that OAO "Russian Railways" tariffs are available to the public and therefore are known to the customer. However, the services are rendered with the use of own or leased rolling stock and the Group bears the OAO "Russian Railways" tariff to bring the rolling stock back or to the next destination. The Group is independent in its pricing policy and considers its potential loss for empty run tariff.

Management's position is that the Group acts as a principal in these arrangements and the Group accounts for full receipts from customers as sales revenue and the OAO "Russian Railways" tariff is also included in cost of sales. Management believes that the Group is acting as a principal in these arrangements as it is the party that controls the services prior these are transferred to the customers and, through separate arrangements with OAO "Russian Railways", obtains the right to direct them to provide services on its behalf.

Had OAO "Russian Railways" tariff directly attributable to such services been excluded from revenues and cost of sales for the year ended 31 December 2021 both would have decreased by RUB 12,963,846 thousand (2020: RUB 10,957,305 thousand).

Notes to the consolidated financial statements

8. Segmental information

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

The Board considers the business from two perspectives: by type of activity and by type of rolling stock used. From a type of activity perspective, the Board reviews revenues with no further analysis of the underlying cost components. From the type of rolling stock used perspective, the Board assesses the performance of each type of rolling stock at the level of adjusted revenue. In particular, the Board reviews discrete financial information for gondola cars and rail tank cars, whereas all other types of rolling stock (such as hopper cars and platforms) are reviewed together.

Adjusted revenue for reportable segments is the measure of profit looked at by the chief operating decision-maker and this includes the revenues derived from the relating type of rolling stock used less infrastructure tariff paid for the loaded trips of the relevant rolling stock and services provided by other transportation organisations. Further, the Board receives information in respect of depreciation charges for rolling stock and right-of-use assets relating to rolling stock, amortisation charges for customer relationships, impairment charges/reversals of impairment in respect of rolling stock, right-of-use assets relating to rolling stock and customer relationships and loss on derecognition arising on capital repairs. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

The Board also reviews additions to segment assets. Segment assets consist of rolling stock, right-of-assets relating to rolling stock and customer relationships. Unallocated assets comprise all the assets of the Group except for rolling stock, right-of-assets relating to rolling stock and customer relationships, as included within segment assets. Liabilities are not segmented since they are not reviewed from that perspective by the chief operating decision maker. Capital expenditure comprises additions of rolling stock to property, plant and equipment and additions of right-of-use assets relating to rolling stock.

The Group does not have transactions between different business segments.

	Gondola cars RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2021				
Total revenue — operator's services	41,441,242	26,830,806	709,027	68,981,075
Total revenue — operating lease	25,435	1,348,619	457,630	1,831,684
Inter-segment revenue	—	—	—	—
Revenue (from external customers)	41,466,677	28,179,425	1,166,657	70,812,759
less Infrastructure and locomotive tariffs — loaded trips	(6,857,931)	(5,762,331)	(162,883)	(12,783,145)
less Services provided by other transportation organisations	(1,580,314)	(114,489)	—	(1,694,803)
Adjusted revenue for reportable segments	**33,028,432**	**22,302,605**	**1,003,774**	**56,334,811**
Depreciation and amortisation	(5,161,394)	(1,682,803)	(417,525)	(7,261,722)
Loss on derecognition arising on capital repairs	(199,187)	(284,460)	—	(483,647)
Additions to non-current assets (included in reportable segment assets)	7,945,692	3,860,288	174,063	11,980,043
Reportable segment assets	**56,346,167**	**25,650,477**	**3,569,334**	**85,565,978**

	Gondola cars RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2020				
Total revenue — operator's services	39,043,539	24,050,218	774,017	63,867,774
Total revenue — operating lease	28,857	1,747,274	156,136	1,932,267
Inter-segment revenue	—	—	—	—
Revenue (from external customers)	39,072,396	25,797,492	930,153	65,800,041
less Infrastructure and locomotive tariffs — loaded trips	(5,757,613)	(4,789,170)	(177,087)	(10,723,870)
less Services provided by other transportation organisations	(2,460,601)	(4,373)	—	(2,464,974)
Adjusted revenue for reportable segments	**30,854,182**	**21,003,949**	**753,066**	**52,611,197**
Depreciation and amortisation	(5,114,046)	(1,644,343)	(421,989)	(7,180,378)
Loss on derecognition arising on capital repairs	(135,742)	(284,224)	(16)	(419,982)
Additions to non-current assets (included in reportable segment assets)	6,177,481	1,676,870	835,829	8,690,180
Reportable segment assets	**53,059,276**	**24,740,326**	**4,072,741**	**81,872,343**

Notes to the consolidated financial statements

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

	2021 RUB'000	2020 RUB'000
Adjusted revenue for reportable segments	**56,334,811**	52,611,197
Other adjusted revenues	**2,157,553**	2,322,516
Total adjusted revenue	**58,492,364**	54,933,713
Cost of sales (excl. Infrastructure and locomotive tariffs — loaded trips, services provided by other transportation organisations, reversal of impairment of property, plant and equipment, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and loss on derecognition arising on capital repairs)	**(25,659,527)**	(25,756,357)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	**(4,049,855)**	(3,365,169)
Depreciation and amortisation	**(7,770,639)**	(7,683,620)
Net impairment losses on trade and other receivables	**(7,735)**	(5,511)
Loss on derecognition arising on capital repairs	**(483,647)**	(419,982)
Other income	**310,381**	1,000,232
Other gains — net	**795,917**	107,765
	21,627,259	18,811,071
Finance income	**326,962**	263,968
Finance costs	**(2,506,627)**	(2,510,495)
Net foreign exchange transaction (losses)/gains on financing activities	**(9,559)**	147,008
Profit before income tax	**19,438,035**	16,711,552

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

	2021		2020	
	Assets RUB'000	Liabilities RUB'000	Assets RUB'000	Liabilities RUB'000
Segment assets/ liabilities	**85,565,978**	—	81,872,343	—
Unallocated:				
Deferred tax liabilities	—	**9,752,314**	—	8,862,587
Current income tax assets/liabilities	**307,189**	**752,121**	266,024	100,226
Property, plant and equipment	**821,924**	—	3,078,585	—
Right-of-use assets	**320,127**	—	550,428	—
Intangible assets	**85**	—	1,460	—
Assets classified as held for sale	—	—	10	—
Other assets	**3,828,135**	—	3,136,086	—
Trade receivables	**3,638,450**	—	3,701,546	—
Loans and other receivables	**268,038**	—	51,370	—
Inventories	**680,363**	—	691,033	—
Cash and cash equivalents	**12,854,707**	—	4,978,322	—
Borrowings	—	**31,318,470**	—	32,015,239
Other lease liabilities	—	**5,841,573**	—	1,404,596
Trade and other payables	—	**2,730,252**	—	2,197,994
Contract liabilities	—	**1,385,043**	—	972,752
Total	**108,284,996**	**51,779,773**	98,327,207	45,553,394

Notes to the consolidated financial statements

Geographic information

Revenues from external customers

	2021 RUB'000	2020 RUB'000
Revenue		
Russia	**71,666,818**	66,460,662
Estonia	**1,231,965**	1,732,640
Ukraine	**252,230**	174,102
	73,151,013	68,367,404

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:

	2021		2020	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A — rail tank cars segment	**18,134,091**	**25**	15,073,614	22
Customer B — gondola cars segment	**14,040,336**	**19**	12,582,629	18
Customer C — gondola cars segment [(1)]	**—**	**—**	8,730,718	13

(1) During the year 2021, only two customers contributed by more than 10% to the Group's total revenues.

The table below presents the Group's non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts:

	2021 RUB'000	2020 RUB'000
Non-current assets		
Russia	**75,463,257**	72,389,098
Estonia	**11,398,063**	12,822,936
Ukraine	**527,404**	530,449
Cyprus	**316,724**	13,311
	87,705,448	85,755,794

9. Non-IFRS financial information

In addition to financial information under IFRS, the Group also use certain measures not recognised by EU IFRS or IFRS (referred to as "non-IFRS measures") as supplemental measures of the Group's operating and financial performance. The management believes that these non-IFRS measures provide valuable information to readers, because they enable them to focus more directly on the underlying day-to-day performance of the Group's business. These might not be consistent with measures (of similar description) used by other entities.

Adjusted Revenue

Adjusted Revenue is defined as "Total revenue" adjusted for "pass through" items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations". "Infrastructure and locomotive tariffs: loaded trips" comprises revenue resulting from tariffs that customers pay to the Group and the Group pays on to OAO "Russian Railways", which are reflected in equal amounts in both the Group's Total revenue and Cost of sales. "Services provided by other transportation organisations" is revenue resulting from the tariffs that customers pay to the Group and the Group pays on to third-party rail operators for subcontracting their rolling stock, which are reflected in equal amounts in both the Group's Total revenue and Cost of sales.

The following table provides details of Adjusted revenue for 2021 and 2020 and its reconciliation to Total revenue.

	2021 RUB'000	2020 RUB'000
Total revenue	**73,151,013**	68,367,404
Minus "pass through" items		
Infrastructure and locomotive tariffs: loaded trips	**(12,963,846)**	(10,957,305)
Services provided by other transportation organisations	**(1,694,803)**	(2,476,386)
Adjusted Revenue	**58,492,364**	**54,933,713**

Total Operating Cash Costs and Non-cash Costs

In order to show the dynamics and nature of the Group's cost base, individual items of Total cost of sales, selling and marketing costs and administrative expenses have been regrouped into Operating cash costs and Operating non-cash costs.

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

Total Operating Non-cash Costs include cost items such as "Depreciation of property, plant and equipment", "Depreciation of right-of-use assets", "Amortisation of intangible assets", "Loss on derecognition arising on capital repairs", "Net impairment losses on trade and other receivables" "Reversal of impairment/(impairment) of property, plant and equipment" and "Net gain/(loss) on sale of property, plant and equipment".

Notes to the consolidated financial statements

Other Operating Cash Costs include cost items such as "Advertising and promotion", "Auditors' remuneration", "Communication costs", "Information services", "Legal, consulting and other professional fees", "Expense relating to short-term leases — office", "Expense relating to short-term leases — tank containers", "Taxes (other than income tax and value added taxes)" and "Other expenses".

	2021 RUB'000	2020 RUB'000
"Pass through" cost items	**(14,658,649)**	**(13,433,691)**
Infrastructure and locomotive tariffs: loaded trips	(12,963,846)	(10,957,305)
Services provided by other transportation organisations	(1,694,803)	(2,476,386)
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for "pass through" cost items)	**(37,971,403)**	**(37,230,639)**
Total Operating Cash Costs	**(29,750,883)**	**(29,121,210)**
Infrastructure and locomotive tariffs — empty runs and other tariffs	(16,647,787)	(16,797,608)
Repairs and maintenance	(3,968,788)	(4,261,067)
Employee benefit expense	(5,491,140)	(4,153,507)
Expense relating to short-term leases — rolling stock	(274,177)	(824,487)
Fuel and spare parts — locomotives	(1,972,429)	(1,629,874)
Engagement of locomotive crews	(293,924)	(420,905)
Other Operating Cash Costs	(1,102,638)	(1,033,762)
Advertising and promotion	(45,849)	(34,814)
Auditors' remuneration	(56,908)	(55,262)
Communication costs	(25,371)	(26,375)
Information services	(16,357)	(15,506)
Legal, consulting and other professional fees	(74,192)	(69,055)
Expense relating to short-term leases — tank containers	(23,271)	(23,572)
Expense relating to short-term leases — office	(98,619)	(109,482)
Taxes (other than on income and value added taxes)	(27,420)	(24,687)
Other expenses	(734,651)	(675,009)
Total Operating Non-Cash Costs	**(8,220,520)**	**(8,109,429)**
Depreciation of property, plant and equipment	(6,642,505)	(6,968,694)
Depreciation of right-of-use assets	(1,127,459)	(655,070)
Amortisation of intangible assets	(675)	(59,856)
Loss on derecognition arising on capital repairs	(483,647)	(419,982)
Net impairment losses on trade and other receivables	(7,735)	(5,511)
Net gain/(loss) on sale of property, plant and equipment	41,501	(316)
Total cost of sales, selling and marketing costs and administrative expenses	**(52,630,052)**	**(50,664,330)**

Adjusted EBITDA

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

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

The following table provides details on Adjusted EBITDA for 2021 and 2020 and its reconciliation to EBITDA and Profit for the year:

	2021 RUB'000	2020 RUB'000
Profit for the year	**15,099,559**	**12,186,847**
Plus (Minus)		
Income tax expense	4,338,476	4,524,705
Finance costs — net	2,189,224	2,099,519
Net foreign exchange transaction (losses)/gains on financing activities	(9,559)	147,008
Amortisation of intangible assets	675	59,856
Depreciation of right-of-use assets	1,127,459	655,070
Depreciation of property, plant and equipment	6,642,505	6,968,694
EBITDA	**29,388,339**	**26,641,699**
Plus (Minus)		
Loss on derecognition arising on capital repairs	483,647	419,982
Net foreign exchange transaction (losses)/gains on financing activities	9,559	(147,008)
Other gains — net	(795,917)	(107,765)
Net (gain)/loss on sale of property, plant and equipment	(41,501)	316
Adjusted EBITDA	**29,044,127**	**26,807,224**

Notes to the consolidated financial statements

Free Cash Flow

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

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

The ***Attributable Free Cash Flow*** means Free Cash Flow less Adjusted profit attributable to non-controlling interests.

Adjusted Profit Attributable to Non-controlling Interests is calculated as "Profit attributable to non-controlling interests" less share of "Impairment of property, plant and equipment" and "Impairment of intangible assets" attributable to non-controlling interests.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for 2021 and 2020, and its reconciliation to Cash generated from operations.

	2021 RUB'000	2020 RUB'000
Cash generated from operations	30,057,602	28,278,243
Tax paid	(2,807,806)	(3,051,888)
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,238,779)	(2,314,937)
Interest paid on leases with financial institutions	—	(80,813)
Interest paid on other lease liabilities	(183,057)	(113,771)
Purchases of property, plant and equipment	(8,439,159)	(6,941,159)
Principal elements of other lease payments	(1,067,922)	(672,432)
Cash inflow from disposal of subsidiary undertakings — net of cash disposed of	1,110,051	—
Prepayment for acquisition of non-controlling interest	(300,000)	—
Total CAPEX	**(8,439,159)**	**6,941,159**
Free Cash Flow	**16,130,930**	**15,103,243**
Attributable Free Cash Flow	**14,018,391**	**13,502,931**

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 2021 and 2020, and reconciliation of Net Debt to Total Debt.

	2021 RUB'000	2020 RUB'000
Total debt	31,318,470	32,015,239
Minus		
Cash and cash equivalents	12,854,707	4,978,322
Net Debt	**18,463,763**	**27,036,917**
Net Debt to Adjusted EBITDA	**0.64x**	**1.01x**

Notes to the consolidated financial statements

10. Revenue

(a) Disaggregation of revenue

	2021 RUB'000	2020 RUB'000
Railway transportation — operator's services (tariff borne by the Group)	31,743,569	27,197,234
Railway transportation — operator's services (tariff borne by the client)	37,237,506	36,670,540
Revenue from specialised container transportation	1,824,121	2,167,613
Other	514,133	399,750
Total revenue from contracts with customers recognised over time	71,319,329	66,435,137
Operating lease of rolling stock	1,831,684	1,932,267
Total revenue	**73,151,013**	**68,367,404**

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 2021 amounting to RUB 12,963,846 thousand (for the year ended 31 December 2020: RUB 10,957,305 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 1,694,803 thousand (2020: RUB 2,476,386 thousand).

(b) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers as of 31 December 2020 and 31 December 2021:

	31 December 2021 RUB'000	31 December 2020 RUB'000	1 January 2020 RUB'000
Current			
Contract liabilities relating to railway transportation contracts — Third parties	1,369,599	964,042	1,244,702
Contract liabilities relating to railway transportation contracts — Related parties (Note 35)	1,425	—	—
	1,371,024	964,042	1,244,702
Non-current			
Contract liabilities relating to railway transportation contracts — Third parties	9,140	8,710	11,191
Contract liabilities relating to railway transportation contracts — Related parties (Note 35)	4,879	—	—
	14,019	8,710	11,191
Total contract liabilities	**1,385,043**	**972,752**	**1,255,893**

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 2021 includes RUB 945,900 thousand that were included in the balance of the contract liability as of 1 January 2021 (year ended 31 December 2020: RUB 1,230,616 as of 1 January 2020).

The Group does not have any contracts where the period of provision of the services (that is, the period between the start and completion of a trip) exceeds one year. As permitted under IFRS 15, the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations as of the balance sheet date is not disclosed.

Notes to the consolidated financial statements

11. Expenses by nature

	2021 RUB'000	2020 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	12,963,846	10,957,305
Infrastructure and locomotive tariffs: empty run trips and other tariffs	16,647,787	16,797,608
Services provided by other transportation organisations	1,694,803	2,476,386
Expense relating to short-term leases (rolling stock)	274,177	824,487
Expense relating to short-term leases — tank containers	23,271	23,572
Employee benefit expense	2,186,776	1,517,573
Repairs and maintenance	3,968,788	4,261,067
Depreciation of property, plant and equipment	6,555,041	6,888,459
Depreciation of right-of-use assets	976,920	507,671
Loss on derecognition arising on capital repairs	483,647	419,982
Amortisation of intangible assets	658	59,839
Fuel and spare parts — locomotives	1,972,429	1,629,874
Engagement of locomotive crews	293,924	420,905
(Gain)/loss on sale of property, plant and equipment	(38,173)	6,585
Other expenses	330,548	274,686
Total cost of sales	**48,334,442**	**47,065,999**

	2021 RUB'000	2020 RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	87,464	80,235
Depreciation of right-of-use assets	150,539	147,399
Amortisation of intangible assets	17	17
Gain on sale of property, plant and equipment	(3,328)	(6,269)
Employee benefit expense	3,304,364	2,635,934
Net impairment losses on trade and other receivables	7,735	5,511
Expense relating to short-term leases (office)	98,619	109,482
Auditors' remuneration	56,908	55,262
Legal, consulting and other professional fees	74,192	69,055
Advertising and promotion	45,849	34,814
Communication costs	25,371	26,375
Information services	16,357	15,506
Taxes (other than income tax and value added taxes)	27,420	24,687
Other expenses	404,103	400,323
Total selling, marketing and administrative expenses	**4,295,610**	**3,598,331**

Notes to the consolidated financial statements

	2021 RUB'000	2020 RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 17)	6,642,505	6,968,694
Depreciation of right-of-use assets (Note 18)	1,127,459	655,070
Loss on derecognition arising on capital repairs (Note 17)	483,647	419,982
Amortisation of intangible assets (Note 19)	675	59,856
Net (gain)/loss on sale of property, plant and equipment (Note 17)	(41,501)	316
Employee benefit expense (Note 13)	5,491,140	4,153,507
Net impairment losses on trade and other receivables	7,735	5,511
Expense relating to short-term leases (rolling stock)	274,177	824,487
Expense relating to short-term leases (office)	98,619	109,482
Repairs and maintenance	3,968,788	4,261,067
Fuel and spare parts — locomotives	1,972,429	1,629,874
Engagement of locomotive crews	293,924	420,905
Infrastructure and locomotive tariffs: loaded trips	12,963,846	10,957,305
Infrastructure and locomotive tariffs: empty run trips and other tariffs	16,647,787	16,797,608
Services provided by other transportation organisations	1,694,803	2,476,386
Expense relating to short-term leases — tank containers	23,271	23,572
Auditors' remuneration	56,908	55,262
Legal, consulting and other professional fees	74,192	69,055
Advertising and promotion	45,849	34,814
Communication costs	25,371	26,375
Information services	16,357	15,506
Taxes (other than income tax and value added taxes)	27,420	24,687
Other expenses	734,651	675,009
Total cost of sales, selling and marketing costs and administrative expenses	**52,630,052**	**50,664,330**

(1) Depreciation of property, plant and equipment for the year ended 31 December 2020 includes RUB 90,047 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 17,206 thousand (2020: RUB 18,486 thousand) for statutory audit services and RUB 5,899 thousand (2020: RUB 5,139 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 3,811 thousand for the year 2021 (RUB 737 thousand for the year 2020) in relation to fees paid to the Company's statutory audit firm for tax consultancy services.

12. Other gains — net

	2021 RUB'000	2020 RUB'000
Other gains	429,688	350,475
Other losses	(407,997)	(323,683)
Net foreign exchange gains (Note 16)	22,739	80,973
Gain from sale of subsidiaries (Note 20)	751,487	—
Total other gains — net	**795,917**	**107,765**

13. Employee benefit expense

	2021 RUB'000	2020 RUB'000
Wages and salaries	2,653,146	2,392,160
Termination benefits	2,449	7,238
Bonuses	1,783,574	998,505
Share based payment expense (Note 21)	123,971	28,931
Social insurance costs	928,000	726,673
Total employee benefit expense	**5,491,140**	**4,153,507**
Average number of employees during the year	1,750	1,664

Notes to the consolidated financial statements

14. Finance income and costs

	2021 RUB'000	2020 RUB'000
Interest expense:		
Bank borrowings	(1,483,022)	(1,482,228)
Non-convertible bonds	(772,198)	(808,258)
Interest expenses on loans	—	(5,193)
Other interest expense	—	(1,887)
Total interest expense calculated using the effective interest rate method	(2,255,220)	(2,297,566)
Leases with financial institutions	—	(74,468)
Other lease liabilities	(201,632)	(113,099)
Total interest expense	(2,456,852)	(2,485,133)
Other finance costs	(49,775)	(25,362)
Total finance costs	(2,506,627)	(2,510,495)
Interest income:		
Bank balances	208,700	189,505
Short term deposits	72,172	27,083
Loans to third parties	3,173	120
Total interest income calculated using the effective interest rate method	284,045	216,708
Finance leases — related parties (Note 35)	357	—
Finance leases — third parties	41,738	47,260
Total interest income	326,140	263,968
Other finance income	822	—
Total finance income	326,962	263,968
Net foreign exchange transaction gains/(losses) on borrowings and other liabilities	2,642	(5,509)
Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets	(12,201)	152,517
Net foreign exchange transaction (losses)/gains on financing activities (Note 16)	(9,559)	147,008
Net finance costs — net	**(2,189,224)**	**(2,099,519)**

15. Income tax expense

	2021 RUB'000	2020 RUB'000
Current tax:		
Corporation tax	3,293,525	2,185,948
Withholding tax on dividends	125,700	1,073,231
Withholding tax on interest payments	1,301	—
Defence contribution	2,043	2
Total current tax	3,422,569	3,259,181
Deferred tax (Note 30):		
Origination and reversal of temporary differences	915,907	1,265,524
Total deferred tax	915,907	1,265,524
Income tax expense	4,338,476	4,524,705

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

	2021 RUB'000	2020 RUB'000
Profit before tax	19,438,035	16,711,552
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,656,083	3,599,477
Tax effects of:		
Expenses not deductible for tax purposes	102,088	63,554
Allowances and income not subject to tax	(127,081)	(120,269)
Tax effect of tax losses for which no deferred tax asset was recognised	(6,091)	(84,724)
Defence contribution	2,043	2
Withholding taxes:		
Estonian income tax arising on distribution[1]	213,377	260,929
Dividend tax provision in relation to intended dividend distribution of subsidiaries	(308,614)	805,736
Withholding tax on interest payments	1,301	—
Over provision of current and deferred tax in prior years	(194,630)	—
Tax charge	4,338,476	4,524,705

[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 2021 and 2020, the Group incurred taxes on distributions from Estonian subsidiaries.

Notes to the consolidated financial statements

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

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%. Further, in certain cases dividends received by the Company from other Cyprus tax resident companies may also be subject to special contribution for defence. Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc.) are exempt from Cyprus income tax.

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

For subsidiaries in Estonia, the annual profit earned by enterprises is not taxed and thus no income tax arises. Instead of taxing the net profit, the distribution of statutory retained earnings is subject to a tax rate of 20% of net dividend paid which, under certain conditions, can decrease to 14%. Provision for taxes is recognised in the respective periods for the income tax that will be payable by the Estonian subsidiaries where there is an intention that the net profits will be distributed in the form of dividends.

For the subsidiary in Ukraine the annual profit was taxed at a tax rate of 18%.

The Group has not recognised any tax in relation to other comprehensive income as all elements of other comprehensive income are not subject to tax.

16. Net foreign exchange gains

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

	2021 RUB'000	2020 RUB'000
Finance income and costs (Note 14)	(9,559)	147,008
Other gains — net (Note 12)	22,739	80,973
	13,180	227,981

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 2020					
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**
Year ended 31 December 2020					
Opening net book amount	77,345,027	247,078	115,913	2,824,627	**80,532,645**
Additions	8,389,050	19,375	53,531	163,834	**8,625,790**
Disposals	(63,288)	—	(18,927)	(916)	**(83,131)**
Assets classified as held for sale	40,214	—	—	—	**40,214**
Depreciation charge (Note 11)	(6,652,230)	(14,683)	(37,204)	(264,577)	**(6,968,694)**
Transfers	10,391	—	—	(10,391)	**—**
Transfer to inventories	(381,070)	—	(5,150)	(96)	**(386,316)**
Derecognition arising on capital repairs	(419,982)	—	—	—	**(419,982)**
Currency translation differences	3,074,244	3,484	2,070	617	**3,080,415**
Closing net book amount	81,342,356	255,254	110,233	2,713,098	**84,420,941**
At 31 December 2020					
Cost	123,222,340	374,471	207,796	3,642,951	**127,447,558**
Accumulated depreciation	(41,879,984)	(119,217)	(97,563)	(929,853)	**(43,026,617)**
Net book amount	81,342,356	255,254	110,233	2,713,098	**84,420,941**

Notes to the consolidated financial statements

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2021					
Cost	123,222,340	374,471	207,796	3,642,951	**127,447,558**
Accumulated depreciation	(41,879,984)	(119,217)	(97,563)	(929,853)	**(43,026,617)**
Net book amount	81,342,356	255,254	110,233	2,713,098	**84,420,941**
Year ended 31 December 2021					
Opening net book amount	81,342,356	255,254	110,233	2,713,098	**84,420,941**
Additions	7,282,381	37,944	43,360	629,882	**7,993,567**
Disposals	(46,617)	—	(2,564)	(1,099)	**(50,280)**
Disposed through disposals of subsidiaries	—	—	—	(2,615,146)	**(2,615,146)**
Depreciation charge (Note 11)	(6,316,907)	(15,990)	(36,067)	(273,541)	**(6,642,505)**
Transfers	17,720	—	—	(17,720)	**—**
Transfer to inventories	(627,562)	—	(2,313)	(1,183)	**(631,058)**
Derecognition arising on capital repairs	(483,647)	—	—	—	**(483,647)**
Currency translation differences	(888,464)	(1,080)	(1,000)	(144)	**(890,688)**
Closing net book amount	80,279,260	276,128	111,649	434,147	**81,101,184**
At 31 December 2021					
Cost	125,742,564	410,314	231,770	962,979	**127,347,627**
Accumulated depreciation	(45,463,304)	(134,186)	(120,121)	(528,832)	**(46,246,443)**
Net book amount	80,279,260	276,128	111,649	434,147	**81,101,184**

Borrowing costs amounting to RUB 5,202 thousand were capitalised within rolling stock during the year 2021.

The net carrying amount of rolling stock as at 1 January 2020 and for the year ended 31 December 2020 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, as disclosed in Note 4.

The table below shows the movement in the said right-of-use assets within the year 2020:

	2020 RUB'000
Opening net book amount	3,198,262
Transfer to owned rolling stock	(3,108,215)
Depreciation charge (Note 11)	(90,047)
Closing net book amount	—

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 2021 is considered appropriate.

Residual values of rolling stock
The Group reviews and adjusts the residual values of its rolling stock and wheel pairs as of each balance sheet date, taking into account, among others, the price of scrap metal as of the assessment date. Management has revised the residual value of the Group's rolling stock and wheel pairs as of 1 January 2021, following a significant increase in market prices of scrap metal. In making this assessment, management took into account actual scrap prices achieved by the Group near the assessment date and available market information on the level of scrap metal as at that date.

As a result of the revision of the residual values of the Group's rolling stock and wheel pairs, the depreciation charged in the income statement for the year ended 31 December 2021 is RUB 1,031,740 thousand lower than the one that would have been charged for the same period if there was no revision in residual values. A reasonable change in the inputs used by management would not result in material differences.

Based on management's assessment, the residual values of the Group's rolling stock as of 31 December 2021 are considered appropriate.

Impairment assessment of rolling stock
The Group assesses at each balance sheet date whether there are indications for impairment of the Group's property, plant and equipment, in accordance with its accounting policy for impairment of non-financial assets, as set out in Note 4.

As of 31 December 2020, the management considered the deterioration of the economic environment, the weak prevailing industry conditions and the COVID-19 pandemic related uncertainties as indications of impairment of the Group's cash generating units ("CGUs") and proceeded to perform impairment assessments to determine if there is an impairment loss.

As a result of the impairment assessment, no impairment losses were noted. The impairment testing for all the CGUs, other than the Estonian rail tank cars/operating leasing CGU, indicated a significant headroom in the recoverable amount over the carrying amount of these CGUs.

Notes to the consolidated financial statements

Estonian rail tank cars/operating leasing CGU
The recoverable amount of the Estonian rail tank cars/operating leasing CGU amounting to RUB 12,786,087 thousand was determined based on market approach using level 2 inputs.

The fair value less cost to sell was determined based on the prices quoted in RUB by major retailers of rail cars dealing in the second hand market of the specific rolling stock held by the CGU in the Russian Federation (being the primary market for these assets), adjusted to take into account the age of each specific asset in the possession of the CGU 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.

If the selling price of the rolling stock had been 10% lower the recoverable amount would decrease resulting into an impairment loss of RUB 259 million to be recognised in respect of the rolling stock of this CGU.

If the year end exchange rate between RUB and EUR had devalued by 20%, the recoverable amount would decrease resulting into an impairment loss of RUB 1,175 million to be recognised in respect of the rolling stock of this CGU.

Based on assessment performed by management as of 31 December 2021, no indicators of impairment of any of the Group's CGUs were identified.

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

	2021 RUB'000	2020 RUB'000
Net book amount	50,280	83,131
Gains/(loss) on sale of property, plant and equipment (Note 11)	41,501	(316)
Consideration from sale of property, plant and equipment	91,781	82,815

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

	2021 RUB'000	2020 RUB'000
Cash consideration received within year	77,932	66,765
Amount receivable	—	1,300
Movement in advances received for sales of property, plant and equipment	13,849	14,750
	91,781	82,815

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):

	2021 RUB'000	2020 RUB'000
Rolling stock	17,997,866	8,084,292
Other (tank-containers)	—	1,387,955
	17,997,866	9,472,247

Depreciation expense of RUB 6,555,041 thousand in 2021 (2020: RUB 6,888,459 thousand) has been charged to "cost of sales" and RUB 87,464 thousand in 2021 (2020: RUB 80,235 thousand) has been charged to "selling, marketing and administrative expenses".

18. Right-of-use assets

	Rolling stock RUB'000	Land and buildings RUB'000	Other RUB'000	Total RUB'000
Year ended 31 December 2020				
Opening net book amount	826,685	517,257	66,506	**1,410,448**
Additions	301,130	99,050	303,152	**703,332**
Disposals	(30,996)	—	—	**(30,996)**
Disposals through subleases	—	—	(255,447)	**(255,447)**
Change of terms of leases	(96,587)	9,195	(7,737)	**(95,129)**
Depreciation charge (Note 11)	(470,245)	(148,473)	(36,352)	**(655,070)**
Currency translation differences	—	3,277	—	**3,277**
As at 31 December 2020	529,987	480,306	70,122	**1,080,415**

	Rolling stock RUB'000	Land and buildings RUB'000	Other RUB'000	Total RUB'000
Year ended 31 December 2021				
Opening net book amount	529,987	480,306	70,122	**1,080,415**
Additions	4,697,662	40,888	45,172	**4,783,722**
Change of terms of leases	1,275,580	(29,743)	(6,830)	**1,239,007**
Depreciation charge (Note 11)	(944,815)	(151,613)	(31,031)	**(1,127,459)**
Currency translation differences	—	(946)	—	**(946)**
Disposed through disposals of subsidiaries	(271,696)	(18,765)	(77,433)	**(367,894)**
As at 31 December 2021	5,286,718	320,127	—	**5,606,845**

Notes to the consolidated financial statements

Summarised information for the Group's right-of-use assets

In accordance with the Group's accounting policy for leases as disclosed in Note 4, right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet, except for right-of-use assets and associated lease liabilities arising from leases with financial institutions that include purchase options that are reasonably certain to be exercised due to the exercise price being a nominal amount compared to the fair value of the leased asset on the exercise date. The latter are presented within the same line item as the corresponding underlying assets would be presented if they were owned and within borrowings, respectively. Management believes that this presentation best reflects the substance of the leases with financial institutions, being similar to that of purchases via collateralised borrowings.

As at 31 December 2020 and 31 December 2021, there were no right-of-use assets and associated lease liabilities arising from leases with financial institutions that were presented within property, plant and equipment and borrowings, respectively.

During the year 2020, depreciation charge of RUB 90,047 thousand on rolling stock within property, plant and equipment (Note 17) related to right-of-use assets for rolling stock in place as at 1 January 2020 that arose from leases with financial institutions that included purchase options that were 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 total cash outflow for leases in 2021 was RUB 1,501,860 thousand (2020: RUB 2,897,814 thousand).

19. Intangible assets

	Computer software RUB'000	Customer relationships RUB'000	Total RUB'000
At 1 January 2020			
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**
Year ended 31 December 2020			
Opening net book amount	3,413	57,903	**61,316**
Amortisation charge (Note 11)	(1,953)	(57,903)	**(59,856)**
Closing net book amount	1,460	–	**1,460**
At 31 December 2020			
Cost	11,766	–	**11,766**
Accumulated amortisation	(10,306)	–	**(10,306)**
Net book amount	1,460	–	**1,460**
Year ended 31 December 2021			
Opening net book amount	1,460	–	**1,460**
Amortisation charge (Note 11)	(675)	–	**(675)**
Disposed through disposals of subsidiaries	(700)	–	**(700)**
Closing net book amount	85	–	**85**
At 31 December 2021			
Cost	10,934	–	**10,934**
Accumulated amortisation	(10,849)	–	**(10,849)**
Net book amount	85	–	**85**

Amortisation of RUB 658 thousand (2020: RUB 59,839 thousand) has been charged to "cost of sales" in the income statement and RUB 17 thousand (2020: RUB 17 thousand) to "selling, marketing and administrative expenses".

Notes to the consolidated financial statements

20. Principal subsidiaries

The Company had the following subsidiaries at 31 December 2021 and 31 December 2020:

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 (%)	
			2021	2020	2021	2020	2021	2020
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**	60	**40**	40
RemTransServis, OOO[2]	Russia	Repair and maintenance of rolling stock	**—**	—	**60**	60	**40**	40
SyntezRail LLC[3]	Russia	Railway transportation	**—**	—	**—**	60	**—**	40
SyntezRail Ltd	Cyprus	Intermediary holding company	**—**	60	**—**	60	**—**	40
Spacecom AS	Estonia	Operating lease of rolling stock	**65.25**	65.25	**65.25**	65.25	**34.75**	34.75
Ekolinja Oy[4]	Finland	Operating sub—lease of rolling stock	**—**	—	**—**	65.25	**—**	34.75
Spacecom Trans AS[4]	Estonia	Operating lease of rolling stock	**—**	—	**65.25**	65.25	**34.75**	34.75

1 BTS-Locomotive Solutions, OOO is a 100% subsidiary of BaltTransServis.
2 RemTransServis, OOO is a 100% subsidiary of BaltTransServis, OOO.
3 SyntezRail LLC was a 100% subsidiary of SyntezRail Ltd until the disposal in October 2021.
4 Ekolinja Oy and Spacecom Trans AS are 100% subsidiaries of Spacecom AS. Ekolinja Oy was dissolved within June 2021.

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 2021 and 31 December 2020 comprised the following:

	2021 RUB'000	2020 RUB'000
BaltTransServis, OOO (including RemTransservis, OOO and BTS-Locomotive Solutions, OOO)	**2,417,810**	1,289,933
Spacecom AS (including Spacecom Trans AS and Ekolinja Oy)	**3,840,047**	4,422,878
SyntezRail, LLC; SyntezRail Limited	**—**	213,794
Total	**6,257,857**	5,926,605

Disposal of Spacecom Trans AS 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 2,391,761 thousand), out of which RUB 837,116 thousand were attributed to the non-controlling interest. Within the year 2020, an amount of RUB 180,281 thousand was paid, which included interest accrued on the balance payable, resulting in the full settlement of the amount due.

Disposal of the 60% holding SyntezRail Limited and SyntezRail LLC during the year 2021

During the year 2021, the Company disposed its 60% shareholding in SyntezRail Ltd, which in turn owned 100% of SyntezRail LLC, for a total consideration of RUB 1,128,000 thousand realising a gain of RUB 751,477 thousand (Note 12). One of the three purchasers is an entity controlled by a director of the Company (Note 35). The cash inflow from the disposal of subsidiary undertakings, net of cash disposed of for the purposes of the consolidated cash flow statement was RUB 1,110,051 thousand.

Acquisition of the 40% non-controlling interest in BaltTransServis, OOO

On 21 December 2021, the Company entered into an agreement with the non-controlling shareholder of BaltTransServis, OOO to acquire the 40% non-controlling shareholding in the subsidiary for a total consideration of RUB 9,100,100 thousand. As of 31 December 2021, the transaction was subject to satisfaction of a number of pre-conditions, including approval by the Federal Antimonopoly Service of the Russian Federation and, as a result, the acquisition was not reflected in the financial statements for the year 2021.

By 31 December 2021, and in line with terms of the relevant agreement, the Company made a prepayment to the seller amounting to RUB 300,000 thousand classified within non-current prepayments (Note 23).

In February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO following receipt by the Company of the approval from the Federal Antimonopoly Service of the Russian Federation and satisfaction of the remaining pre-conditions, including settlement of the remaining RUB 8,800,000 thousand of the purchase consideration (Note 36).

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

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The financial information of Spacecom AS includes Spacecom Trans AS and Ekolinja Oy and the financial information of BaltTransServis, OOO includes RemTransServis, OOO. No summarised financial information is presented for SyntezRail, OOO and SyntezRail Limited as their operations and financial position are not material to the Group.

SUMMARISED BALANCE SHEET	BaltTransServis OOO		Spacecom AS	
	2021 RUB'000	2020 RUB'000	2021 RUB'000	2020 RUB'000
Current				
Assets	**3,919,016**	2,619,117	**190,983**	282,965
Liabilities	**4,057,738**	5,187,101	**491,136**	557,944
Total current net assets	**(138,722)**	(2,567,984)	**(300,153)**	(274,979)
Non-current				
Assets	**11,738,961**	8,682,673	**11,345,889**	13,006,551
Liabilities	**5,555,714**	2,889,856	**47,414**	60,302
Total non-current net assets	**6,183,247**	5,792,817	**11,298,475**	12,946,249
Net assets	**6,044,525**	3,224,833	**10,998,322**	12,671,270

SUMMARISED INCOME STATEMENT	BaltTransServis OOO		Spacecom AS	
	2021 RUB'000	2020 RUB'000	2021 RUB'000	2020 RUB'000
Revenue	**26,932,363**	23,841,123	**1,231,965**	1,732,640
Profit before income tax	**6,024,506**	4,169,195	**408,092**	959,753
Income tax expense	**(1,014,814)**	(832,568)	**(198,224)**	(312,459)
Post-tax profit from continuing operations	**5,009,692**	3,336,627	**209,868**	647,294
Other comprehensive income	**—**	—	**(621,865)**	3,099,987
Total comprehensive income	**5,009,692**	3,336,627	**(411,997)**	3,747,281
Total comprehensive income allocated to non-controlling interests	**2,003,877**	1,334,651	**72,929**	224,935
Dividends paid to non-controlling interest	**(876,000)**	(1,976,000)	**(342,516)**	(411,652)

SUMMARISED CASH FLOW STATEMENTS	BaltTransServis OOO		Spacecom AS	
	2021 RUB'000	2020 RUB'000	2021 RUB'000	2020 RUB'000
Cash flows from operating activities				
Cash generated from operations	**7,003,173**	6,119,365	**1,235,883**	1,594,194
Income tax paid	**(1,135,617)**	(830,980)	**(213,715)**	(174,215)
Net cash generated from operating activities	**5,867,556**	5,288,385	**1,022,168**	1,419,979
Net cash generated from/(used in) investing activities	**(2,512,085)**	(1,085,015)	**(30,889)**	(539,000)
Net cash used in financing activities	**(2,660,088)**	(5,256,854)	**(1,011,676)**	(837,055)
Net increase/(decrease) in cash and cash equivalents	**695,383**	(1,053,484)	**(20,397)**	43,924
Cash and cash equivalents at beginning of year	**837,867**	1,891,351	**94,868**	38,288
Exchange differences on cash and cash equivalents	**—**	—	**(3,402)**	12,656
Cash and cash equivalents at end of year	**1,533,250**	837,867	**71,069**	94,868

The information above includes the amounts before inter-company eliminations.

Notes to the consolidated financial statements

21. Share-based payments

The Group maintains a remuneration program for some of the members of management, including members of key management of the Group. This includes, amongst other things, a three-year compensation scheme in accordance to which, members of management receive a yearly cash compensation calculated based on the weighted average market quotations of the GDRs of the Company. This compensation is set for a three-year period and is divided on three instalments to be paid after the end of each assessment period which equals to one year. The award is conditional on the performance of the participants and on meeting certain key performance indicators ("KPIs") each year during the three years vesting period. The scheme matured by 31 December 2020 and was renewed on 1 January 2021 for another three-year period.

The scheme falls within the scope of IFRS 2 "Share-based payment" and has therefore been classified as a cash-settled share-based payment arrangement.

In accordance with the terms of the remuneration program, the compensation is calculated based on the weighted average fair value of the Company's GDRs, quoted in US Dollar multiplied by the weighted average RUB/USD exchange rate for each period.

The Group recognised an employee benefit expense of RUB 123,971 thousand in this respect for the year ended 31 December 2021 (2020: RUB 28,931 thousand) and the Group's liability in respect of this amounted to RUB 123,971 thousand as of 31 December 2021 (2020: RUB 104,366 thousand).

The share-based payment liability as of 31 December 2021 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

	2021 RUB'000	2020 RUB'000
Trade receivables — third parties	**3,736,801**	3,836,670
Trade receivables — related parties (Note 35)	**604**	—
Less: Provision for impairment of trade receivables	**(98,955)**	(135,124)
Trade receivables — net	**3,638,450**	3,701,546
Less non-current portion:		
Trade receivables — third parties	**—**	261,437
Less: Provision for impairment of trade receivables	**—**	(25,272)
Total non-current portion	**—**	236,165
Current portion	**3,638,450**	3,465,381

Non-current trade receivables amounting to RUB 261,437 thousand as of 31 December 2020 related to a receivable from Georgian Railways for services rendered by the Group prior to 1 April 2015. The amount receivable was 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 2020, the Group recognised a provision for impairment of RUB 25,272 thousand in order to account for the expected time until receipt of the amount due.

In July 2021, the Group assigned its rights, obligations and demands in the Georgian law case to a party related to the non-controlling interests of Spacecom AS, being the entity involved in the claim, under an assignment agreement for consideration which substantially settled the recognised receivable and is irrevocable independently whether the result of future Court decision is negative or positive (Note 33).

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2021 RUB'000	2020 RUB'000
Currency:		
US Dollar	**9,709**	248,633
Russian Roubles	**3,531,548**	3,306,199
Euro	**96,068**	138,184
Ukrainian Hryvnia	**1,125**	8,530
	3,638,450	3,701,546

According to the management's estimates, the fair values of trade receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

Notes to the consolidated financial statements

(b) Loans and other receivables

	2021 RUB'000	2020 RUB'000
Loans receivables — third parties	—	3,887
Other receivables — third parties	**282,886**	67,678
Other receivables — related parties (Note 35)	**18**	—
Less: Provision for impairment of other receivables	**(14,866)**	(20,195)
Loans and other receivables — net	**268,038**	51,370
Less non-current portion:		
Loans receivables — third parties	—	3,887
Other receivables — third parties	**237,680**	—
Total non-current portion	**237,680**	3,887
Current portion	**30,358**	47,483

The carrying amounts of the Group's loans and other receivables are denominated in the following currencies:

	2021 RUB'000	2020 RUB'000
Currency:		
US Dollar	—	440
Russian Roubles	**267,105**	46,451
Ukrainian Hryvnia	**922**	591
Euro	**11**	1
Other	—	3,887
	268,038	51,370

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

	2021 RUB'000	2020 RUB'000
Prepayments — third parties	**3,151,716**	1,760,966
Finance leases to third parties	**175,400**	422,972
Finance leases to related parties	**21,157**	—
VAT recoverable	**479,862**	952,148
Other assets	**3,828,135**	3,136,086
Less non-current portion:		
Finance leases to third parties	**137,835**	296,525
Finance leases to related parties (Note 35)	**11,748**	—
Prepayments for property, plant and equipment	**997,334**	252,968
Total non-current portion	**1,146,917**	549,493
Current portion	**2,681,218**	2,586,593

The Group's finance leases as at 31 December 2021 and 31 December 2020 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 2021				
Minimum lease receivable	64,952	164,382	—	**229,334**
Less: Unearned finance income	(17,978)	(14,799)	—	**(32,777)**
Present value of minimum lease receivables	46,974	149,583	—	**196,557**
At 31 December 2020				
Minimum lease receivable	146,532	327,222	—	**473,754**
Less: Unearned finance income	(20,085)	(30,697)	—	**(50,782)**
Present value of minimum lease receivables	126,447	296,525	—	**422,972**

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.

Notes to the consolidated financial statements

The effective interest rates on finance lease receivables at the balance sheet were as follows:

	2021 %	2020 %
Finance leases to third parties	**10.42**	12.61

24. Inventories

	2021 RUB'000	2020 RUB'000
Raw materials, spare parts and consumables	**680,363**	691,033
	680,363	691,033

All inventories are stated at cost.

25. Cash and cash equivalents

	2021 RUB'000	2020 RUB'000
Cash at bank and in hand	**5,634,742**	4,898,862
Short term bank deposits	**7,219,965**	79,460
Total cash and cash equivalents	**12,854,707**	4,978,322

The weighted average effective interest rate on short-term deposits was 6.74-7.25% in 2021 (2020: 2.27-4.85%) and these deposits have a maturity of 1 to 21 days (2020: 1 to 21 days).

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2021 RUB'000	2020 RUB'000
Cash and cash equivalents	**12,854,707**	4,978,322
Total cash and cash equivalents	**12,854,707**	4,978,322

Cash and cash equivalents are denominated in the following currencies:

	2021 RUB'000	2020 RUB'000
Russian Rouble	**12,246,089**	3,615,107
US Dollar	**422,914**	673,073
Euro	**121,006**	650,786
Ukrainian Hryvnia	**64,698**	39,356
Total cash and cash equivalents	**12,854,707**	4,978,322

The carrying value of cash and cash equivalents approximates their fair value.

Notes to the consolidated financial statements

26. Share capital, share premium and treasury shares

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2020 /31 December 2020 / 1 January 2021 / 31 December 2021	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 2020 /31 December 2020 / 1 January 2021 / 31 December 2021	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2021 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2020: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

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

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

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

27. Dividends

In April 2020, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 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 (US Dollar equivalent of US$ 110,787 thousand).

In August 2020, 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, including interim dividend in the amount of RUB 3,083,281 thousand or RUB 17.25 per ordinary share/GDR and a special interim dividend in the amount of RUB 5,327,109 thousand or RUB 29.30 per ordinary share/GDR (US Dollar equivalent US$ 111,293 thousand).

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

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

During the years ended 31 December 2021 and 2020, 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.

	2021 RUB'000	2020 RUB'000
Dividends declared to equity holders of the Company [1]	**9,022,550**	16,637,178
Dividends paid to equity holders of the Company [1]	**9,022,550**	16,637,178
Dividends declared to non-controlling interest	**1,218,516**	2,387,652
Dividends paid to non-controlling interest	**1,225,275**	2,271,815

[1] Dividends declared and paid to the equity holders of the Company within the year 2021 as per the table above exclude RUB 3,867 thousand (2020: RUB 3,601 thousand) relating to dividend declared and paid on the treasury shares.

Notes to the consolidated financial statements

28. Borrowings

	2021 RUB'000	2020 RUB'000
Current		
Bank borrowings	**9,658,062**	9,388,591
Non-convertible unsecured bonds	**4,010,198**	1,542,581
Total current borrowings	**13,668,260**	10,931,172
Non-current		
Bank borrowings	**12,651,536**	12,339,674
Non-convertible unsecured bonds	**4,998,674**	8,744,393
Total non-current borrowings	**17,650,210**	21,084,067
Total borrowings	**31,318,470**	32,015,239
Maturity of non-current borrowings		
Between 1 and 2 years	**11,188,564**	11,554,709
Between 2 and 5 years	**6,461,646**	9,529,358
	17,650,210	21,084,067

Bank borrowings

Bank borrowings mature by 2025 (2020: by 2025) and bear average interest of 7.2% per annum (2020: 6.25% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2021 and 31 December 2020.

The current and non-current bank borrowings amounting to RUB 8,099,674 thousand and RUB 11,304,448 thousand respectively (2020: RUB 4,522,381 thousand and RUB 4,916,838 thousand respectively) are secured by pledge of rolling stock and tank-containers with a total carrying net book value of RUB 17,997,866 thousand (2020: RUB 9,472,247 thousand) (Note 17).

Non-convertible bonds

New Forwarding Company AO issued non-convertible Russian Rouble denominated bonds for amount of RUB 5 billion in 2018, priced at a coupon rate of 7.25% p.a. and with maturity in 2023 and for amount of RUB 5 billion in 2020, priced at a coupon rate of 8.8% p.a. and with maturity in 2024 out of a total RUB 100 billion registered program.

The Company acts as the guarantor for the bond issue.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	2021 RUB'000	2020 RUB'000
6 months or less	5,951,833	4,983,084
6 to 12 months	7,716,428	5,948,087
1 to 5 years	17,650,209	21,084,068
	31,318,470	32,015,239

Note: The amounts above are based on the earliest of their contractual re-pricing dates and maturity dates

Notes to the consolidated financial statements

Movements in borrowings are analysed as follows:

	Bank borrowings and loans (excl. overdrafts) RUB'000	Lease liabilities with financial institutions RUB'000	Other lease liabilities RUB'000	Non-convertible unsecured bonds RUB'000	Total RUB'000
Year ended 31 December 2020					
Opening amount as at 1 January 2020	18,094,062	1,722,139	1,530,883	10,279,017	**31,626,101**
Cash flows:					
Amounts advanced	23,265,000	–	–	–	**23,265,000**
Repayments of borrowings	(19,603,415)	(1,715,794)	(672,432)	–	**(21,991,641)**
Interest paid	(1,514,636)	(80,813)	(113,771)	(800,301)	**(2,509,521)**
Non-cash changes:					
Interest charged	1,487,421	74,468	113,099	808,258	**2,483,246**
Net foreign exchange	–	–	9,716	–	**9,716**
Other lease liability	–	–	668,622	–	**668,622**
Other	(167)	–	(131,521)	–	**(131,688)**
Closing amount as at 31 December 2020	21,728,265	–	1,404,596	10,286,974	**33,419,835**

	Bank borrowings and loans (excl. overdrafts) RUB'000	Lease liabilities with financial institutions RUB'000	Other lease liabilities RUB'000	Non-convertible unsecured bonds RUB'000	Total RUB'000
Year ended 31 December 2021					
Opening amount as at 1 January 2021	21,728,265	–	1,404,596	10,286,974	**33,419,835**
Cash flows:					
Amounts advanced	18,058,000	–	–	–	**18,058,000**
Repayments of borrowings	(15,286,973)	–	(1,067,922)	(1,250,000)	**(17,604,895)**
Interest paid	(1,438,479)	–	(183,057)	(800,300)	**(2,421,836)**
Non-cash changes:					
Interest charged	1,488,224	–	201,632	772,198	**2,462,054**
Net foreign exchange	–	–	(3,622)	–	**(3,622)**
Other lease liability	–	–	4,747,388	–	**4,747,388**
Disposed through disposals of subsidiaries	(2,241,636)	–	(495,043)	–	**(2,736,679)**
Change of terms of leases	–	–	1,239,869	–	**1,239,869**
Other	2,197	–	(2,268)	–	**(71)**
Closing amount as at 31 December 2021	22,309,598	–	5,841,573	9,008,872	**37,160,043**

The carrying amount and fair value of current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	2021 RUB'000	2020 RUB'000	2021 RUB'000	2020 RUB'000
Bank borrowings	**22,309,598**	21,728,265	**21,424,779**	21,784,011
Non-convertible unsecured bonds	**9,008,872**	10,286,974	**8,705,000**	10,440,500
	31,318,470	32,015,239	**30,129,779**	32,224,511

The fair value as at 31 December 2021 and 31 December 2020 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 2021 and 31 December 2020. The discount rate was 10.5% p.a. (2020: 6.3% p.a.). The fair value measurements are within level 2 of the fair value hierarchy (2020: level 2). The fair value as at 31 December 2021 and 31 December 2020 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:

	2021 RUB'000	2020 RUB'000
Russian Rouble	**31,318,470**	32,015,239
	31,318,470	32,015,239

The Group has the following undrawn borrowing facilities:

	2021 RUB'000	2020 RUB'000
Fixed rate:		
Expiring within one year	**7,788,000**	7,609,091
Expiring beyond one year	**35,100,000**	21,840,000
	42,888,000	29,449,091

Drawdowns under certain of the above credit facilities are subject to successful conclusion of additional agreements with the lenders, which, amongst others, will specify the terms of each disbursement.

Notes to the consolidated financial statements

The weighted average effective interest rates at the balance sheet were as follows:

	2021 %	2020 %
Bank borrowings	**7.2**	6.3
Non-convertible unsecured bonds	**8.2**	8.1

29. Other lease liabilities

	2021 RUB'000	2020 RUB'000
Other lease liabilities		
Current lease liabilities	**1,913,410**	684,109
Non-current lease liabilities	**3,928,163**	720,487
Total lease liabilities	**5,841,573**	1,404,596

	2021 RUB'000	2020 RUB'000
Maturity of other lease liabilities		
Between 1 and 2 years	**2,002,349**	475,112
Between 2 and 5 years	**1,898,921**	239,943
Over 5 years	**26,893**	5,432
	3,928,163	720,487

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:

	2021 RUB'000	2020 RUB'000
Beginning of year	**8,862,587**	7,592,182
Income statement charge (Note 15)	**915,907**	1,265,524
Disposed through disposals of subsidiaries	**(22,592)**	—
Exchange differences	**(3,588)**	4,881
End of year	**9,876,557**	8,862,587

The movement on the deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Property, plant and equipment RUB'000	Withholding tax provision RUB'000	Intangible assets RUB'000	Right-of-use assets RUB'000	Total RUB'000
At 1 January 2020	8,021,161	515,444	11,368	213,387	**8,761,360**
Charged/(credited) to:					
Income statement (Note 15)	445,194	153,433	(11,578)	(66,332)	**520,717**
Translation differences	—	4,881	—	—	**4,881**
At 31 December 2020	8,466,355	673,758	(210)	147,055	**9,286,958**
Charged/(credited) to:					
Income statement (Note 15)	702,541	453,254	56	724,589	**1,880,440**
Disposed through disposals of subsidiaries	(86,158)	—	154	(73,579)	**(159,583)**
Translation differences	—	(3,588)	—	—	**(3,588)**
At 31 December 2021	9,082,738	1,123,424	—	798,065	**11,004,227**

Notes to the consolidated financial statements

Deferred tax assets	Tax losses	Trade and other payables	Other lease liabilities and Borrowings	Other assets/ liabilities	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
At 1 January 2020	(59,002)	(171,099)	(849,443)	(89,634)	**(1,169,178)**
Charged/(credited) to:					
Income statement (Note 15)	5,586	78,609	625,487	35,125	**744,807**
At 31 December 2020	(53,416)	(92,490)	(223,956)	(54,509)	**(424,371)**
Charged/(credited) to:					
Income statement (Note 15)	1,334	(133,715)	(728,150)	(104,002)	**(964,533)**
Disposed through disposals of subsidiaries	52,082	(1,435)	103,517	(17,173)	**136,991**
At 31 December 2021	—	(227,640)	(848,589)	(175,684)	**(1,251,913)**

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 267,717 thousand (2020: RUB 272,614 thousand) for tax losses amounting to RUB 1,487,319 thousand (2020: RUB 1,543,418 thousand) available to be carried forward as it is not probable that future taxable profits will be available against which these tax losses can be utilised.

Withholding tax at the rate of 5% is applied to the dividends distributed by the Russian subsidiaries of the Group to the Company. In case the dividends are distributed by the Estonian subsidiaries the tax of 20% or, under certain conditions, 14% will be applied to gross amount of such distributions. The Group recognises provisions for such taxes based on management's estimates and intention for future dividend distribution by each respective subsidiary out of profits of subsidiaries as of 31 December 2021.

Deferred income tax liabilities of RUB 1,215,876 thousand (2020: RUB 1,446,802 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 11,155,035 thousand as at 31 December 2021 (2020: RUB 13,093,858 thousand).

31. Trade and other payables

	2021 RUB'000	2020 RUB'000
Current		
Trade payables to third parties	**529,454**	843,703
Other payables to third parties	**437,960**	380,438
VAT payable and other taxes	**614,664**	534,738
Accrued expenses	**95,960**	79,680
Accrued key management compensation, including share-based payment (Note 35)	**1,042,989**	359,435
	2,721,027	2,197,994
Non-current		
Other payables to third parties	**9,225**	—
	9,225	—

The fair value of trade and other payables approximates their carrying amount at the balance sheet date.

32. Earnings per share

Basic and diluted

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

	2021	2020
Profit attributable to equity holders of the company (RUB thousand)	**12,987,020**	10,586,535
Weighted average number of ordinary shares in issue (thousand)	**178,664**	178,705
Basic and diluted earnings per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	**72.69**	59.24

Notes to the consolidated financial statements

33. Contingencies

Operating environment

The year 2021 was marked by the continuous effects of the COVID-19 pandemic, the emergence of new variants and the associated measures implemented by various governments globally with a view to delay the spread of the disease, safeguard public health and ensure the economic survival of working people, businesses, vulnerable groups and the economy at large.

In 2021 the Russian economy demonstrated positive dynamics in recovery from the pandemic. This trend was also supported by the global economic recovery and higher prices on global commodity markets. However, higher prices on certain markets in Russia and globally also contribute to the inflation in Russia.

The future effects of the COVID-19 pandemic and of the measures taken by various governments to contain the virus on the Group's future financial performance, cash flows and financial position are difficult to predict and management's current expectations and estimates could differ from actual results. The Group's management has taken and continues to take necessary measures to ensure minimum disruption to and sustainability of the Group's operations and support the Group's employees, customers and suppliers.

The Group and its subsidiaries mainly operate in the Russian Federation, Estonia and Ukraine.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Ongoing political tension in the region and sanctions against certain Russian companies and individuals have an additional negative impact on the Russian economy.

The Russian economic environment was further negatively impacted by the escalation of the conflict between Russia and Ukraine from late February 2022, as further described in Note 36.

This economic environment has a significant impact on the Group's operations and financial position. The 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. The Group continues to monitor the situation and implement a set of measures to minimize the impact of possible risks on the Group's operations and financial position.

Tax contingencies. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation. Management believes that its pricing policy used in 2021 and 2020 and preceding years is arm's length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies within the Group are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated in Cyprus, Russia, Ukraine, Estonia. The tax liabilities of the Group are determined on the assumption that these companies are tax residents in the countries where they are incorporated and are not subject to profits tax of other tax jurisdictions, because they do not have permanent establishments in other jurisdictions. The Company and the non-controlling shareholding companies holding interests in the Company's Russian subsidiaries are the only and full beneficial owners of the equity interests held directly and indirectly in these subsidiaries. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. Management will vigorously defend the positions and interpretations applied in determining taxes recognised in these financial statements if these are challenged by the authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Estonia. Estonia represents well-developed market and economy with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine. Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The Central Bank of Ukraine, among other measures, imposed certain restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

Since December 2021, news surrounding potential escalation of the conflict emerged and since February 2022 the circumstances have been deteriorating and the situation remains highly unstable. Depending on how the situation evolves, it could have significant effects on the Group's operations, as further described in Note 36.

Notes to the consolidated financial statements

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 2021 and 31 December 2020 (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 2021 and 31 December 2020, 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 2020 the Group has an outstanding receivable amounting to EUR 2,883 thousand/RUB 261,437 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 initiated a claim to the Georgian Court demanding the repayment of the entire balance. Based on assessment performed as at 31 December 2020, management recognised a loss allowance of EUR 279 thousand/ RUB 25,272 thousand.

In March 2018, the Georgian Court ruled in favour of the Group an amount of US$10 million. Both parties appealed this decision. The Group did not recognise a receivable for the amount awarded as this might not constitute a final decision on the matter.

In July 2021, the Group assigned its rights, obligations and demands in the Georgian law case to a party related to the non-controlling interests of Spacecom AS, being the entity involved in the claim, under an assignment agreement for consideration which fully settled the recognised receivable as at the 31 December 2021.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 31 December 2021 and 2020 which could have a material effect on the results of operations or financial position of the Group and which have not been accrued or disclosed in these financial statements.

34. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2021 RUB'000	2020 RUB'000
Property, plant and equipment	**373,492**	308,173

(b) Operating lease commitments — Group as lessor

The Group leases out rolling stock and locomotives under cancellable and non-cancellable operating lease agreements. The future aggregate minimum lease payments receivable under non-cancellable operating leases in which the Group is acting as the lessor are as follows:

	2021 RUB'000	2020 RUB'000
Not later than 1 year	**2,612,600**	402,676
Later than 1 year not later than 5 years	**1,692,999**	156,395
	4,305,599	559,071

There were no contingent-based rents to be recognised in the income statement for the year ended 31 December 2021 and 31 December 2020.

Notes to the consolidated financial statements

35. Related party transactions

Litten Investments Ltd, controlled by a Director of the Company, has a shareholding in the Company of 5.1% as at 31 December 2021 (31 December 2020: 5.1%).

Goldriver Resources Ltd, controlled by a Director of the Company, has a shareholding in the Company of 3.1% as at 31 December 2021 (31 December 2020: 4.0%).

As at 31 December 2021, another 0.2% (2020: 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

	2021 RUB'000	2020 RUB'000
Key management salaries and other short-term employee benefits	**1,887,429**	1,139,297
Share based compensation (Note 21)	**123,971**	28,931
	2,011,400	1,168,228

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 604,062 thousand (2020: RUB 433,063 thousand) and analysed as follows:

	2021 RUB'000	2020 RUB'000
Non-executive directors' fees	**25,881**	25,535
Emoluments in their executive capacity	**561,000**	406,144
Share based compensation in their executive capacity	**17,181**	1,384
	604,062	433,063

(b) Sale of goods and services

	2021 RUB'000	2020 RUB'000
Revenue from entity under control of member of key management:		–
Operating lease of rolling stock	**134,312**	–
Other	**125**	–
	134,437	–

(c) Other gains

	2021 RUB'000	2020 RUB'000
Other gains from entity under control of member of key management:		–
Other gains	**525**	–
	525	–

(d) Year-end balances arising from sales/purchases of goods or services

	2021 RUB'000	2020 RUB'000
Trade receivables from related parties — current (Note 22):		
Entity under control of member of key management	**604**	–
	604	–
Other receivables from related parties — current (Note 22):		
Entity under control of member of key management	**18**	–
	18	–
Key management remuneration — current (Note 31):		
Accrued salaries and other short-term employee benefits	**919,018**	255,069
Share based payment liability (Note 21)	**123,971**	104,366
	1,042,989	359,435

(e) Interest income

	2021 RUB'000	2020 RUB'000
Finance leases (Note 23):		
Entity under control of members of key management	**357**	–
	357	–

Notes to the consolidated financial statements

(f) Contract liabilities

	2021 RUB'000	2020 RUB'000
Contract liabilities relating to railway transportation contracts — current (Note 10):		
Entity under control of member of key management	**1,425**	—
	1,425	—
Contract liabilities relating to railway transportation contracts — non-current (Note 10):		
Entity under control of member of key management	**4,879**	—
	4,879	—

(g) Finance leases

	2021 RUB'000	2020 RUB'000
Finance leases to related parties — current (Note 23):		
Entity under control of member of key management	**9,409**	—
	9,409	—
Finance leases to related parties — non-current (Note 23):		
Entity under control of member of key management	**11,748**	—
	11,748	—

(h) Disposal of investment in subsidiary to member of key management

During the year 2021, the Company disposed its 60% shareholding in SyntezRail Ltd (Note 20). Out of this, 20% was sold to an entity controlled by a director of the Company for a consideration of RUB 376,000 thousand.

(i) Operating lease commitments — Group as lessor

	2021 RUB'000	2020 RUB'000
Entity under control of member of key management		
Not later than 1 year	**820,549**	—
Later than 1 year not later than 5 years	**1,692,999**	—
	2,513,547	—

36. Events after the balance sheet date

Impact of the conflict in Ukraine

Since late February 2022, the Russian economy and the Group's operating environment have been negatively impacted by the escalated military and political conflict between Russia and Ukraine and the associated international sanctions against a number of Russian institutions, companies, banks and individuals. The international sanctions imposed as a response to the conflict restrict certain Russian entities from having access to foreign financial markets, including removing access of several Russian banks to the international SWIFT system. The US, European Union, UK and a number of other countries have also imposed sanctions against the Russian Central Bank, restricting the access of the Russian state to foreign currency reserves, and introduced further asset freezes against designated individuals and entities as well as sectoral sanctions. These measures have negatively impacted the Russian economy and business activity in Russia and resulted in substantial volatility in the financial and commodity markets.

During the period from 24 February 2022 to 25 March 2022 oil prices increased to over US$123 per barrel and the Russian Rouble exchange rate reached RUB 120.37 per USD and RUB 132.96 per EUR. On 3 March 2022, the London Stock Exchange suspended trading of the Company's GDRs and since 25 February 2022 the Moscow Exchange suspended trading. It is not possible to determine how long this increased volatility will last or at what level the above financial indicators will eventually level out.

The sanctions imposed by the US, European Union and a number of other countries on some of the biggest Russian industrial groups may adversely affect the business environment and prospects of the Group and create significant new risks, which did not exist as at the balance sheet date. In addition, the restrictions on the export of certain types of Russian commodities and changes in directions of supply for Russian commodities may have a negative impact on the Group's clients, the Russian freight rail transportation industry and, in turn, the Group's business.

The Group's ability to transport cargo from Russia to the territory or through the territory of Ukraine is currently suspended, however part of this cargo may be redirected to other routes. At the date of approval of these financial statements, approximately 5% of the Group's total fleet in numbers is located in Ukraine and the Group cannot temporarily access it. The conflict has also severely impacted the Company's subsidiary Ukrainian New Forwarding Company OOO, which does not have a material impact on the Group's revenue and profitability.

The restrictions on capital movements outside the Russian Federation impact and may further impact the ability of the Company's subsidiaries to make payments to the Company or to make payments between bank accounts of the Company in Russia and abroad. Further, the weakening of Russian Rouble against the US dollar and Euro and the rising oil prices may have a negative impact on the Group's operating costs and costs of repairs.

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

Notes to the consolidated financial statements

The Management continues to adopt the going concern basis in preparing these consolidated financial statements because the majority of the Group's revenue is derived from routes within the Russian Federation and the Group has a successful history of redirecting routes, switching between different types of cargos and efficiently managing logistics. Further, the Group has sufficient liquidity to meet its short-term obligations and insignificant exposure to foreign currency as the majority of its revenue and expenses are denominated and settled in Russian Roubles and the majority of its financial assets and liabilities are denominated in Russian Roubles. All borrowings of the Group are at fixed rates.

Management is closely monitoring the situation and is ready to act depending on the developments.

Acquisition of non-controlling interest in BaltTransServis, OOO
In February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO (Note 20) following receipt by the Company of the approval from the Federal Antimonopoly Service of the Russian Federation and satisfaction of the remaining pre-conditions, including payment of the remaining RUB 8,800,000 thousand of the purchase consideration. As a result, the Company became the sole owner of BaltTransServis, OOO.

Buy-back of the Company's GDRs
In July 2020 the Company started a GDRs buyback program. The buyback programme is for the Company's Global Depositary Receipts ("GDRs") listed on the Main Market of the London Stock Exchange with the total number of purchased GDRs not to exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). During 2020, the Company purchased a total number of 76,877 GDRs, which are held in treasury.

In April 2021 the shareholders of Company approved the extension of buyback programme of GDRs listed on London Stock Exchange and Moscow Exchange until April 2022. In 2022 the Company purchased an additional amount of 345,780 GDRs, thus as the date of signing the financial statements the total number of purchased GDRs is 422,657.

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 158 to 163.

Management report and parent company financial statements for the year ended 31 December 2021

Board of Directors and other officers

Board of Directors

Dr. Johann Franz Durrer
Senior Independent Non-Executive Director
Chairman of the Remuneration Committee
Chairman of the Nomination Committee

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

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

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

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

Mr. Michalakis Thomaides
Non-Executive Director

Ms. Melina Pyrgou
Non-executive Director

Mr. Marios Tofaros
Non-executive Director

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

Mr. Sergey Tolmachev
Executive Director

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

Mr. Konstantin Shirokov
Executive Director

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

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

Mr. Alexander Tarasov
Non-executive Director

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 2021. 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 decreased to RUB 3,509,530 thousand compared to RUB 21,883,710 thousand for the year ended 31 December 2020. This was mainly the result of the decrease in the dividend income earned from the subsidiaries from RUB 22,283,992 thousand during the year ended 31 December 2020 to RUB 3,154,405 thousand in the current year.

The net asset position of the Company has decreased as of 31 December 2021 compared to 31 December 2020, with net assets as of 31 December 2021 amounting to RUB 42,681,353 thousand compared to RUB 48,194,373 thousand as of 31 December 2020.

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 2021, apart from the sale of 60% in Syntezrail Ltd and Syntezrail LLC. Furthermore, in February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO (Note 28). For the principal subsidiaries of the Company, refer to Note 18 of the financial statements.

Environmental matters

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

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

Human resources

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

The Group's future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team. Competition in Russia for such personnel with relevant expertise is intense due to the small number of qualified individuals with suitable practical experience in the rail industry.

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

Principal risks and uncertainties

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

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

The escalation of the conflict in Ukraine and the associated sanctions imposed by the US, European Union and a number of other countries on some of the biggest Russian industrial groups, as described in Note 28 to the financial statements, may adversely affect the business environment and prospects of the Company and its subsidiaries and create significant new risks, which did not exist as at the balance sheet date.

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

Management Report

Strategic risks

The strategic risks faced by the Company and its subsidiaries, together referred to as "Group", that pose risks that influence the Group's ability to achieve its strategy include the general economic situation and operating environment in Russia, Kazakhstan, 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 68% of the Group's Net Revenue from the operation of rolling stock in 2021; cost of borrowing and/or deterioration in market conditions with potential impacts on the profitability and recoverability of investments; and reliance on RZD for issuing permits allowing the Group to operate locomotives.

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

The management of the Group constantly monitors the developments in the operating environment and regulatory regime of the railway transportation market in the countries in which the Group operates. The Group's business model is to maintain a balanced fleet between universal gondola cars, adaptable to the demand for transportation of various bulk cargoes and rail tank cars, which are used for the transportation of oil products and oil. Further, the Group has long-term, established relationships with its key customers and their affiliates and suppliers and in some cases, the Group becomes an integrated part of its customers' operations. Around 59% of the Group's Net Revenue from the Operation of Rolling Stock in 2021 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding transport volumes for the Group. In addition, the Group's marketing function regularly monitors competitors' strategies, their use of technology, their price strategies and industry trends.

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

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

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

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

Operational risks

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

The Group is managing operational risk by ensuring that practically all of the Group's rolling stock is insured against damage. Further, the Group monitors its rolling stock through the Group's dispatch centre on a 24/7 basis and plans routes accordingly to minimise the risks of disruption. The Group monitors FAS initiatives with the aim of detecting possible changes in tariff-setting methodology and tries to reflect respective changes in contracts with customers. Among the Group's key objectives are to increase operational efficiency and to focus on control and reduction of costs. The Group continuously monitors its costs to maintain efficiency.

The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate. Customer satisfaction is one of the key metrics that the Group's management monitors, with customer feedback being analysed and appropriate follow-up actions being taken. Due to recent sanctions imposed by US, European Union and number of other countries number of IT solutions will no longer be maintained by US and European Union suppliers. Local IT specialists have introduced alternative solutions to maintain the availability of IT services, continuity of business processes and ensure their recovery in case of disruption. The IT function and Internal Audit function monitor all IT-related activities and performance for compliance with IT policies and procedures.

Further the Group permanently monitors any disruptive events and applies a Business Continuity Policy to ensure the safety of employees and human life; maintain continuity of time-critical services; minimise disruptions to clients and partners; and minimise operational, financial and reputational impact.

Management Report

Compliance risks

The Group is also subject to compliance risk, being the risks that influence the Group's adherence to relevant laws and regulations, including the regulations of the London Stock Exchange ("LSE") and the Moscow Exchange ("MOEX"), where Company's GDR are admitted to trading. The Group is involved in legal actions from time to time. Some of it may have an adverse effect on the Group. The ambiguity of the law in Russia and CIS countries creates regulatory uncertainty and might result in claims from different government authorities. Local tax, currency, sanctions and customs legislation, especially in Russia, other emerging markets and Cyprus, may be subject to varying interpretations, inconsistencies between federal laws, regional and local laws, rules and regulations, frequent changes and a lack of judicial and administrative guidance on interpreting legislation.

The Group runs its operations in compliance with tax, currency, labour, sanctions, customs, antimonopoly and other applicable legislation and constantly monitors any changes in the regulatory environment as well as compliance with the terms of its agreements. Standard forms of agreements are used for transportation services, and various controls are in place to ensure that the terms of agreements are adhered to. All contracts are subject to rigorous review by all of the Group functions concerned and a formal approval process prior to execution. The Group has controls in place, including highly qualified and experienced personnel, to monitor changes in legislation and determine the appropriate action needed to minimise the risk of a challenge to such treatments by the authorities. For complex matters, the Group retains external consultants.

Financial risks

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

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency different from the functional currency of the Company. The fluctuations in the exchange rate between (i) US Dollar and Russian Rouble and (ii) Euro and Russian Rouble expose the Company to foreign exchange risk. The Company's current policy is not to hedge foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

Cash flow and fair value interest rate risk

The Company holds interest bearing financial instruments at fixed interest rates. Financial assets and liabilities issued at fixed rates expose the Company to fair value interest rate risk. The Company's current policy is not to hedge interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, loans and other receivables and financial guarantees issued by the Company for borrowings of subsidiaries.

Liquidity risk

As at 31 December 2021, the Company has an excess of current assets over current liabilities of RUB 378,300 thousand. Management believes that the Company will be able to meet its obligations as they fall due.

Management controls current liquidity based on expected cash flows, expected dividend and interest income receipts, expected dividend payments and advancements under borrowings from subsidiaries. In the long-term perspective, the liquidity risk is determined by forecasting future cash flows at the moment of signing new loans and by budgeting procedures.

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

Contingencies

The Company's contingencies are disclosed in Note 27 to the financial statements.

Future developments

The Company's strategic objective is to strengthen the Group's position as a leading private freight rail group in Russia. The future development of the Group may be affected by the escalation of the conflict in Ukraine in the period after the balance sheet date, as described in Note 28. It is not possible for the Board of Directors to predict with any degree of certainty the impact of this uncertainty on the future operations of the Group and estimate the financial effect on the Company and its subsidiaries.

Results

The Company's results for the year are set out on pages 292 and 293. On the date of this report, the Board of Directors, having considered the profitability and liquidity position of the Group as well as all the risks and recent developments, does not recommend the payment of a final dividend and the net profit for the year is retained.

Management Report

Dividends

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

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

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

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

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

Share capital

As at 31 December 2021 the issued share capital of the Company, which remains unchanged from the prior year, comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

Treasury shares

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company's GDRs, each representing one ordinary share of the Company with a par value of US$0.10 per share, and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2021 and May 2021. The total number of purchased GDRs shall not exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). The buyback programme allows the Company to take advantage of opportunities, if any, when its return criteria are better met by way of a GDR buyback than through investment in fleet expansion. The shareholders of the Company at the Annual General Meeting which took place on 29 April 2021 approved the prolongation of the term of the buyback program until the earlier of the close of the Annual General Meeting of the Company to be held in 2022 or 12 months from the date of the approval.

During the year 2020, the Company has purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand). No further acquisitions took place within the year 2021. For details of acquisitions of treasury shares in 2022 refer to the Note 28.

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

Research and development activities

The Company has not undertaken any research and development activities during the year ended 31 December 2021.

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 28 to the financial statements.

Branches

The Company does not operate through any branches.

Going concern

The Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2022, including cash flows and borrowing facilities, and taking into account the developments after the reporting date impacting the economic and business environment in which the Group operates, as set out in Note 28 to the financial statements, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future.

Management Report

Auditors

The Independent Auditor, 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 2021 and at the date of this report, the Board comprises 15 members (2020: 15 members), 11 (2020: 11 members) of whom are non-executive directors. Four (2020: 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 2021 and at the date of this report are shown on page 265. All of them were members of the Board throughout the year 2021.

There were no significant changes in the assignment of responsibilities of the Board of Directors during the year 2021, with the exception of Mr. Hadjivassiliou who replaced Ms. Nicolaou as a member of the Audit Committee in January 2021 and Ms. Nicolaou and Mr. Colley who were appointed to the ESG Committee in January 2021.

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 2021 amounted to RUB 312,985 thousand (2020: RUB 310,758 thousand).

Management Report

Board performance

The Board held 17 meetings in 2021. The Directors' attendance is presented in the table below.

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

The Board Committees

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

Audit Committee

The Audit Committee comprises of three Directors and meets at least four times each year. As of 31 December 2021 all the members Audit Committee were independent and the Audit Committee was chaired by Mr. Colley and was also attended by Mr. Papaioannou and Mr. Hadjivassiliou. In January 2021 Mr. Hadjivassiliou became a member of the Audit Committee and Ms. Nicolaou resigned from the Audit Committee and was appointed to the ESG Committee. The Audit Committee is responsible for considering, among other matters: the integrity of the Company's financial statements, including its annual and interim accounts, and the effectiveness of the Company's internal controls and risk management systems; auditors' reports and the terms of appointment and remuneration of the auditor.

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

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

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

Nomination Committee

The Nomination Committee comprises of two Independent Directors and meets at least once a year. The Nomination Committee is chaired by Dr. Durrer and Mr. 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.

Management Report

Remuneration Committee

The Remuneration Committee comprises of two Independent Directors and meets at least once a year. The Remuneration Committee is chaired by Dr. Durrer and Mr. 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.

ESG Committee

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

Board and Management Remuneration

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

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

The shareholders of the Company approved the remuneration of the members of the Board of Directors at the Annual General Meeting of shareholders held on 29 April 2021.

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 53.5 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.

Management Report

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.

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 and in the Moscow Exchange, under the ticker GLTR. The free float of Globaltrans amounts to approximately 56.9%[1] of the issued share capital. The Company's depositary bank for the GDR programme is Citibank N.A.

The shareholder structure of the Company as at 31 December 2021 was follows:

Onyx Investments Ltd[2]	11.5%
Marigold Investments Ltd[2]	11.5%
Maple Valley Investments Ltd[2]	10.8%
Litten Investments Ltd[3]	5.1%
Goldriver Resources Ltd[4]	3.1%
Transportation Investments Management Ltd[5]	0.9%
Treasury shares	0.04%
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.
(5) Beneficially owned by Andrey Filatov, Nikita Mishin and Konstantin Nikolaev, co-founders of Globaltrans.

Management Report

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 2021 and 31 December 2020 are shown below:

Name	Type of holding	2021	2020
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	9,065,790
Sergey Maltsev	Indirect holding of GDRs	5,490,149	7,099,725
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, 25 March 2022

Directors' responsibility

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

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

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

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

Directors' confirmations

Each of the directors, whose names and functions are listed in page 265 confirms that, to the best of his or her knowledge:

(a) the financial statements, which are presented on pages 292 to 352, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
(b) the Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

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

By order of the Board

....

Sergey Tolmachev
Director

Limassol, 25 March 2022

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 2021, 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 292 to 352 and comprise:

- the balance sheet as at 31 December 2021;
- 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 are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the parent company financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter: events after the balance sheet date

We draw attention to Note 28 to the parent company financial statements, which describes the events after the balance sheet date impacting the operating environment and activities of the Company and its subsidiaries. Our opinion is not modified in respect of this matter.

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 478,867 thousand, which represents 1% of total assets of the Company as at 31 December 2021 (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 478,867 thousand
How we determined it	1% of total assets of the Company as at 31 December 2021 (rounded).
Rationale for the materiality benchmark applied	We chose total assets 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 1% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

Independent Auditor's Report

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RUB 23,943 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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 Directors' responsibility, which we obtained prior to the date of this auditor's report, and the Company's complete Annual Report, 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, 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.

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, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report

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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

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

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

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021. That report is modified with the inclusion of an emphasis of matter.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these parent company financial statements form part of the European Single Electronic Format (ESEF)-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This independent auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

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

25 March 2022

Income statement

for the year ended 31 December 2021

	Note	2021 RUB'000	2020 RUB'000
Revenue	8	3,174,507	22,327,855
Marketing costs		(2,633)	(2,144)
Administrative expenses		(603,758)	(565,127)
Reversal of impairment losses on loans receivable	26	133,727	51,713
Other income		310,381	1,000,232
Other gains — net	9	825,602	49,734
Operating profit		3,837,826	22,862,263
Finance income	12	51,038	42,311
Finance costs	12	(239,086)	(216,510)
Net foreign exchange transaction (losses)/gains on financing activities	12	(11,204)	268,879
Finance costs — net	12	(199,252)	94,680
Profit before tax		3,638,574	22,956,943
Income tax expense	13	(129,044)	(1,073,233)
Profit for the year		3,509,530	21,883,710

The notes on pages 300 to 352 are an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2021

	2021 RUB'000	2020 RUB'000
Profit for the year	3,509,530	21,883,710
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Losses on cash flow hedging instrument	(86,158)	(475,042)
Reclassification adjustment to the income statement	86,158	475,042
Total items that may be reclassified subsequently to profit or loss	—	—
Other comprehensive income for the year, net of tax	—	—
Total comprehensive income for the year	3,509,530	21,883,710

The notes on pages 300 to 352 are an integral part of these financial statements.

Balance sheet

at 31 December 2021

	Note	31 December 2021 RUB'000	31 December 2020 RUB'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	18	44,851,099	45,151,248
Property, plant and equipment	16	8,039	10,678
Right-of-use assets	17	8,685	2,633
Other assets	20	300,000	—
Loans and other receivables	19	259,875	544,362
Total non-current assets		**45,427,698**	45,708,921
Current assets			
Loans and other receivables	19	481,110	380,674
Other assets	20	713	6,588
Cash and cash equivalents	21	1,977,191	2,225,518
Total current assets		**2,459,014**	2,612,780
TOTAL ASSETS		**47,886,712**	**48,321,701**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	516,957	516,957
Share premium	22	27,929,478	27,929,478
Capital contribution		2,694,851	2,694,851
Treasury shares		(31,496)	(31,496)
Retained earnings		11,571,563	17,084,583
Total equity		**42,681,353**	48,194,373

	Note	31 December 2021 RUB'000	31 December 2020 RUB'000
Non-current liabilities			
Borrowings	23	3,118,740	—
Lease liabilities	24	5,905	—
Total non-current liabilities		**3,124,645**	—
Current liabilities			
Borrowings	23	1,920,346	—
Lease liabilities	24	2,780	3,220
Payables and accrued expenses	25	157,588	124,108
Total current liabilities		**2,080,714**	127,328
Total liabilities		**5,205,359**	127,328
TOTAL EQUITY AND LIABILITIES		**47,886,712**	48,321,701

On 25 March 2022 the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

Sergey Tolmachev
Director

Konstantin Shirokov
Director

The notes on pages 300 to 352 are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital RUB'000	Share premium RUB'000	Capital contribution RUB'000	Treasury shares RUB'000	Cash flow hedge reserve RUB'000	Retained earnings RUB'000	Total RUB'000
Balance at 1 January 2020		516,957	27,929,478	2,694,851	—	—	11,838,051	**42,979,337**
Comprehensive income								
Profit for the year		—	—	—	—	—	21,883,710	**21,883,710**
Other comprehensive income								
Losses on cash flow hedging instrument		—	—	—	—	(475,042)	—	**(475,042)**
Reclassification adjustment to the income statement		—	—	—	—	475,042	—	**475,042**
Total comprehensive income for 2021		—	—	—	—	—	21,883,710	**21,883,710**
Transactions with owners								
Dividend to owners of the Company	15	—	—	—	—	—	(16,637,178)	**(16,637,178)**
Total distributions to owners of the Company		—	—	—	—	—	(16,637,178)	**(16,637,178)**
Purchase of treasury shares	22	—	—	—	(31,496)	—	—	**(31,496)**
Total transactions with owners		—	—	—	(31,496)	—	(16,637,178)	**(16,668,674)**
Balance at 31 December 2021		516,957	27,929,478	2,694,851	(31,496)	—	17,084,583	**48,194,373**
Comprehensive income								
Profit for the year		—	—	—	—	—	3,509,530	**3,509,530**
Other comprehensive income								
Losses on cash flow hedging instrument		—	—	—	—	(86,158)	—	**(86,158)**
Reclassification adjustment to the income statement		—	—	—	—	86,158	—	**86,158**
Total comprehensive income for 2021		—	—	—	—	—	3,509,530	**3,509,530**
Transactions with owners								
Dividend to owners of the Company	15	—	—	—	—	—	(9,022,550)	**(9,022,550)**
Total distributions to owners of the Company		—	—	—	—	—	(9,022,550)	**(9,022,550)**
Total transactions with owners		—	—	—	—	—	(9,022,550)	**(9,022,550)**
Balance at 31 December 2021		516,957	27,929,478	2,694,851	(31,496)	—	11,571,563	**42,681,353**

The notes on pages 300 to 352 are an integral part of these financial statements.

Cash flow statement

for the year ended 31 December 2021

	Note	2021 RUB'000	2020 RUB'000
Cash flows from operating activities			
Profit before tax		3,638,574	22,956,943
Adjustments for:			
Depreciation of property, plant and equipment	16	2,639	1,768
Depreciation of right-of-use assets	17	2,633	2,431
Interest on loans to related parties	8	(20,102)	(43,863)
Bank interest income	12	(51,038)	(39,048)
Interest income on other receivables from related parties	12	—	(3,263)
Interest expense	12	239,086	216,510
Reversal of impairment losses on loans receivable	26	(133,727)	(51,713)
Profit from sale of property, plant and equipment	10	—	(1,029)
Gain from sale of subsidiaries	9	(827,850)	—
Net foreign exchange transaction losses/(gains) on financing activities	12	11,204	(268,879)
Operating cash flows before working capital changes		2,861,419	22,769,857
Changes in working capital:			
Dividend income not received		15,072	(251,377)
Other assets		5,875	(5,740)
Payables and accrued expenses		34,033	18,749
Net cash generated from operations		2,916,399	22,531,489
Interest received from loans from related parties		8,675	34,374
Tax paid		(127,001)	(1,073,231)
Net cash generated from operating activities		2,798,073	21,492,632
Cash flows from investing activities			
Proceeds from sale of subsidiary	18	1,128,000	315,967
Prepayment for acquisition of non-controlling interest	20	(300,000)	—
Purchases of property, plant and equipment	16	—	(6,528)
Proceeds from sale of property plant and equipment		—	1,763
Loan repayments received from related parties	26	296,668	400,299
Bank interest received		51,038	39,048
Net cash generated from investing activities		1,175,706	750,549

	Note	2021 RUB'000	2020 RUB'000
Cash flows from financing activities			
Proceeds from borrowings	23	6,000,000	—
Repayments of bank borrowings	23	(1,000,000)	(4,242,424)
Principal elements of lease payments	23	(3,209)	(2,358)
Interest paid on bank borrowings	23	(199,680)	(235,720)
Interest paid on lease liabilities	23	(320)	(308)
Purchase of treasury shares	22	—	(31,496)
Dividends paid to the Company's shareholders	15	(9,022,550)	(16,637,178)
Net cash used in financing activities		(4,225,759)	(21,149,484)
Net (decrease)/increase in cash and cash equivalents		(251,980)	1,093,697
Exchange gains on cash and cash equivalents		3,653	149,024
Cash and cash equivalents at beginning of year		2,225,518	982,797
Cash and cash equivalents at end of year	21	1,977,191	2,225,518

The notes on pages 300 to 352 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 consolidated financial statements were authorised for issue by the Board of Directors on 25 March 2022.

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

Principal activities
The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of financing to other Group companies. The Company is the parent of a group of companies involved in the provision of railway transportation services, using own and leased rolling stock and fleet engaged from third party rail operators, as well as the operating lease of rolling stock.

Consolidated financial statements
The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113 for the Company and its subsidiaries ("the Group"). These consolidated financial statements can be obtained from the Company's website at www.globaltrans.com.

2. Basis of preparation

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

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by International Accounting Standards Board (IASB) that are relevant to the Company's operations and are effective as at 1 January 2021 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 2021 in order to obtain a proper understanding of the financial position, the financial performance and cash flows of the Company and the Group.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and amended International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2021. None of these had a significant impact on these financial statements.

4. Summary of significant accounting policies

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

Foreign currency translation
(a) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is the Russian Rouble. The financial statements are also presented in Russian Roubles ("the presentation currency") because this is the currency better understood by the principal users of the financial statements.

(b) Transactions and 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, with the exception of foreign exchange differences that relate to qualifying cash flow hedges which are deferred in equity.

Net foreign exchange differences arising from borrowings and other liabilities and from cash and cash equivalents and other monetary assets are presented on the face of the income statement in the line "net foreign transaction gains/(losses) on financing activities", with the appropriate disclosure of the split between the two in the note "Finance costs — net".

All other foreign exchange gains and losses are presented in the income statement within "Other gains — net".

Notes to the parent company financial statements

Hedging activities

The Company is exposed to foreign exchange risk arising from dividends declared in Russian Roubles and paid in US Dollar at the rate set at the date of the declaration. The Company uses foreign currency cash deposits denominated in US Dollars to hedge this foreign exchange risk exposure.

In particular, the US Dollar denominated cash deposits are designated by the Company as hedging instruments in hedging the foreign exchange risk associated with the highly probable dividend payment and the resulting payable. At inception of the hedge relationship, the Company documents, amongst others, the economic relationship between the hedging instrument and hedged item, including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of the hedged item. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

As a result of the application of hedge accounting the foreign exchange difference on the hedging instrument is recognised in other comprehensive income in the "Cash flow hedge reserve" within equity. Amounts recognised in equity are reclassified to the income statement, within "Finance income and costs", in the same period or periods during which the hedged item impacts the income statement, being once foreign exchange differences are recognised on the hedged item.

Accordingly, in the cash flow statement "Dividends paid to the Company's shareholders" are disclosed net-off foreign exchange differences on the relevant cash deposits (i.e. at the amounts declared) and the "Exchange gains on cash and cash equivalents" do not include the impact from the relevant cash deposits used for hedging. In the income statement the amounts included in "Finance income and costs" (Note 12) within "Net foreign exchange transaction gains/(losses) on cash and cash equivalents, loans and other receivables and dividends receivable" are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging).

Dividend income

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

Employee benefits

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

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

Share based payment transactions

The Company operates a cash-settled share-based compensation plan. In accordance with compensation plan, key management personnel of the Company are entitled to receive cash compensations based on the weighted average market quotations of the fixed number of global depository receipts ("GDR") of the Company. The fair value of the employee services received in exchange for the grant of the equivalent GDR instruments is recognised as an expense over the vesting period.

At each balance sheet date, if required by the terms of the compensation plan, the Company revises its estimates of the monetary equivalent of GDRs that are expected to vest. It recognises the impact of the revision of original estimates, including number of instruments expected to vest and fair value in the income statement with a corresponding adjustment to share-based payment liability.

Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

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

Notes to the parent company financial statements

Uncertain tax positions
The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, respectively.

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

Leases
Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company, with limited exceptions as set out below. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost. Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right-of-use asset. The adjustment can be positive or negative. Right-of-use assets are reviewed for impairment in accordance with the Company's accounting policy for impairment of non-financial assets.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

As an exception to the above, the Company accounts for short-term leases and leases of low value assets by recognising the lease payments as an expense on a straight-line basis in the interim income statement. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet.

Property, plant and equipment
Property, plant and equipment are recorded at purchase cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, less residual value, over their estimated useful lives, as follows:

	Number of years
Motor vehicles	3—5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

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

Investments in subsidiary undertakings
Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company carries the investments in subsidiaries at cost less any impairment in its separate financial statements. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

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.

Notes to the parent company financial statements

Group reorganisations resulting into an exchange of non-financial assets and where the future cash inflows before and after the reorganisation do not change as a result of the reorganisation are considered to lack commercial substance and no gains or losses are recognised relating to such restructurings.

Indemnification assets received for contingent liabilities of the investments in subsidiaries that existed at the time of acquisition of such subsidiaries are recognised against the cost of the relevant investment.

Deferred consideration

Deferred consideration arises when settlement of all or any part of the cost of an acquisition is deferred. Deferred consideration is stated at fair value at the date of acquisition, which is determined by discounting the amounts due to present value using market interest rates at the date of initial recognition. Interest is accrued on the fair value of deferred consideration at the original effective interest rate and is recognised in finance costs.

Impairment of non-financial assets

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

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

Financial assets

Recognition and derecognition. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade-date; being the date on which the Company commits to purchase or sell the asset. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any gain or loss arising upon their derecognition is recognised directly in the income statement.

Classification. The Company classifies its financial assets at amortised cost. The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the assets. Management determines the classification of financial assets at initial recognition.

Financial assets at amortised cost are held for collection of contractual cash flows and their cash flows represent solely payments of principal and interest. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's financial assets at amortised cost comprise of loans and other receivables and cash and cash equivalents on the balance sheet.

Reclassification. Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Measurement. At initial recognition, the Company measures financial assets classified at amortised cost at their fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently, these are measured at amortised cost.

Interest income. Interest income on financial assets at amortised cost is recognised using the effective interest rate method. Interest income on loans granted to related parties is recognised within "Revenue" in the income statement. All other interest income recognised on debt financial assets carried at amortised cost is included within "finance income" in the income statement. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset; that is after deduction of the loss allowance. The Company's definition of credit-impaired assets is explained in Note 6, Credit risk section.

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.

Notes to the parent company financial statements

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.

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.

Notes to the parent company financial statements

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

Transactions with equity owners/subsidiaries

The Company enters into transactions with its shareholders and subsidiaries. When consistent with the nature of the transaction, the Company's accounting policy is to recognise (a) any gains or losses with equity holders, directly through equity and consider these transactions as the receipt of additional capital contribution or the payment of dividends; and (b) any losses with subsidiaries as cost of investment in subsidiaries. Similar transactions with non-equity holders, or subsidiaries, are recognised through the income statement in accordance with IFRS 9 "Financial Instruments".

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to the income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Other income

Other income generally represents amounts received from transactions that are outside the Company's principal activities. This is recognised in the income statement over the period it relates to, based on the terms of the arrangement. Other income that it is not linked to the Company's future performance and/or satisfaction of any future obligations is recognised in the period in which the Company is entitled to receive it.

Cash flow statement

Cash flows arising from dividend income and interest income on loans granted to related parties, which form part of the revenue of the Company, are reported as part of operating activities in the cash flow statement. Interest income received on other balances, which forms part of the Company's finance income, is reported within cash flows from investing activities in the cash flow statement. Interest expense arising from deferred consideration for acquisition of subsidiaries is recognised within financing activities. Transactions with non-controlling interests that do not result in a change of control are classified as investment activities. Furthermore, 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 2021. 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.

- **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. In addition, the amendments clarify the classification requirements for debt a company might settle by converting it into equity.
- **Classification of liabilities as current or non-current, deferral of effective date — Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*.** The effective date of the amendment to IAS 1 on classification of liabilities as current or non-current that was issued in January 2021 with an original effective date 1 January 2022 was deferred by one year.
- **Proceeds before intended use, Onerous contracts — cost of fulfilling a contract, Reference to the Conceptual Framework — narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 — amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).** The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment to IAS 37 clarifies the meaning of "costs to fulfil a contract". IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements.
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).** IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies.
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).** The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
- **Deferred tax related to assets and liabilities arising from a single transaction — Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).*** The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. The amendments clarify that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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

Notes to the parent company financial statements

6. Financial risk management

Financial risk factors

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

Market risk

(a) Foreign exchange risk

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

As of the end of December 2021 the Russian Rouble has decreased against the US Dollar from 73.8757 as of 31 December 2020 to 74.2926 Russian Roubles (0.6% decrease) and has increased against the Euro from 90.6824 as of 31 December 2020 to 84.0695 Russia Roubles (7.3% increase).

The fluctuations in the exchange rate between (i) US Dollar and Russian Rouble and (ii) between Euro and Russian Rouble expose the Company to foreign exchange risk.

The carrying amounts of monetary assets denominated in US dollars as at 31 December 2021 and 31 December 2020 are as follows:

	2021 RUB'000	2020 RUB'000
Assets	817,566	812,110
Liabilities	15,379	15,647

The carrying amounts of monetary assets and liabilities denominated in Euro as at 31 December 2021 and 31 December 2020 are as follows:

	2021 RUB'000	2020 RUB'000
Assets	321,536	873,485
Liabilities	97,640	75,460

Had US Dollar exchange rate strengthened/weakened by 20% (2020: 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 2021 would have increased/decreased by RUB 140,383 thousand (2020: RUB 139,381 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 2021 and as of 31 December 2020.

Had Euro exchange rate strengthened/weakened by 30% (2020: 30% change) against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Company for the year ended 31 December 2021 would have increased/decreased by RUB 58,773 thousand (2020: by RUB 209,482 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 2021 and as of 31 December 2020.

The Company's current policy is not to hedge foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

The impact of application of hedge accounting has been to disclose in the cash flow statement "Dividends paid to the Company's shareholders" net-off RUB 86,158 thousand (2020: RUB 475,042 thousand) foreign exchange losses and the "Exchange gains on cash and cash equivalents" does not include the equivalent impact from the relevant cash deposits used for hedging. Furthermore, in the income statement the amounts included in "Finance income and costs" within "Net foreign exchange transaction (losses)/gains on cash and cash equivalents, loans and other receivables and dividends receivable" are disclosed after application of hedge accounting (i.e. excluding the foreign currency losses/gains arising for the hedging of RUB 86,158 thousand (2020: RUB 475,042 thousand)).

(b) Cash flow and fair value interest rate risk

The Company holds interest bearing financial instruments at fixed interest rates.

Financial assets and liabilities issued at fixed rates expose the Company to fair value interest rate risk. However, as all of the Company's fixed interest rate financial instruments are carried at amortised cost, any reasonably possible change in the interest rates as of 31 December 2021 and 31 December 2020 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 2021 and 31 December 2020 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.

Notes to the parent company financial statements

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.

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:

Notes to the parent company financial statements

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 2020:

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	—	266,307
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	**212,185**	—
Non-performing or Credit-impaired	Stage 3 — Interest and/or principal repayments are 90 days past due	**2,048,016**	—

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2021:

Internal credit risk rating grade	Company definition of category	Gross carrying amount	
		Loans receivable RUB'000	Other receivables RUB'000
Performing	Stage 1 — Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	—	234,634
Underperforming	Stage 2 — Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	**45,886**	—
Non-performing or Credit-impaired	Stage 3 — Interest and/or principal repayments are 90 days past due	**1,937,248**	—

The gross carrying amounts, as per above, represent the Company's maximum exposure to credit risk on these assets as at 31 December 2021 and 31 December 2020, without taking account of any collateral held. The Company does not hold any collateral as security for any loans receivable or other receivable balances.

The movement in the credit loss allowance for loans receivable during the years 2021 and 2020 is presented in the table below:

	Loans Receivable Non-performing	
	2021 RUB'000	2020 RUB'000
Opening balance	(1,601,472)	(1,385,320)
Reversals	133,727	51,713
Foreign exchange difference	(9,038)	(267,865)
Closing balance	(1,476,783)	(1,601,472)

During the year 2021, the only movement in the gross carrying amount of the credit impaired loans receivable were reversals and foreign exchange differences. The impact of these on the credit loss allowance is reflected in the table above.

The estimated credit loss allowance on the performing and underperforming loans receivable and other receivable balances as at 31 December 2021 and 31 December 2020 was not material.

During the years 2021 and 2020, the contractual cash flows of the Company's credit-impaired loans receivable as at 1 January 2021 and 1 January 2020, respectively, were modified so as to extend the maturity of the loans. No other changes to the terms of the loans were made. As the modifications were driven by financial difficulties of the counterparty and inability to make the originally agreed payments and the risks and rewards of the loans did not change, the modifications did not result in derecognition of the said loans. In addition, these modifications did not significantly impact the ECL on these loans.

During the year 2020, the maturity of underperforming loan receivable with a carrying amount of RUB 212,185 thousand as at 31 December 2020 was extended and the contractual interest rate was decreased. As the modifications 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 and the risk profile of the loan did not change, the modifications did not result in derecognition of the said loan. In addition, the impact of these modifications was not material.

Notes to the parent company financial statements

Cash and cash equivalents

The Company assesses, on an individual basis, its exposure to credit risk arising from cash at bank based on ratings from external credit rating institutions and internal reviews, if external are not available.

The following table contains an analysis of the gross carrying amount of the Company's cash at bank by reference to the credit risk ratings assigned by external credit rating agencies. The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2021 and 31 December 2020:

		Gross carrying amount	
	Rating	2021 RUB'000	2020 RUB'000
Moody's[1]	A3	**—**	881,308
Moody's[1]	A2	**1,812,682**	—
Moody's[1]	Aa2	**161,516**	233,924
Moody's[1]	B3	**—**	8,969
Moody's[1]	B1	**705**	—
Moody's[1]	Ba1	**43**	1,100,000
Moody's[1]	Baa3	**2,245**	1,317
Total		**1,977,191**	2,225,518

[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 2021 and 31 December 2020, based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2021 and 31 December 2020.

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 2021 and 31 December 2020, none of the Company's subsidiaries had defaulted on or breached any covenants on their borrowings/bonds.

The following table contains an analysis of the exposure to credit risk on financial guarantees by reference to the Company's internal credit risk rating grades. The amounts below represent the Company's maximum exposure to credit risk on these financial instruments as at 31 December 2021 and 31 December 2020.

	Stage 1	
	2021 RUB'000	2020 RUB'000
— Performing	**18,884,714**	23,584,105
— Underperforming	**—**	—
— Non-performing	**—**	—
Total unrecognised gross amount	**18,884,714**	23,584,105

The amounts, as per above, represent the Company's maximum exposure to credit risk on these financial instruments as at 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020 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 2021 and 31 December 2020 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.

Notes to the parent company financial statements

Liquidity risk

As at 31 December 2021, the Company has an excess of current assets over current liabilities of RUB 378,300 thousand (2020: excess of current assets over current liabilities of RUB 2,485,452 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 2021 and 31 December 2020. 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 2021							
Payables and accrued expenses[1]	—	8,968	—	—	—	—	**8,968**
Borrowings	72,088	18,823	303,469	1,786,901	1,491,096	1,950,082	**5,622,459**
Other lease liabilities	232	463	695	1,390	2,894	3,011	**8,685**
Financial guarantee contracts[2]	9,875,841	9,008,873	—	—	—	—	**18,884,714**
	9,948,161	9,037,127	304,164	1,788,291	1,493,990	1,953,093	**24,524,826**
31 December 2020							
Payables and accrued expenses[1]	—	20,479	—	—	—	—	**20,479**
Other lease liabilities	268	537	805	1,610	—	—	**3,220**
Financial guarantee contracts[2]	11,776,425	11,807,680	—	—	—	—	**23,584,105**
	11,776,693	11,828,696	805	1,610	—	—	**23,607,804**

(1) Payables and accrued expenses exclude statutory liabilities as the analysis is provided for financial liabilities only.
(2) The maximum possible amount of obligation under financial guarantee contracts is disclosed at the earliest time it may be called.

Capital risk management

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

For defining capital, the Company uses the amount of net assets attributable to the Company's shareholders and the Company's borrowings. The Company manages the capital based on borrowings to total capitalization ratio. Borrowings include loan liabilities.

To maintain or change capital structure the Company may vary the amount of dividend paid in order to reduce debts. Management believes that the current equity is sufficient to fund current projects and further development of the Company.

Total capitalisation is calculated as the sum of the total borrowings and net assets at the date of calculation. The management does not currently have any specific target on the rate of borrowings to total capitalization.

The rate of borrowings to total capitalisation as at 31 December 2021 and 31 December 2020 are as follows:

	2021 RUB'000	2020 RUB'000
Total borrowings	**5,039,086**	—
Total capitalisation	**42,681,353**	48,194,373
Total borrowings to total capitalisation ratio (percentage)	**11.81%**	0.00%

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 2021 and 2020. Management believes that the Company will be able to comply with its external requirements to the capital during the whole term of agreements.

Notes to the parent company financial statements

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 the credit risk of the counterparty. Refer to Note 19.

The fair value as at 31 December 2021 and 31 December 2020 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 2021 was 8% (31 December 2020: 8%) and for Russian Rouble denominated loans to related parties as at 31 December 2021 was 10.5% (31 December 2020: 17.7%). The fair value measurements of loans to related parties as at 31 December 2021 and 31 December 2020 are within level 3 of the fair value hierarchy. Refer to Note 19.

The fair value of financial assets receivable on demand approximates their carrying amount. The fair value of current other receivables from related parties as at 31 December 2021 and 31 December 2020 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 2021, 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 2021.

The discount rate used for Russian Rouble denominated bank borrowings as at 31 December 2021 was 10.5% (Note 23). There were no US Dollar denominated borrowings as at 31 December 2021 and 31 December 2020. The fair value measurements of bank borrowings as at 31 December 2021 were within level 2 of the fair value hierarchy.

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

Notes to the parent company financial statements

7. Critical accounting estimate and judgements

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

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

- Income taxes

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Refer to Note 27.

8. Revenue

	2021 RUB'000	2020 RUB'000
Interest on loans to related parties calculated using the effective interest rate method (Note 26)	**20,102**	43,863
Dividend income (Note 26)	**3,154,405**	22,283,992
Total	**3,174,507**	22,327,855

9. Other gains — net

	2021 RUB'000	2020 RUB'000
Net foreign exchange transaction (losses)/gains on non-financing activities (Note 14)	**(2,248)**	49,734
Gain from sale of subsidiaries (Note 18)	**827,850**	—
Other gains — net	**825,602**	49,734

10. Expenses by nature

	2021 RUB'000	2020 RUB'000
Statutory auditor's remuneration for statutory audit services	17,206	18,053
Statutory auditor's remuneration for other assurance services	5,899	5,139
Advertising and marketing expenses	2,633	2,144
Expenses relating to short-term leases	—	272
Depreciation of property, plant and equipment (Note 16)	2,639	1,768
Depreciation of right-of-use assets (Note 17)	2,633	2,431
Profit on sale of property, plant and equipment	—	(1,029)
Employee benefit expense (Note 11)	444,682	408,431
Legal, consulting and other professional services [1]	53,860	55,349
Bank charges	4,802	10,540
Non-executive directors' fees (Note 26)	25,881	25,535
Travel expenses	948	1,043
Stock exchange and financial regulator fees	9,159	6,743
Taxes other than on income	12,756	10,531
Other expenses	23,293	20,321
Total marketing costs and administrative expenses	606,391	567,271

(1) Includes RUB 3,683 thousand for the year 2021 (RUB 638 thousand for the year 2020) in fees paid to the Company's statutory audit firm for tax consultancy services.

Notes to the parent company financial statements

11. Employee benefit expense

	2021 RUB'000	2020 RUB'000
Salaries	**212,936**	227,855
Bonuses	**195,978**	149,291
Share based compensation	**22,570**	19,309
Social security costs	**13,198**	11,976
Total employee benefit expense	**444,682**	408,431
Average number of staff employed during the year	**8**	8

12. Finance income and costs

	2021 RUB'000	2020 RUB'000
Included in finance costs:		
Interest expense on bank borrowings (Note 23)	**(238,766)**	(216,202)
Total interest expense calculated using the effective interest rate method	**(238,766)**	(216,202)
Interest expense on other lease liabilities (Note 23)	**(320)**	(308)
Total finance costs	**(239,086)**	(216,510)
Included in finance income:		
Interest income on bank balances	**51,038**	39,048
Interest income on other receivables from related parties (Note 26)	**—**	3,263
Total interest income calculated using the effective interest rate method	**51,038**	42,311
Total finance income	**51,038**	42,311
Net foreign exchange transaction (losses)/gains on cash and cash equivalents, loans and other receivables and dividends receivable	**(11,204)**	268,879
Net foreign exchange transaction gains on other financial liabilities	**—**	—
Net foreign exchange transactions (losses)/gains from financing activities (Note 14)	**(11,204)**	268,879
Finance costs — net	**(199,252)**	94,680

13. Income tax expense

	2021 RUB'000	2020 RUB'000
Current tax:		
Withholding tax on dividends receivable	**127,001**	1,073,231
Defence contribution	**2,043**	2
Total tax expense	**129,044**	1,073,233

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

	2021 RUB'000	2020 RUB'000
Profit before tax	**3,638,574**	22,956,943
Tax calculated at the applicable tax rate	**454,822**	2,869,618
Tax effect of expenses not deductible for tax purposes	**77,480**	90,549
Tax effect of allowances and income not subject to tax	**(532,302)**	(2,960,167)
Defence contribution	**2,043**	2
Foreign withholding tax on dividends receivable	**127,001**	1,073,231
Tax charge	**129,044**	1,073,233

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

Brought forward losses of only five years may be utilised.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%. Further, in certain cases dividends received from other Cyprus tax resident companies may also be subject to special contribution for defence.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc.) are exempt from Cyprus income tax.

Withholding tax is applied to dividends distributed to the Company by its Russian subsidiaries at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected.

Notes to the parent company financial statements

14. Net foreign exchange gains/(losses)

	2021 RUB'000	2020 RUB'000
Finance income and costs (Note 12)	**(11,204)**	268,879
Other gains — net (Note 9)	**(2,248)**	49,734
Total foreign exchange (losses)/gains	**(13,452)**	318,613

15. Dividends

In April 2020, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 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 2020 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 (US Dollar equivalent of US$ 110,787 thousand).

In August 2020, 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, including interim dividend in the amount of RUB 3,083,281 thousand or RUB 17.25 per ordinary share/GDR and a special interim dividend in the amount of RUB 5,327,109 thousand or RUB 29.30 per ordinary share/GDR (US Dollar equivalent US$ 111,293 thousand).

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

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

During the years ended 31 December 2021 and 31 December 2020, the Company declared and paid as detailed in the table below.

	2021 RUB'000	2020 RUB'000
Dividends declared [1]	**9,022,550**	16,637,178
Dividends paid [1]	**9,022,550**	16,637,178

[1] Dividends declared and paid within the year 2021 as per the table above excludes RUB 3,867 thousand (2020: RUB 3,601 thousand) relating to dividend declared and paid on the treasury shares.

16. Property, plant and equipment

	Motor vehicles RUB'000	Total RUB'000
At 1 January 2020		
Cost	15,475	**15,475**
Accumulated depreciation	(8,823)	**(8,823)**
Net book amount	6,652	**6,652**
Year ended 31 December 2020		
Additions	6,528	**6,528**
Disposals	(734)	**(734)**
Depreciation charge (Note 10)	(1,768)	**(1,768)**
Closing net book amount	10,678	**10,678**
At 31 December 2020 / 1 January 2021		
Cost	13,193	**13,193**
Accumulated depreciation	(2,515)	**(2,515)**
Net book amount	10,678	**10,678**
Year ended 31 December 2021		
Depreciation charge (Note 10)	(2,639)	**(2,639)**
Closing net book amount	8,039	**8,039**
At 31 December 2021		
Cost	13,193	**13,193**
Accumulated depreciation	(5,154)	**(5,154)**
Net book amount	8,039	**8,039**

Notes to the parent company financial statements

17. Right-of-use assets

	Offices RUB'000	Total RUB'000
At 1 January 2020		
Cost	7,292	**7,292**
Accumulated depreciation	(2,228)	**(2,228)**
Net book amount	5,064	**5,064**
Year ended 31 December 2020		
Depreciation charge (Note 10)	(2,431)	**(2,431)**
Closing net book amount	2,633	**2,633**
At 31 December 2020 / 1 January 2021		
Cost	7,292	**7,292**
Accumulated depreciation	(4,659)	**(4,659)**
Net book amount	2,633	**2,633**
Year ended 31 December 2021		
Additions	8,685	**8,685**
Depreciation charge (Note 10)	(2,633)	**(2,633)**
Closing net book amount	8,685	**8,685**
At 31 December 2021		
Cost	15,977	**15,977**
Accumulated depreciation	(7,292)	**(7,292)**
Net book amount	8,685	**8,685**

18. Investments in subsidiary undertakings

	2021 RUB'000	2020 RUB'000
At beginning of year	**45,151,248**	45,151,248
Disposals	**(300,150)**	—
At end of year	**44,851,099**	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 (%)	
			2021	2020	2021	2020	2021	2020
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	**—**	—	**60**	60	**40**	40
BTS-Locomotive Solutions OOO[2]	Russia	Support activities for locomotive traction	**—**	—	**60**	60	**40**	40
SyntezRail Ltd	Cyprus	Intermediary holding company	**—**	60	**—**	60	**—**	40
SyntezRail LLC[3]	Russia	Railway transportation	**—**	—	**—**	60	**—**	40
Spacecom AS	Estonia	Operating lease of rolling stock	**65.25**	65.25	**65.25**	65.25	**34.75**	34.75
Ekolinja Oy[4]	Finland	Operating sub—lease of rolling stock	**—**	—	**—**	65.25	**—**	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 100% subsidiary of BaltTransServis, OOO.
2. BTS-Locomotive Solutions, OOO is a 100% subsidiary of BaltTransServis, OOO.
3. SyntezRail LLC was a 100% subsidiary of SyntezRail Ltd.
4. Ekolinja Oy and Spacecom Trans AS are 100% subsidiaries of Spacecom AS. Ekolinja Oy was dissolved within June 2021.

Notes to the parent company financial statements

Disposal of Spacecom Trans AS 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. In accordance with the terms of the relevant agreement, the consideration for this transaction was payable by Spacecom AS in instalments. Within the year 2020, an amount of EUR 4,041 thousand (equivalent to RUB 315,967 thousand) was received from the subsidiary resulting into the full settlement of the receivable balance.

Disposal of SyntezRail Limited during the year 2021

During the year 2021, the Company disposed its 60% shareholding in SyntezRail Ltd, which in turn owned 100% of SyntezRail LLC, for a total consideration of RUB 1,128,000 thousand realising a gain of RUB 827,850 thousand (Note 9). One of the three purchasers is an entity controlled by a director of the Company (Note 26).

Acquisition of non-controlling interest in BaltTransServis, OOO

On 21 December 2021, the Company entered into an agreement with the non-controlling shareholder of BaltTransServis, OOO to acquire the remaining 40% shareholding in the subsidiary for a total consideration of RUB 9,100,100 thousand. As of 31 December 2021, the transaction was subject to satisfaction of a number of pre-conditions, including approval by the Federal Antimonopoly Service of the Russian Federation and, as a result, the acquisition was not reflected in the financial statements for the year 2021.

By 31 December 2021, and in line with terms of the relevant agreement, the Company made a prepayment to the seller amounting to RUB 300,000 thousand (Note 20).

In February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO following receipt by the Company of the approval from the Federal Antimonopoly Service of the Russian Federation and satisfaction of the remaining pre-conditions, including payment of the remaining RUB 8,800,000 thousand of the purchase consideration (Note 28).

The following amounts are included in the statement of cash flows in relation to acquisitions and disposals of subsidiaries:

	2021 RUB'000	2020 RUB'000
Proceeds from sale of Spacecom Trans AS	—	315,967
Proceeds from sale of SyntezRail Limited	**1,128,000**	—
Prepayment for acquisition of non-controlling interest in BaltTransServis, OOO	**(300,000)**	—
Total net cash inflow	**828,000**	315,967

Assessment of impairment of the investments in the subsidiary undertakings

The Company assesses at each balance sheet date whether there are indicators for impairment of its subsidiary undertakings in accordance with its accounting policy for impairment of non-financial assets, as set out in Note 4.

As of 31 December 2020, the management considered the deterioration of the economic environment, the weak prevailing industry conditions and the COVID-19 pandemic related uncertainties as indicators of impairment of the Company's investments in subsidiary undertakings and performed impairment assessments to determine if there is an impairment loss.

As a result of the impairment assessment, no impairment losses were noted. The impairment testing for all the subsidiary undertakings indicated a significant headroom in the recoverable amount over the carrying amount.

Based on assessment performed by management as of 31 December 2021, no indicators of impairment of the Company's investments in subsidiary undertakings were identified.

19. Loans and other receivables

	2021 RUB'000	2020 RUB'000
Loans to related parties	**1,983,134**	2,260,201
Less: Provision for impairment of loans to related parties	**(1,476,783)**	(1,601,472)
Loans to related parties — net (Note 26)	**506,351**	658,729
Other receivables — related party (Note 26)	**234,634**	266,307
Total loans and other receivables — net	**740,985**	925,036
Less non-current portion:		
Loans to related parties (Note 26)	**259,875**	544,362
Total non-current portion	**259,875**	544,362
Current portion	**481,110**	380,674

The weighted average contractual interest rate on loans receivable from related parties was 4.5% at 31 December 2021 (31 December 2020: 5.1%). The weighted average effective interest rate on loans receivables from related parties was 8.9% at the 31 December 2021 (31 December 2020: 11.1%).

The contractual interest rate and effective interest rate on other receivables from related parties at 31 December 2020 was 3%. The other receivables from related parties at 31 December 2021 carry no contractual interest.

Notes to the parent company financial statements

The carrying value of loans and other receivables at the reporting date approximates their fair value. As at 31 December 2021, the fair values of US Dollar denominated loans to related parties are based on cash flows discounted using a rate of 8% (31 December 2020: 8%). The discount rate used for Russian Rouble denominated loans to related parties as at 31 December 2021 was 10.5% (31 December 2020: 6.5% and 17.7%). The fair value measurements of loans to related parties and other receivables from related parties as at 31 December 2021 and 31 December 2020 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:

	2021 RUB'000	2020 RUB'000
US Dollars	**460,465**	446,544
Russian Roubles	**45,886**	212,185
Euro	**234,634**	266,307
Total loans and other receivables	**740,985**	925,036

Assessment of credit losses on loans receivable from subsidiaries

At 31 December 2021 and 31 December 2020, 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 133,727 thousand as at 31 December 2021 (31 December 2020: RUB 51,713 thousand).

The assessment of expected credit losses on the loans receivable from Ukrainian New Forwarding Company, AO, with a carrying amount of RUB 460,465 thousand as at 31 December 2021 (31 December 2020: RUB 446,544 thousand), classified as credit-impaired (Stage 3) as of that date, required management to use estimates and projections of future cash flows. The expected credit losses were determined based on multiple forward-looking recovery scenarios to measure the expected cash shortfalls, discounted using the loans' original effective interest rate, weighted based on the probability of each scenario occurring.

In making this assessment, the Company considered all reasonable and supportable forward-looking information available without undue cost and effort. The cash flow projections were determined by reference to management's cash flow estimates, which were based on historical financial performance of the subsidiary, as adjusted to take into consideration the impact of forecasted industry and market conditions.

As with any forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Company considered these forecasts to represent its best estimate of the possible outcomes and that the chosen scenarios are appropriately representative of the range of possible scenarios. The key input in this assessment were the expected future cash flows and the recovery rates assigned to each scenario. Any reasonable change in these would not result in a material increase/decrease in the reversal of impairment losses recognised in the income statement for the years ended 31 December 2020 and 31 December 2021.

20. Other assets

	2021 RUB'000	2020 RUB'000
Prepayments — third parties	**300,713**	6,588
Total other assets	**300,713**	6,588
Less non-current portion:		
Prepayments — third parties (Note 18)	**300,000**	—
Total non-current portion	**300,000**	—
Current portion	**713**	6,588

Notes to the parent company financial statements

21. Cash and cash equivalents

	2021 RUB'000	2020 RUB'000
Cash at bank	**1,977,191**	2,225,518
Total cash and cash equivalents	**1,977,191**	2,225,518

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2021 RUB'000	2020 RUB'000
Cash and cash equivalents	**1,977,191**	2,225,518
	1,977,191	2,225,518

Cash and cash equivalents are denominated in the following currencies:

	2021 RUB'000	2020 RUB'000
US Dollars	**357,101**	365,566
Russian Roubles	**1,533,188**	1,252,774
Euro	**86,902**	607,178
Total cash and cash equivalents	**1,977,191**	2,225,518

The carrying value of cash and cash equivalents approximates their fair value.

22. Share capital, share premium and treasury shares

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2020 /31 December 2020 / 1 January 2021 / 31 December 2021	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 2020 /31 December 2020 / 1 January 2021 / 31 December 2021	178,740,916	516,957	27,929,478	**28,446,435**

The total authorised number of ordinary shares at 31 December 2021 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2020: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

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

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

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

Notes to the parent company financial statements

23. Borrowings

	2021 RUB'000	2020 RUB'000
Current		
Bank borrowings	**1,920,346**	–
Total current borrowings	**1,920,346**	–
Non-current		
Bank borrowings	**3,118,740**	–
Total non-current borrowings	**3,118,740**	–
Total borrowings	**5,039,086**	–

	2021 RUB'000	2020 RUB'000
Maturity of non-current borrowings		
Between 1 and 2 years	**1,293,963**	–
Between 2 and 5 years	**1,824,777**	–
	3,118,740	–

The exposure of the Company's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	2021 RUB'000	2020 RUB'000
6 months or less	**273,365**	–
6 to 12 months	**1,646,981**	–
1 to 5 years	**3,118,740**	–
	5,039,086	–

Note: The amounts disclosed are based on the earliest of the contractual re-pricing dates and the maturity date.

The Company's borrowings as of 31 December 2021 are secured by pledge of rolling stock held by the Company's subsidiary GTI Management, OOO with a pledged market value RUB 6,439,751 thousand.

The weighted average effective interest rates at the balance sheet are as follows:

	2021 %	2020 %
Bank borrowings	7.38	–

The carrying amount and fair value of current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	2021 RUB'000	2020 RUB'000	2021 RUB'000	2020 RUB'000
Bank borrowings	**5,039,086**	–	**4,840,888**	–
	5,039,086	–	**4,840,888**	–

The fair value of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2021, 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 2021. The discount rate used was a level 2 discount rate of 10.50% as at 31 December 2021.

The carrying amounts of the borrowings are denominated in the following currencies:

	2021 RUB'000	2020 RUB'000
Russian Roubles	**5,039,086**	–
Total borrowings	**5,039,086**	–

The Company has the following undrawn borrowing facilities:

	2021 RUB'000	2020 RUB'000
Fixed rate:		
Expiring within one year	**1,000,000**	3,000,000
Expiring beyond one year	**30,000,000**	9,000,000
	31,000,000	12,000,000

Drawdowns under certain of the above credit facilities are subject to successful conclusion of additional agreements with the lenders, which, amongst others, will specify the terms of each disbursement.

Notes to the parent company financial statements

Reconciliation of liabilities arising from financing activities:

	Bank borrowings RUB'000	Other lease liabilities RUB'000	Total liabilities from financing activities RUB'000
Opening balance 1 January 2021	—	3,220	3,220
Cash flows:			
Amounts advanced	6,000,000	—	6,000,000
Repayment of principal	(1,000,000)	(3,209)	(1,003,209)
Interest paid	(199,680)	(320)	(200,000)
Non-cash changes:			
Other lease liability	—	8,685	8,685
Interest expense	238,766	320	239,086
Foreign exchange gains	—	(11)	(11)
At end of year	5,039,086	8,685	5,047,771

	Bank borrowings RUB'000	Other lease liabilities RUB'000	Total liabilities from financing activities RUB'000
Opening balance 1 January 2020	4,261,942	4,413	4,266,355
Cash flows:			
Repayment of principal	(4,242,424)	(2,358)	(4,244,782)
Interest paid	(235,720)	(308)	(236,028)
Non-cash changes:			
Interest expense	216,202	308	216,510
Foreign exchange losses	—	1,165	1,165
At end of year	—	3,220	3,220

24. Other lease liabilities

	2021 RUB'000	2020 RUB'000
Current lease liabilities	**2,780**	3,220
Non-current lease liabilities	**5,905**	—
Total lease liabilities	**8,685**	3,220

	2021 RUB'000	2020 RUB'000
Maturity of other lease liabilities		
Between 1 and 2 years	**2,894**	—
Between 2 and 5 years	**3,011**	—
	5,905	—

25. Payables and accrued expenses

	2021 RUB'000	2020 RUB'000
Current		
Accrued key management personnel compensation, including share based payment (Note 26)	138,296	103,629
Accrued expenses	10,324	10,877
Other payables to third parties	8,968	9,602
Total current trade and other payables	157,588	124,108

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:

	2021 RUB'000	2020 RUB'000
Euro	97,640	75,460
Russian Roubles	44,569	33,000
US dollar	15,379	15,647
Other	—	1
Total payables and accrued expenses	157,588	124,108

Notes to the parent company financial statements

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 2021 (31 December 2020: 5.1%).

Goldriver Resources Ltd, which has a shareholding in the Company of 3.1% as at 31 December 2021 (2020: 4.0%), is controlled by a Director of the Company.

As at 31 December 2021, another 0.2% (2020: 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

	2021 RUB'000	2020 RUB'000
Loans to subsidiaries:		
At beginning of year	**658,729**	927,583
Loan advances	**—**	—
Interest charged (Note 8)	**20,102**	43,863
Loan repaid during the year	**(296,668)**	(400,299)
Interest repaid during the year	**(8,675)**	(34,374)
Reversal of impairment	**133,727**	51,713
Net foreign exchange	**(864)**	70,243
At end of year	**506,351**	658,729
Consists of:		
Non-current portion	**259,875**	544,362
Current portion	**246,476**	114,367
At end of year	**506,351**	658,729
Loans to related parties — gross amount	**1,983,134**	2,260,201
Less: Provision for impairment of loans to related parties	**(1,476,783)**	(1,601,472)
Loans to related parties — net	**506,351**	658,729

The balances at the 31 December 2021 carry a weighted average contractual interest rate of 4.5% (2020: 5.1%) per annum. The weighted average effective interest rate at the 31 December 2021 was 8.9% (2020: 11.1%).

(b) Other receivables from related parties

	2021 RUB'000	2020 RUB'000
Other receivables (dividends)		
Subsidiaries	**234,634**	266,307
At end of year	**234,634**	266,307
Consists of:		
Non-current portion	**—**	—
Current portion	**234,634**	266,307
At end of year	**234,634**	266,307

Notes to the parent company financial statements

(c) Dividend income from related parties

	2021 RUB'000	2020 RUB'000
Dividend income from related parties:		
Subsidiaries (Note 8)	**3,154,405**	22,283,992
Total	**3,154,405**	22,283,992

(d) Interest income

	2021 RUB'000	2020 RUB'000
Interest income:		
Interest on loans to subsidiaries (Note 8)	**20,102**	43,863
Interest on other receivables from subsidiary (Note 12)	—	3,263
Total interest income calculated using the effective interest rate method	**20,102**	47,126

(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:

	2021 RUB'000	2020 RUB'000
Subsidiaries[1]	**18,884,714**	23,584,105
Total guaranteed obligations	**18,884,714**	23,584,105

[1] Represents the maximum amount of obligation under each contract, being the contractual undiscounted cash flows under the loan agreements as at 31 December 2021 and 2020.

During the years ended 31 December 2021 and 31 December 2020 the Company has acted as the guarantor for the obligations of its subsidiaries for loan agreements entered into with financial institutions and quoted bonds issued by subsidiaries. The fair values of such guarantees are amortised through the income statement. Management assessed that as at 31 December 2021 and 31 December 2020 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 2021 and 31 December 2020 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.

(f) Impairment losses

	2021 RUB'000	2020 RUB'000
Reversal of impairment losses of loans to subsidiaries (Note 19)	**133,727**	51,713

(g) Key management personnel compensation

	2021 RUB'000	2020 RUB'000
Key management salaries and other short-term employee benefits [1]	**415,585**	384,200
Share based compensation	**22,570**	19,309
	438,155	403,509

[1] 'key management salaries and other short term employee benefits' include directors' remuneration amounting to RUB 312,985 thousand (2020: RUB 310,758 thousand), analysed as per below.

Notes to the parent company financial statements

(h) Directors' remuneration

	2021 RUB'000	2020 RUB'000
Directors' fees (Note 10)	**25,881**	25,535
Emoluments in their executive capacity	**287,104**	285,223
Total directors' remuneration	**312,985**	310,758

(i) Year-end balances arising from payables to key management

	2021 RUB'000	2020 RUB'000
Accrued key management remuneration (Note 25):		
Accrued salaries and other short-term employee benefits	**115,726**	84,320
Share based payment liability	**22,570**	19,309
	138,296	103,629

(j) Disposal of investment in subsidiary

During the year 2021, the Company disposed its 60% shareholding in SyntezRail Ltd (Note 18). Out of this, 20% was sold to an entity controlled by a director of the Company for a consideration of RUB 376,000 thousand.

(k) Loan commitments under borrowings from subsidiaries

As at 31 December 2021, the Company had undrawn facilities amounting to RUB 15,000,000 thousand under borrowings agreements with subsidiary undertakings. These mature within 2026.

(l) Guarantees from subsidiaries

Borrowings with a carrying amount of RUB 2,013,559 thousand as of 31 December 2021 are secured by pledge of rolling stock held by the Company's subsidiary GTI Management, OOO with a pledged market value RUB 6,439,751 thousand.

27. Contingencies

Operating environment of the Company

The year 2021 was marked by the continuous effects of the COVID-19 pandemic, the emergence of new variants and the associated measures implemented by various governments globally with a view to delay the spread of the disease, safeguard public health and ensure the economic survival of working people, businesses, vulnerable groups and the economy at large.

In 2021 the economy of the Russian Federation and the other territories in which the Company's subsidiaries operate demonstrated positive dynamics in recovery from the pandemic. This trend was also supported by the global economic recovery and higher prices on global commodity markets. However, higher prices on certain markets in Russia and globally also contribute to the inflation in Russia.

The overall positive dynamics impacted the Russian freight rail transportation market which showed signs of improvement, especially in the second half of the year 2021. Although the operations and financial results of the Company's subsidiaries for the year 2021 were improved compared to the year 2020, the Company's profit for the year decreased to RUB 3,509,530 thousand compared to RUB 21,883,710 thousand for the year ended 31 December 2020 and the net cash generated from operations decreased to RUB 2,798,073 thousand compared to RUB 21,492,632 thousand for the year ended 31 December 2020. This was mainly the result of the decrease in the dividend income earned from the subsidiaries from RUB 22,283,992 thousand during the year ended 31 December 2020 to RUB 3,154,405 thousand in the current year as the Company's subsidiaries made less dividend distributions within the year 2021.

The future effects of the COVID-19 pandemic and of the measures taken by various governments to contain the virus on the future financial performance, cash flows and financial position of the Company's subsidiaries are difficult to predict and management's current expectations and estimates could differ from actual results. The Company's management has taken and continues to take necessary measures to ensure minimum disruption to and sustainability of the operations of the Company and its subsidiaries and support their employees, customers and suppliers.

The Company's subsidiaries operate in the Russian Federation, Estonia and Ukraine.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Ongoing political tension in the region and sanctions against certain Russian companies and individuals have an additional negative impact on the Russian economy.

The Russian economic environment was further negatively impacted by the escalation of the conflict between Russia and Ukraine from late February 2022, as further described in Note 28.

The operating environment has a significant impact on the operations and financial position of the Company and its subsidiaries operating in the Russian Federation. Management is taking necessary measures to ensure sustainability of the operations of the Company and its subsidiaries operating in the Russian Federation. 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. The management continues to monitor the situation and implement a set of measures to minimize the impact of possible risks on the operations and financial position of the Company and its subsidiaries.

Notes to the parent company financial statements

Estonia. Estonia represents a well-developed market and economy with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine. Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The central bank of Ukraine, among other measures, imposed certain restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

Since December 2021, news surrounding potential escalation of the conflict emerged and since February 2022 the circumstances have been deteriorating and the situation remains highly unstable. Depending on how the situation evolves, it could have significant effects on the operations of the Company and its subsidiaries, as further described in Note 28.

The Company's exposure to Ukraine comprises loans receivable of RUB 460,465 thousand (2020: RUB 446,544 thousand) from Ukrainian New Forwarding Company, AO (Note 19). 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 business of the Company's subsidiary.

Tax contingencies. Cypriot tax legislation is subject to varying interpretations. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Company is incorporated outside Russia. Tax liabilities of the Company are determined on the assumption that it is not subject to Russian profits tax because it does not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the equity interest held directly and indirectly in its subsidiaries. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Company.

28. Events after the balance sheet date

Impact of the conflict in Ukraine

Since late February 2022, the Russian economy and the Company's subsidiaries operating environment have been negatively impacted by the escalated military and political conflict between Russia and Ukraine and the associated international sanctions against a number of Russian institutions, companies, banks and individuals. The international sanctions imposed as a response to the conflict restrict certain Russian entities from having access to foreign financial markets, including removing access of several Russian banks to the international SWIFT system. The US, European Union, UK and a number of other countries have also imposed sanctions against the Russian Central Bank, restricting the access of the Russian state to foreign currency reserves, and introduced further asset freezes against designated individuals and entities as well as sectoral sanctions. These measures have negatively impacted the Russian economy and business activity in Russia and resulted in substantial volatility in the financial and commodity markets.

During the period from 24 February 2022 to 25 March 2022 oil prices increased to over US$123 per barrel and the Russian Rouble exchange rate reached RUB 120.37 per USD and RUB 132.96 per EUR. On 3 March 2022, the London Stock Exchange suspended trading of the Company's GDRs and since 25 February 2022 the Moscow Exchange suspended trading. It is not possible to determine how long this increased volatility will last or at what level the above financial indicators will eventually level out.

The sanctions imposed by the US, European Union and a number of other countries on some of the biggest Russian industrial groups may adversely affect the business environment and prospects of the Company and create significant new risks, which did not exist as at the balance sheet date. In addition, the restrictions on the export of certain types of Russian commodities and changes in directions of supply for Russian commodities may have a negative impact on the Group's clients, the Russian freight rail transportation industry and, in turn, the Company's business.

Further, the Company's subsidiaries ability to transport cargo from Russia to the territory or through the territory of Ukraine is currently suspended, however part of this cargo may be redirected to other routes. At the date of approval of these financial statements, approximately 5% of the Group's total fleet in numbers is located in Ukraine and they cannot temporarily access it. The conflict has also severely impacted the Company's subsidiary Ukrainian New Forwarding Company OOO.

The restrictions on capital movements outside the Russian Federation impact and may further impact the ability of the Company's subsidiaries to make payments to the Company or to make payments between bank accounts of the Company in Russia and abroad. Further, the weakening of Russian Rouble against the US dollar and Euro and the rising oil prices may have a negative impact on the Company's subsidiaries operating costs and costs of repairs.

The situation is still evolving and further sanctions, restrictions and limitations on business activity of companies operating in the freight rail transportation industry, as well as consequences on the Russian economy in general, may arise but the full nature and possible effects of these are unknown. It is not possible for management to predict with any degree of certainty the impact of this uncertainty on the future operations of the Company and estimate the financial effect on the Company.

Notes to the parent company financial statements

The Management continues to adopt the going concern basis in preparing these financial statements because the majority of the Company's subsidiaries revenue is derived from routes within the Russian Federation and the Group has a successful history of redirecting routes, switching between different types of cargos and efficiently managing logistics. Further, the Company has sufficient liquidity to meet its short-term obligations and insignificant exposure to foreign currency as the majority of its revenue and expenses are denominated and settled in Russian Roubles and the majority of its financial assets and liabilities are denominated in Russian Roubles. All borrowings of the Company are at fixed rates. Management is closely monitoring the situation and is ready to act depending on the developments.

Acquisition of non-controlling interest in BaltTransServis, OOO

In February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO (Note 18) following receipt by the Company of the approval from the Federal Antimonopoly Service of the Russian Federation and satisfaction of the remaining pre-conditions, including payment of the remaining RUB 8,800,000 thousand of the purchase consideration. As a result, the Company became the sole owner of BaltTransServis, OOO.

Buy-back of the Company's GDRs

In July 2020 the Company started a GDRs buyback program. The buyback programme is for the Company's Global Depositary Receipts ("GDRs") listed on the Main Market of the London Stock Exchange with the total number of purchased GDRs not to exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). During 2020, the Company purchased a total number of 76,877 GDRs, which are held in treasury.

In April 2021 shareholders of Company approved the extension of buyback programme of GDRs listed on London Stock Exchange and Moscow Exchange until April 2022. In 2022 the Company purchased 345,780 GDRs, thus as the date of signing the financial statements the total number of purchased GDRs is 422,657.

There were no other material post balance sheet events which have a bearing on the understanding of these financial statements.

Independent Auditor's Report on pages 286 to 291.

Additional Information

" **Globaltrans has consistently delivered industry-leading operational efficiency, with one of the lowest Empty Run Ratios for gondola cars across the sector. The hub of the Group's centralised logistics system is a single dispatching centre, which works 24 hours a day, seven days a week. It monitors every aspect of Globaltrans' fleet, managing shipments and routes to maintain high levels of fleet utilisation and maximise efficiency, productivity and service quality.**

Oleg Ivanov
Head of Logistics department

Selected Operational Information for the year ended 31 December 2021

Fleet (incl. rolling stock and tank containers)

	31.12.2021	31.12.2020	Change	Change, %
Owned Fleet				
Gondola cars	45,430	45,483	(53)	0%
Tank cars	17,894	17,697	197	1%
Locomotives	71	74	(3)	-4%
Flat cars	1,582	1,604	(22)	-1%
Other railcars (incl. hopper cars, etc)	90	90	-	0%
Specialised containers (incl. petrochemical and other)	0	2,814	(2,814)	-100%
Total	**65,067**	**67,762**	**(2,695)**	**-4%**
Owned Fleet as % of Total Fleet	*94%*	*95%*	-	-
Leased-in Fleet				
Gondola cars	2,345	164	2,181	1330%
Tank cars	1,693	2,720	(1,027)	-38%
Flat cars	0	443	(443)	-100%
Other railcars (incl. hopper cars, etc)	1	79	(78)	-99%
Specialised containers (incl. petrochemical and other)	0	520	(520)	-100%
Total	**4,039**	**3,926**	**113**	**3%**
Leased-in Fleet as % of Total Fleet	*6%*	*5%*	-	-
Total Fleet (Owned Fleet and Leased-in Fleet)				
Gondola cars	47,775	45,647	2,128	5%
Tank cars	19,587	20,417	(830)	-4%
Locomotives	71	74	(3)	-4%
Flat cars	1,582	2,047	(465)	-23%
Other railcars (incl. hopper cars, etc)	91	169	(78)	-46%
Specialised containers (incl. petrochemical and other)	0	3,334	(3,334)	-100%
Total	**69,106**	**71,688**	**(2,582)**	**-4%**
Total Fleet by type, %				
Gondola cars	69%	64%	-	-
Tank cars	28%	28%	-	-
Locomotives	0.1%	0.1%	-	-
Flat cars	2%	3%	-	-
Other railcars (incl. hopper cars, etc)	0.1%	0.2%	-	-
Specialised containers (incl. petrochemical and other)	0%	5%	-	-
Total	**100%**	**100%**	-	-

	31.12.2021	31.12.2020	Change	Change, %
Average age of Owned Fleet				
Gondola cars	12.9	11.9	-	-
Tank cars	16.9	15.9	-	-
Locomotives	14.0	13.2	-	-
Flat cars	3.6	3.0	-	-
Other railcars (incl. hopper cars, etc)	14.4	13.4	-	-
Specialised containers (incl. petrochemical and other)	0.0	2.9	-	-
Total	**13.8**	**12.4**	**-**	**-**

Operation of rolling stock (excl. Engaged Fleet)[1]

	2021	2020	Change	Change, %
Freight Rail Turnover, billion tonnes-km				
Metallurgical cargoes	**63.9**	**68.2**	**(4.3)**	**-6%**
Ferrous metals	*30.6*	*29.7*	*0.9*	*3%*
Scrap metal	*4.1*	*2.9*	*1.2*	*42%*
Iron ore	*29.1*	*35.5*	*(6.4)*	*-18%*
Oil products and oil	**19.0**	**19.1**	**(0.1)**	**0%**
Coal (incl. coke)	**46.2**	**42.2**	**4.0**	**10%**
Construction materials	**7.0**	**9.7**	**(2.7)**	**-28%**
Crushed stone	*5.6*	*7.9*	*(2.3)*	*-29%*
Cement	*0.2*	*0.3*	*(0.2)*	*-49%*
Other construction materials	*1.2*	*1.4*	*(0.2)*	*-13%*
Other	**10.8**	**11.2**	**(0.4)**	**-4%**
Total	**146.8**	**150.3**	**(3.5)**	**-2%**
Freight Rail Turnover by cargo type, %				
Metallurgical cargoes (incl. ferrous metal, scrap metal and iron ore)	44%	45%	-	-
Oil products and oil	13%	13%	-	-
Coal (incl. coke)	31%	28%	-	-
Construction materials (incl. cement)	5%	6%	-	-
Other	7%	7%	-	-
Total	**100%**	**100%**	**-**	**-**

[1] Excluding operational and financial information of the specialised container transportation business.

Selected operational information for the year ended 31 December 2021

	2021	2020	Change	Change, %
Transportation Volume, million tones				
Metallurgical cargoes	**36.5**	**39.0**	**(2.5)**	**-6%**
Ferrous metals	*14.5*	*13.8*	*0.7*	*5%*
Scrap metal	*3.7*	*3.0*	*0.7*	*24%*
Iron ore	*18.2*	*22.2*	*(3.9)*	*-18%*
Oil products and oil	**18.9**	**18.6**	**0.3**	**1%**
Coal (incl. coke)	**15.7**	**14.5**	**1.3**	**9%**
Construction materials	**7.6**	**10.2**	**(2.6)**	**-26%**
Crushed stone	*6.5*	*9.0*	*(2.5)*	*-28%*
Cement	*0.1*	*0.2*	*(0.1)*	*-40%*
Other construction materials	*0.9*	*1.0*	*(0.1)*	*-5%*
Other	**6.4**	**6.6**	**(0.2)**	**-4%**
Total	**85.1**	**88.9**	**(3.8)**	**-4%**

Average Rolling Stock Operated, units				
Gondola cars	45,039	43,669	1,369	3%
Rail tank cars	12,123	13,550	(1,428)	-11%
Locomotives	50	55	(5)	-9%
Other railcars	136	210	(73)	-35%
Total	**57,347**	**57,484**	**(137)**	**0%**

Average Number of Loaded Trips per Railcar				
Gondola cars	22.0	23.9	(1.9)	-8%
Rail tank cars	25.9	22.7	3.2	14%
Other railcars	111.2	82.3	28.8	35%
Total	**23.1**	**23.8**	**(0.8)**	**-3%**

Average Distance of Loaded Trip, km				
Gondola cars	1,965	1,898	66	3%
Rail tank cars	1,006	1,025	(19)	-2%
Other railcars	201	269	(67)	-25%
Total	**1,716**	**1,681**	**35**	**2%**

Average Price per Trip, RUB	**41,075***	**36,909***	**4,166**	**11%**

	2021	2020	Change	Change, %
Net Revenue from Operation of Rolling Stock by cargo type, RUB million				
Metallurgical cargoes	**15,678***	**17,124***	**(1,446)**	**-8%**
Ferrous metals	*8,448**	*8,908**	*(460)*	*-5%*
Scrap metal	*1,909**	*1,398**	*511*	*37%*
Iron ore	*5,321**	*6,818**	*(1,497)*	*-22%*
Oil products and oil	**20,848***	**19,257***	**1,591**	**8%**
Coal (incl. coke)	**11,136***	**8,834***	**2,302**	**26%**
Construction materials (incl. cement)	**2,821***	**1,973***	**848**	**43%**
Other	**3,836***	**3,338***	**498**	**15%**
Total	**54,319***	**50,527***	**3,792**	**8%**

Net Revenue from Operation of Rolling Stock by cargo type, %				
Metallurgical cargoes (incl. ferrous metal, scrap metal and iron ore)	29%	34%	-	-
Oil products and oil	38%	38%	-	-
Coal (incl. coke)	21%	17%	-	-
Construction materials (incl. cement)	5%	4%	-	-
Other	7%	7%	-	-
Total	**100%**	**100%**	**-**	**-**

Net Revenue from Operation of Rolling Stock by largest clients (incl. their affiliates and suppliers), %				
Rosneft	25%	25%	-	-
Metalloinvest	8%	13%	-	-
MMK	14%	14%	-	-
Gazprom Neft	7%	7%	-	-
TMK	3%	4%	-	-
UGMK-Trans	2%	2%	-	-
EVRAZ	5%	3%	-	-
NHS	2%	1%	-	-
SDS-Ugol	1%	1%	-	-
ChelPipe	1%	1%	-	-
Other (incl. small and medium enterprises)	32%	28%	-	-

Selected operational information for the year ended 31 December 2021

	2021	2020	Change	Change, %
Empty Run Ratio, %				
Gondola cars	44%	45%	-	-
Rail tank cars and other railcars	94%	89%	-	-
Total Empty Run Ratio, %	**51%**	**51%**	**-**	**-**
Empty Run Costs, RUB million	**15,429***	**15,799***	**(370)**	**-2%**
Share of Empty Run Kilometres Paid by Globaltrans, %	**99%**	**99%**	**-**	**-**

Operation of rolling stock (incl. Engaged Fleet)[1]

	2021	2020	Change	Change, %
Freight Rail Turnover, billion tonnes-km				
Metallurgical cargoes	**69.6**	**76.7**	**(7.1)**	**-9%**
Ferrous metals	*34.0*	*32.9*	*1.1*	*3%*
Scrap metal	*4.5*	*3.3*	*1.2*	*38%*
Iron ore	*31.1*	*40.5*	*(9.5)*	*-23%*
Oil products and oil	**19.2**	**19.1**	**0.1**	**1%**
Coal (incl. coke)	**47.7**	**45.2**	**2.6**	**6%**
Construction materials	**7.1**	**9.8**	**(2.7)**	**-28%**
Crushed stone	*5.7*	*8.1*	*(2.4)*	*-29%*
Cement	*0.2*	*0.3*	*(0.2)*	*-49%*
Other construction materials	*1.2*	*1.4*	*(0.2)*	*-12%*
Other	**11.0**	**11.4**	**(0.4)**	**-3%**
Total	**154.7**	**162.1**	**(7.5)**	**-5%**
Transportation Volume, million tones				
Metallurgical cargoes	**38.9**	**43.4**	**(4.4)**	**-10%**
Ferrous metals	*15.7*	*15.2*	*0.5*	*3%*
Scrap metal	*4.0*	*3.3*	*0.7*	*22%*
Iron ore	*19.3*	*24.9*	*(5.7)*	*-23%*
Oil products and oil	**19.1**	**18.6**	**0.5**	**3%**
Coal (incl. coke)	**16.5**	**16.1**	**0.3**	**2%**
Construction materials	**7.7**	**10.3**	**(2.6)**	**-25%**
Crushed stone	*6.6*	*9.1*	*(2.5)*	*-27%*
Cement	*0.1*	*0.2*	*(0.1)*	*-39%*
Other construction materials	*0.9*	*1.0*	*(0.0)*	*-4%*
Other	**6.5**	**6.8**	**(0.2)**	**-3%**
Total	**88.8**	**95.2**	**(6.4)**	**-7%**

Specialised container segment

	2021	2020	Change	Change, %
Net Revenue from Specialised Container Segment, RUB million	**1,643***	**1,923***	**(279)**	**-15%**

Engaged Fleet

	2021	2020	Change	Change, %
Net Revenue from Engaged Fleet, RUB million	**184***	**152***	**32**	**21%**

Operating leasing of rolling stock[1]

	31.12.2021	31.12.2020	Change	Change, %
Leased-out Fleet				
Gondola cars	1	68	(67)	-99%
Tank cars	6,815	6,597	218	3%
Locomotives	1	0	1	0%
Other railcars (incl. flat, hopper cars, etc)	1,641	367	1,274	347%
Total	**8,458**	**7,032**	**1,426**	**20%**
Leased-out Fleet as % of Total Fleet	*12%*	*10%*	*-*	*-*

Employees

	31.12.2021	31.12.2020	Change	Change, %
Total	**1,777**	**1,697**	**80**	**5%**

[1] Excluding operational and financial information of the specialised container transportation business.

Definitions

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

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

Adjusted EBITDA Margin (a non-IFRS financial measure) is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Adjusted Profit Attributable to Non-controlling Interests (a non-IFRS financial measure) is calculated as "Profit attributable to non-controlling interests" less share of "Impairment of property, plant and equipment" and "Impairment of intangible assets" attributable to non-controlling interests.

Adjusted Revenue (a non-IFRS financial measure) is calculated as "Total revenue" less the following "pass through" items "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations".

Attributable Free Cash Flow (a non-IFRS financial measure) means Free Cash Flow less Adjusted Profit Attributable to Non-controlling Interests.

Average Distance of Loaded Trip is calculated as the sum of the distances of all loaded trips for a period divided by the number of loaded trips for the same period.

Average Number of Loaded Trips per Railcar is calculated as total number of loaded trips in the relevant period divided by Average Rolling Stock Operated.

Average Price per Trip is calculated as Net Revenue from Operation of Rolling Stock divided by the total number of loaded trips during the relevant period in the respective currency.

Average Rolling Stock Operated is calculated as the average weighted (by days) number of rolling stock available for operator services (not including rolling stock in maintenance, purchased rolling stock in transition to its first place of commercial utilisation, rolling stock leased out, Engaged Fleet, flat cars and containers used in specialised container transportation).

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

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

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

Empty Run Ratio is calculated as the total of empty trips in kilometres by respective rolling stock type divided by total loaded trips in kilometres of such rolling stock type. Empty trips are only applicable to rolling stock operated (not including rolling stock in maintenance, purchased rolling stock in transition to its first place of commercial utilisation, rolling stock leased out, Engaged Fleet, flat cars and containers used in specialised container transportation).

Engaged Fleet is defined as rolling stock subcontracted or otherwise engaged from a third-party rail operator for a loaded trip from the point of origination to the cargo's destination, at which point the railcar is then released to such third-party.

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

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

Infrastructure and Locomotive Tariffs - Other Tariffs (a non-IFRS financial measure, derived from management accounts) is presented as part of the ''Infrastructure and locomotive tariffs: empty run trips and other tariffs'' component of "Cost of sales" reported under EU IFRS. This cost item includes the costs of relocation of rolling stock to and from maintenance, transition of purchased rolling stock to its first place of commercial utilisation, and relocation of rolling stock in and from lease operations, as well as other expenses.

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

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

Leverage Ratio or Net Debt to Adjusted EBITDA (a non-IFRS financial measure) is the ratio of Net Debt on the last day of a particular financial period to Adjusted EBITDA in respect of the twelve months to the end of that same period.

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 or freight rail turnover and includes volumes transported by Engaged Fleet, unless otherwise stated.

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

Definitions

Net Revenue from Engaged Fleet (a non-IFRS financial measure, derived from management accounts) represents the net sum of the price charged for transportation to clients by the Group utilising Engaged Fleet less the loaded railway tariffs charged by RZD (included in the EU IFRS line item “Infrastructure and locomotive tariffs: loaded trips”) less the cost of attracting fleet from third-party operators (included in the EU IFRS line item “Services provided by other transportation organisations”).

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

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

Net Working Capital (a non-IFRS financial measure) is calculated as the sum of the current portions of “Inventories”, “Current income tax assets”, “Trade receivables - net”, “Other receivables - net” (“Other receivables - third parties” and “Other receivables - related parties” net of “Provision for impairment of other receivables”), “Prepayments - third parties”, “Prepayments - related parties” and “VAT recoverable”, less the sum of the current portions of “Trade payables 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”, “VAT payable and other taxes”, “Contract liabilities” and “Current tax liabilities”.

Other Operating Cash Costs (a non-IFRS financial measure) include the following cost items: “Advertising and promotion”, “Auditors’ remuneration”, “Communication costs”, “Information services”, “Legal, consulting and other professional fees”, “Expense relating to short-term leases (tank-containers)”, “Expense relating to short- term leases (office)”, “Taxes (other than income tax and value added taxes)” and “Other expenses”.

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

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

Total CAPEX (a non-IFRS financial measure) 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 Empty Run Ratio is calculated as total kilometres travelled empty divided by the total kilometres travelled loaded by the rolling stock fleet operated by Globaltrans (not including the relocation of rolling stock to and from maintenance, purchased rolling stock in transition to its first place of commercial utilisation, or rolling stock leased out, Engaged Fleet, flat cars and containers used in specialised container transportation) in the relevant period.

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

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

Transportation Volume is a measure of freight carriage activity over a particular period, measuring weight of cargo carried in tonnes. It excludes volumes transported by Engaged Fleet (unless otherwise stated) and volumes related to the specialised container transportation business.

Presentation of Financial and Other Information

FINANCIAL INFORMATION

All financial information presented in this Annual Report is derived from the Consolidated Management Report and Consolidated Financial Statements of Globaltrans Investment PLC (the "Company" and, together with its subsidiaries, "Globaltrans" or the "Group") and prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113 (EU IFRS). The Group's Consolidated Management Report and Consolidated Financial Statements and the parent company financial statements for the year ended 31 December 2021 are included in the Financial Statements section of this Annual Report. Financial statements for prior years can be found on Globaltrans' corporate website (www.globaltrans.com). Certain financial information derived from the management accounts is marked in this Annual Report with an asterisk (*). The presentational currency of the Group's financial results is Russian roubles (RUB), which is the functional currency of the Company as well as of its Cypriot and Russian subsidiaries.

NON-IFRS FINANCIAL INFORMATION

In this Annual Report, the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as "non-IFRS measures"). The management believes that these non-IFRS measures provide valuable information to readers because they enable them to focus more directly on the underlying day-to-day performance of the Group's business and are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the freight rail transportation sector. Further explanations of the reasons for presenting such measures are included in the Financial Review section of this Annual Report. The non-IFRS measures that have been used in this Annual Report as supplemental measures of the Group's operating performance. All non-IFRS financial information is calculated on the basis of EU IFRS financial statements and/or management accounts. Reconciliations to the closest IFRS measures are included in the Financial Review section of this Annual Report. Non-IFRS measures requiring additional explanation or definitions appear with initial capital letters and the definitions and explanations are provided in the Definitions section of this Annual Report. Other companies in the freight rail transportation sector may calculate the above non-IFRS measures differently or may use each of them for different purposes than the Group, limiting their usefulness as comparative measures. All non-IFRS financial information presented in this Annual Report should be used only as an analytical tool and investors should not consider such information, in isolation or in any combination, as a substitute for analysis of the Group's Consolidated Financial Statements reported under EU IFRS and included in the Financial Statements section of this Annual Report.

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 2021 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 Russian Federation ("Rosstat"), JSC Russian Railways ("RZD") and the Federal Antimonopoly Service ("FAS"). The Group has accurately reproduced such information and, as far as it is aware and can ascertain from information published by such third-party sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Group has not independently verified this third-party information. In addition, the official data published by Russian governmental agencies may be substantially less complete or researched than that of more developed countries.

CAUTIONARY NOTE

This Annual Report, including its appendices, may contain forward-looking statements regarding future events or the future financial performance of the Group. You can identify forward-looking statements by terms such as expect, believe, estimate, anticipate, intend, will, could, may or might, the negative of such terms or other similar expressions. These forward-looking statements include matters that are not historical facts and statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Group cautions that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition, liquidity, prospects, growth and strategies, and the development of the industry in which the Group operates, may differ materially from those described in or suggested by the forward-looking statements contained in this Annual Report. In addition, even if the Group's results of operations, financial condition, liquidity, prospects, growth and strategies and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in these materials, those results or developments may not be indicative of results or developments in future periods. The Group does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in forward-looking statements of the Group. Among others, these include general economic conditions, the competitive environment, risks associated with operating in Russia, market change in the Russian freight rail market and many other risks specifically related to the Group and its operations. This Annual Report has been prepared to assist shareholders to assess the Group's financial condition, results of operations, business, strategies and prospects and for no other purpose.

The Group, its Directors, employees, agents and advisers do not accept or assume responsibility for any other purpose or to any other person to whom this Annual Report is shown or who may have access to it, and any such responsibility or liability is expressly disclaimed.

GRI Content Index

Indicator	Definition	Report section / notes	Annual report page
General disclosures			
102-1	Name of the organisation	Corporate Structure	p.131
102-2	Activities, brands, products, and services	At a glance	p.8
		Operational performance	p.38-39
102-3	Location of headquarters	Key contacts	p.372
102-4	Location of operations	At a glance	p.131
	Number of countries where the organization operates	Market review	p.34-37
102-5	Ownership and legal form	Corporate structure	p.131
102-6	Markets served	Market review	p.16
			p.34-37
102-7	Scale of the organisation	Operational performance	p.39
		Financial review	p.38-39
102-8	Information on employees and other workers	Sustainability report	p.90-95
102-9	Supply chain	Operational performance	p.38-39
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	The Group does not have membership in 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		
102-13	Membership of associations	Corporate Social Responsibility	p.80-105
	A list of the main memberships of industry or other associations, and national or international advocacy organisations	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)*	
102-14	Statement from senior decision-maker	Chairman's statement	p.20-24
		CEO review	p.28-32
102-15	Key impacts, risks opportunities	Risk management	p.62
		Sustainability report	p.80
102-16	Values, principles, standards, and norms of behaviour	Sustainability report	p.87-89
102-18	Governance structure	Governance structure	p.101
102-32	Highest governance body's role in sustainability reporting	Sustainability report	
102-35	Remuneration policies	Corporate Structure - Remuneration of the Board of Directors and management	p.123

Indicator	Definition	Report section / notes	Annual report page
102-40	List of stakeholder groups	Sustainability report	p.85-86
102-41	Collective bargaining agreements	As at 31122021, 30% 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 report	p.85-86
102-43	The organisation's approach to stakeholder engagement	Sustainability report	p.84-86
102-44	Key topics and concerns that have been raised through stakeholder engagement	Sustainability report	p.85-86
102-45	Entities included in the consolidated financial statements	Notes to the consolidated financial statements	p.234-235
102-46	Defining report content and topic boundaries	Sustainability report	p.80-81
102-47	List of the material topics	Sustainability report	p.80-81
102-48	Restatements of information given in previous reports	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 2021	
102-51	Date of most recent report	April 2021	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Investor Relations	
		Phone: +357 25 328 860	
		Email: irteam@globaltranscom	
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.368
102-56	External assurance	External assurance for the Group's Corporate social responsibility section was not conducted in the reporting period	
Management			
103-1	Explanation of the material topic and its boundary	Sustainability report	p.80-105
103-2	The management approach and its components	Sustainability report	p.80-105
103-3	Evaluation of the management approach	Sustainability report	p.80-105
Economic impact			
Economic performance			
201-1	Direct economic value generated and distributed	Financial review	p.38-39
			p.101
Indirect economic impacts			
203-2	Significant indirect economic impacts	Sustainability report	p.80-105
Anti-corruption			
205-3	Confirmed incidents of corruption and actions taken	Sustainability report	p.88

GRI Content Index

Indicator	Definition	Report section / notes	Annual report page
Environmental impact			
Materials			
301-1	Materials used by weigh or volume	Sustainability report	p.96-97
301-2	Recycled input materials used	Sustainability report	p.98
Energy			
302-1	Energy consumption within the organisation	Sustainability report	p.97
Water and effluents[1]			
303-5	Water consumption	Sustainability report	p.98
Emissions			
305-2	Direct (Scope 1) GHG emissions	Sustainability report	p.99
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability report	
Environmental compliance			
307-1	Non-compliance with environmental laws and regulations	Sustainability report *No incidents of non-compliance with environmental laws and regulations occurred in the reporting period*	p.99
Social impact			
Employment			
401-1	New employee hires and employee turnover	Sustainability report	p.91
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability report Notes to the consolidated financial statement	p.92 p.223
Occupational health and safety			
403-1	Occupational health and safety management system	Sustainability report	p.94
403-5	Worker training on occupational health and safety	Sustainability report	p.92
403-6	Promotion of worker health	Sustainability report	
403-9	Work-related injuries	Sustainability report	p.95
Training and education			
404-1	Average hours of training per year per employee by gender and employee category	Sustainability report	p.93
Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Sustainability report Corporate governance report Consolidated management report Management report	p.90 p.118 p.152 p.279
405-2	Ratio of basic salary and remuneration of women to men	Sustainability report	p.92
Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	No incidents of discrimination occurred in the reporting period	p.90

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

TCFD Index

Code	TCFD Recommended Disclosures	Comments
Governance		
TCFD 1 (a)	Describe the Board's oversight of climate-related risks and opportunities.	p.102-103
TCFD 1 (b)	Describe management's role in assessing and managing climate-related risks and opportunities.	p.102-103
Strategy		
TCFD 2 (a)	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	p.104-105
TCFD 2 (b)	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	p.104-105
TCFD 2 (c)	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios.	p.104-105
Risk Management		
TCFD 3 (a)	Describe the organisation's processes for identifying and assessing climate-related risks.	p.102-103
Targets & Metrics		
TCFD 4 (a)	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	p.105
TCFD 4 (b)	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks	p.105
TCFD 4 (c)	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Going forward, the Group will work to demonstrate its progress in addressing climate change.

Contacts

GENERAL CONTACTS

Globaltrans Investment PLC

Legal address
Omirou 20, Agios Nikolaos, CY-3095 Limassol, Cyprus

Postal address
Office 201, 4 Profiti Ilia Street, Germasogeias, CY-4046 Limassol, Cyprus

Phone: +357 25 212 382
Fax: +357 25 503 155
Website: www.globaltrans.com

FOR INVESTORS AND SHAREHOLDERS

Investor Relations

Mikhail Perestyuk
Daria Plotnikova

Phone: +357 25 328 860
E-mail: irteam@globaltrans.com

COMPANY SECRETARY

Elia Nicolaou

Anastasio Building, 6th Floor, 15 Dimitriou Karatasou Street, CY-2024 Strovolos, Nicosia, Cyprus

DEPOSITARY BANK

Citibank, N.A.

Phone: +1 212 723 5435 / +44 207 500 2030
Email: citiadr@citi.com
Website: www.citi.com/adr

STOCK EXCHANGES

London Stock Exchange plc

10 Paternoster Square, London EC4M 7LS, UK
Phone: +44 20 7797 1000
Website: www.londonstockexchange.com

Moscow Exchange

125009 Moscow, Vozdvizhenka Str, 4/7, Bld 1
Phone: +7 (495) 363-3232, +7 (495) 232-3363
Website: www.moex.com

AUDITORS

PricewaterhouseCoopers Limited

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus
Phone: +357 25 555 000
Fax: +357 25 555 001

FOR MEDIA

Russian Media

Anna Vostrukhova
Head of Media Relations
Phone: +357 25 328 863
Email: media@globaltrans.com

International Media

Laura Gilbert
Lightship Consulting
Phone: +44 7799 413351
Email: laura.gilbert@lightshipconsulting.co.uk

Globaltrans
Russia's leading freight rail group

www.globaltrans.com