Globaltrans
Russia's Leading Private
Freight Rail Group

For immediate release **3 April 2017**

Globaltrans Investment PLC

Full-Year 2016 results
and enhanced dividend policy

Globaltrans Investment PLC (the "Company" and together with its consolidated subsidiaries "Globaltrans" or the "Group"), (LSE ticker: GLTR) today announces its financial and operational results for the year ended 31 December 2016 along with an enhanced dividend policy.

Certain financial information which is derived from the management accounts is marked in this announcement with an asterisk {}. Information (non-GAAP and operational measures) requiring additional explanation or defining is marked with initial capital letters and the explanations or definitions thereto are provided at the end of this announcement. The presentational currency of the Group's financial results is Russian rouble ("RUB").*

The respective financial information for the full year 2015 has been restated to reflect the harmonisation of the Group's accounting policy in respect of capitalisation of capital repairs and associated spare parts. Historically due to the low numbers of these repairs, they were expensed as incurred.

Financial highlights: Solid recovery across key metrics and continued deleveraging

- Adjusted Revenue recovered 5% year on year to RUB 44.2 billion* supported by the strong performance of the gondola business.
- Excellent cost control maintained with Total Operating Cash Costs up just 1% year on year, well below the rise in the Group's Freight Rail Turnover and regulated RZD tariffs[1].
- Operating profit increased 24% year on year to RUB 10.8 billion.
- Adjusted EBITDA recovered well, up 10% year on year to RUB 17.7 billion* with the Adjusted EBITDA Margin expanding to 40%* (2015: 38%*).
- Strong Free Cash Flow of RUB 8.9 billion* (2015: RUB 9.6 billion*) despite the RUB 2.9 billion increase in the Group's capital expenditure[2].
- Profit for the year increased 37% year on year to RUB 6.1 billion. Profit attributable to owners of the Company[3] rose 113% year on year to RUB 4.5 billion supported by the good performance of the wholly-owned gondola business.
- One of the strongest balance sheets in the industry with Net Debt to Adjusted EBITDA improved to 0.7x* (2015 end: 1.0x*).
- Net Debt down 29% to RUB 11.5 billion* compared to the end of the previous year. Almost 100% of debt denominated in RUB.

Enhanced dividend policy and strong 2016 dividend proposed

Following the end of the active investment phase in fleet expansion and client partnerships to create the current operational platform, Globaltrans has since 2013 focussed on debt reduction, repaying RUB 16.9 billion of total debt. With the ratio of Net Debt to Adjusted EBITDA reduced to 0.7x* at the end of 2016, the

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[1] *The Group's Freight Rail Turnover (excluding Engaged Fleet) increased 10% year on year in 2016. The RZD regulated infrastructure and locomotive tariffs (including for the traction of empty railcars) increased 9% year on year from January 2016. Empty Run Costs is the largest component of the Group's Total Operating Cash Costs.*

[2] *The Group's CAPEX on a cash basis (including "Purchases of property, plant and equipment" (which includes maintenance CAPEX), "Purchases of intangible assets" and "Acquisition of subsidiary undertakings – net of cash acquired").*

[3] *Adjusted profit attributable to owners of the Company rose 44% year on year. For 2015, it was adjusted to exclude the impact of the impairment of customer relationships related to the service contracts with MMK in the amount of RUB 996 million. For 2016, no adjustments were made.*

deleveraging phase is now successfully completed and the Group will further focus on balancing capital allocation for investments to grow the business with returns to shareholders.

The enhanced dividend policy enables the Group to invest when it identifies value accretive growth opportunities and, when such opportunities are limited, to return a substantial portion of free cash flow to shareholders.

Therefore, depending on the actual Leverage Ratio[4] of the Group as at the end of each financial year and subject to applicable laws and regulations and the Articles of Association of Globaltrans, the Board[5] will recommend the payment of dividends in the amounts of not less than the following proportions of Attributable Free Cash Flow[6] of the Group for such financial year:

Leverage Ratio	Dividends, % 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

In addition, given the current low level of debt, the Board has proposed a strong dividend for 2016 of RUB 7.0 billion or RUB 39.2 per share/global depositary receipt[7] in order to optimise the capital structure and bring leverage to a more efficient level.

Operational highlights: market outperformance, pricing recovery, key contracts renewed

- Continued market outperformance and business volumes growth with further market share gains.
  - The Group's Freight Rail Turnover (including Engaged Fleet) rose 8% year on year to 182.0 billion tonnes-km[8] while the overall Russian market increased only 2% year on year.
  - The Group's market share of overall Russian freight rail turnover increased to 7.8% (2015: 7.3%)[9].
- Average Price per Trip improved – up 6% year on year.
- Proven success of multi-year partnership concept with two major contracts further extended – Rosneft (end March 2021) and Metalloinvest (end of 2019).
- Long-term service contracts strongly support the business, contributing 62% of the Group's Net Revenue from Operation of Rolling Stock in 2016.
- Further gains in operational efficiency with the Empty Run Ratio for gondola cars improved to 38% (2015: 39%) and the Total Empty Run Ratio (for all types of rolling stock) down to 48% (2015: 51%). Improved railcar turnover with the Average Number of Loaded Trips per Railcar up 1% year on year, while the Average Distance of Loaded Trips rose 6% year on year.
- Total Fleet increased to 68,511 units (2015 end: 67,729 units) primarily reflecting the acquisition of gondola cars from the secondary market and new petrochemical tank containers[10].

[4] Leverage Ratio (a non-GAAP financial measure) means the ratio of Net Debt on the last day of a particular financial year to Adjusted EBITDA in respect of that financial year.

[5]The Board reserves the right to recommend to the general shareholder meeting the dividend in the amount calculated on a reasonable basis other than that described in this announcement at its sole discretion. The factors that the Board should consider include but are not limited to: (i) the Group's needs for business development and strategy implementation purposes; (ii) financial resources for business expansion; (iii) any adverse changes in regulatory, economic and market environment; (iv) the ability of the Company and its subsidiaries to meet their obligations as they fall due; (v) the availability of distributable reserves at the Company and subsidiaries level and (vi) other factors considered by the Board of Directors as important in light of the current circumstances, including maintenance of the Company's credit ratings.

[6] Attributable Free Cash Flow (a non-GAAP financial measure) means Free Cash Flow less Adjusted Profit Attributable to Non-controlling Interests. Adjusted Profit Attributable to Non-controlling Interests (a non-GAAP financial measure) is calculated as "Profit attributable to non-controlling interests" less share of "Impairment of property, plant and equipment" and "Impairment of intangible assets" attributable to non-controlling interests.

[7] Subject to shareholders' approval, dividends will be paid in USD with conversion from RUB to be executed at the official RUB exchange rate of the Central Bank of Russia as of the date of the Annual General Meeting, which was called for 24 April 2017.

[8] Globaltrans' Freight Rail Turnover (excluding Engaged Fleet) increased 10% year on year in 2016.

[9] For the purpose of this announcement the Group's market share is calculated as a percentage of the overall Russian freight rail turnover. It includes the freight turnover generated by the Engaged Fleet. The Group's market share of overall Russian transportation volumes was 8.4% in 2016 (2015: 8.3%).

[10] In 2016 the Group acquired 665 gondola cars from the secondary market and 550 new petrochemical tank containers; 278 railcars having reached the end of useful life were scrapped and 422 specialised railcars were sold. The Group's Total Fleet as of the end of 2015 was restated to include 380 petrochemical tank containers leased-in from third parties.

Outlook

- Industry outlook remains positive for the gondola car segment but weak for the rail tank car segment.
    - Solid volume performance in the bulk cargo segment in the first months of 2017 along with continued industry-wide scrappage of old gondola cars is expected to support pricing in this segment.
    - Volume and pricing environment in the oil products and oil segment is expected to remain weak.
    - Ongoing overall cost pressures are expected to continue.
    - A further c.20k gondola cars (or c.4% of total sector gondola fleet[11]) and c.14k rail tank cars (or c.5% of total sector rail tank car fleet[11]) are expected to reach the end of useful life by the end of 2017[12].
- Operational efficiencies and cost discipline will remain a strong focus of the management team.
- Investigating accretive consolidation opportunities in a fragmented industry remains a priority. The Group is further reviewing niche projects and selective acquisitions of gondola cars from the secondary market which meet stringent return criteria.
- The Group will continue to monitor the regulatory environment including initiatives in respect of the supervision of price increases for rail operators' services.

Commenting on returns to shareholders, Chairman Michael Zampelas, said:

"In recent years, after sizable investments into business expansion, we focused on paying down debt, particularly as economic instability and volatility increased from 2013. This was the right approach and proved our ability to adapt to market realities. Now, with debt levels low and strong free cash flow, we are setting out a dividend policy for the future that is aimed at providing returns to shareholders that are closely linked to Leverage and Attributable Free Cash Flow.

This will enable balanced capital allocation so that we can use cash and the strength of our balance sheet to pursue growth when conditions allow as well as return more cash to shareholders when investment opportunities are limited. We believe that reviewing our capital allocation plans every six months is a winning formula that will provide the best outcome for all stakeholders, ensuring efficient use of capital both for returns to shareholders and the long-term growth of the business. Along the same lines, the Board has proposed a strong dividend for 2016 in order to optimise our current capital structure as we move to this new dividend policy.

We believe the market remains attractive for opportunistic expansion and this structure allows us to retain the flexibility required for return-oriented growth."

Commenting on Globaltrans' Full-Year 2016 results, CEO Valery Shpakov, said:

"I am pleased to say that in 2016 we have stayed competitive and once more outperformed the market even while the wider macroeconomic pressures have continued. Our large and modern fleet and long-term contracts allowed us to truly capitalise on the recovery in the gondola segment. This outperformance translated into a strong set of results, despite the weaker market for oil product and oil transportation. In the end, we delivered an increase in Adjusted EBITDA and improved Adjusted EBITDA Margin, which were real accomplishments considering the current market context.

Among our other achievements was the renewal of the multi-year contracts with both Metalloinvest and Rosneft. These contracts have now been renewed multiple times since they were first agreed and highlight the value that we create for our customers. I am proud of the trust our clients have put in our team and services. It also reflects the talent we have in efficiently managing a large fleet across a vast area with complex logistics. This skill is developed over many years and contributes significantly to our business at every level from customer retention and acquisition right down to day-to-day cost efficiency.

We are moderately optimistic about the year ahead. The overall Russian railcar fleet continues to decline improving the supply-demand balance. In addition, during these first months of 2017, demand remained solid. While there are still some headwinds in the oil products and oil segment, I am as confident as ever in our team's ability to mitigate the external pressures we may face and deliver outstanding service and create value for both our clients and investors."

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[11] Overall Russian fleet of respective type as of the end of 2016. Estimated by the Company.

[12] In the 12 months to the end of 2017. Estimated by the Company. Based on the number of railcars of respective type reaching the end of useful life (or extended useful life).

DOWNLOADS

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

ANALYST AND INVESTOR CONFERENCE CALL

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

Date: Monday, 3 April 2017

Time: 11.00 London / 6.00 New York (EDT) / 13.00 Moscow

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

UK toll free: 0808 109 0700

International: +44 20 3003 2666

As there will be simultaneous translation for the first part of the call (slide presentation), you should state whether you prefer to listen in English or Russian. During the Q&A session, all participants will hear both languages.

There will also be a webcast of the call available through the Globaltrans website (www.globaltrans.com). Please note that this will be a listen-only facility.

ENQUIRIES

Globaltrans Investor Relations

Mikhail Perestyuk / Daria Plotnikova

+357 25 328 860

irteam@globaltrans.com

For international media

Teneo Blue Rubicon

Laura Gilbert / Sabine Pirone

+44 20 7260 2700

globaltrans@teneobluerubicon.com

NOTES TO EDITORS

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

The Group has a Total Fleet of about 68.5 thousand units. Universal gondola cars and rail tank cars constitute the backbone of the Group's fleet. About 89% of the Total Fleet is owned by the Group with an average age of 10.3 years. In 2016, the Group's Freight Rail Turnover (including Engaged Fleet) was 182.0 billion tonnes-km. The Group's market share was 7.8% of overall Russian freight rail turnover. The total revenue of Globaltrans amounted to RUB 69.5 billion in 2016.

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

To learn more about Globaltrans, please visit www.globaltrans.com

RESULTS IN DETAIL

The following table provides the Group's key financial and operational information for 2016 and 2015.

EU IFRS financial information

	2015 RUB mln	2016 RUB mln	Change %
Revenue	68,200	69,488	2%
Including			
Total revenue – operator's services	65,177	67,195	3%
Total revenue – operating lease	2,408	1,473	-39%
Total cost of sales, selling and marketing costs and administrative expenses	(58,763)	(58,780)	0%
Operating profit	8,757	10,824	24%
Finance costs – net	(2,945)	(2,312)	-21%
Profit before income tax	5,758	8,451	47%
Income tax expense	(1,290)	(2,336)	81%
Profit for the year	4,468	6,115	37%
Attributable to:			
Owners of the Company	2,104	4,473	113%
Non-controlling interests	2,365	1,642	-31%
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share)	11.77	25.02	113%

	2015 RUB mln	2016 RUB mln	Change %
Cash generated from operations	16,228	17,663	9%
Tax paid	(1,322)	(1,588)	20%
Net cash from operating activities	14,905	16,076	8%
Net cash used in investing activities	(1,725)	(4,482)	160%
Net cash used in financing activities	(13,614)	(10,615)	-22%

Non-GAAP financial information

	2015 RUB mln	2016 RUB mln	Change %
Adjusted Revenue	42,176*	44,249*	5%
Including			
Net Revenue from Operation of Rolling Stock	38,332*	41,757*	9%
Operating leasing of rolling stock	2,408	1,473	-39%
Net Revenue from Engaged Fleet	821*	199*	-76%
Total Operating Cash Costs	26,201*	26,490*	1%
Including			
Empty Run Cost	11,804*	12,428*	5%
Repairs and maintenance	3,681	3,605	-2%
Employee benefit expense	3,440	2,946	-14%
Operating lease rentals – rolling stock	1,334	1,557	17%
Adjusted EBITDA	16,086*	17,677*	10%
Adjusted EBITDA Margin, %	38%*	40%*	-
Free Cash Flow	9,614*	8,882*	-8%
Attributable Free Cash Flow	7,249*	7,240*	0%
Adjusted profit attributable to owners of the Company[13]	3,100*	4,473*	44%

[13] *For 2015, it was adjusted to exclude the impact of the impairment of customer relationships related to the service contracts with MMK in the amount of RUB 996 million. For 2016, no adjustments were made.*

Debt profile

	As of 31 December 2015 RUB mln	As of 31 December 2016 RUB mln	Change %
Total debt	20,359	16,292	-20%
Cash and cash equivalents	4,104	4,773	16%
Net Debt	16,255*	11,519*	-29%
Net Debt to Adjusted EBITDA (x)	1.0*	0.7*	-

Operational information

	2015	2016	Change, %
Freight Rail Turnover, billion tonnes-km (incl. Engaged Fleet)	168.5	182.0	8%
Transportation Volume, million tonnes (incl. Engaged Fleet)	101.3	103.3	2%
Freight Rail Turnover, billion tonnes-km (excl. Engaged Fleet)	146.5	160.7	10%
Transportation Volume, million tonnes (excl. Engaged Fleet)	90.1	92.6	3%
Market share of overall Russian freight rail turnover, %	7.3%	7.8%	-
Average Price per Trip, RUB	27,294	28,975	6%
Average Rolling Stock Operated, units	54,251	55,178	2%
Average Distance of Loaded Trip, km	1,620	1,723	6%
Average Number of Loaded Trips per Railcar	25.9	26.1	1%
Total Empty Run Ratio (for all types of rolling stock), %	51%	48%	-
Empty Run Ratio for gondola cars, %	39%	38%	-
Share of Empty Run kms paid by Globaltrans	88%	88%	-
Total Fleet, units (at year end), including:	67,729	68,511	1%
Owned Fleet, units (at year end)	60,181	60,846	1%
Leased-in Fleet, units (at year end)	7,548	7,665	2%
Average age of Owned Fleet, years (at year end)	9.5	10.3	-
Leased-out Fleet, units (at year end)	9,958	10,222	3%
Total number of employees (at year end)	1,537	1,552	1%

Revenue

The Group’s Total revenue rose 2% year on year to RUB 69,488 million in 2016, reflecting a 5% year-on-year increase in Adjusted Revenue which was partially offset by a 3% year-on-year decline in “pass-through” items (a combination of “Infrastructure and locomotive tariffs: loaded trips” and “Services provided by other transportation organisations”).

The following table provides details of Total revenue, broken down by revenue-generating activity, for 2016 and 2015.

	2015 RUB mln	2016 RUB mln	Change %
Railway transportation – operators services (tariff borne by the Group)[14]	46,505	42,658	-8%
Railway transportation – operators services (tariff borne by the client)	18,672	24,538	31%
Operating leasing of rolling stock	2,408	1,473	-39%
Other	615	820	33%
Total revenue	**68,200**	**69,488**	**2%**

Adjusted Revenue

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

[14] Includes “Infrastructure and locomotive tariffs: loaded trips” for 2016 of RUB 22,251 million (2015: RUB 23,326 million) and “Services provided by other transportation organisations” of RUB 2,988 million (2015: RUB 2,698 million).

revenue and Cost of sales. The net result of Engaged Fleet operations is reflected as Net Revenue from Engaged Fleet being a part of Adjusted Revenue.

The Group’s Adjusted Revenue was up 5% year on year to RUB 44,249 million* in 2016, primarily reflecting the 9% year-on-year increase in Net Revenue from Operation of Rolling Stock and a decline in revenues from auxiliary leasing and Engaged Fleet operations.

The following table provides details of Adjusted Revenue for 2016 and 2015 and its reconciliation to Total revenue.

	2015 RUB mln	**2016 RUB mln**	**Change %**
Total revenue	68,200	69,488	2%
Minus “pass through” items			
Infrastructure and locomotive tariffs: loaded trips	23,326	22,251	-5%
Services provided by other transportation organisations	2,698	2,988	11%
Adjusted Revenue	**42,176***	**44,249***	**5%**

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

The following table provides a breakdown of Adjusted Revenue for 2016 and 2015.

	2015 RUB mln	**2016 RUB mln**	**Change %**
Net Revenue from Operation of Rolling Stock	38,332*	41,757*	9%
Operating leasing of rolling stock	2,408	1,473	-39%
Net Revenue from Engaged Fleet	821*	199*	-76%
Other	615	820	33%
Adjusted Revenue	**42,176***	**44,249***	**5%**

Net Revenue from Operation of Rolling Stock

Net Revenue from Operation of Rolling Stock is a non-GAAP financial measure describing the net revenue generated from freight rail transportation and is defined as “Total revenue – operator’s services”[15] less “Infrastructure and locomotive tariffs: loaded trips”, “Services provided by other transportation organisations” and Net Revenue from Engaged Fleet.

Net Revenue from Operation of Rolling Stock contributed 94% of the Group’s Adjusted Revenue in 2016.

The following table provides Net Revenue from Operation of Rolling Stock for 2016 and 2015, and its reconciliation to Total revenue – operator’s services.

	2015 RUB mln	**2016 RUB mln**	**Change %**
Total revenue – operator’s services[15]	65,177	67,195	3%
Minus			
Infrastructure and locomotive tariffs: loaded trips	23,326	22,251	-5%
Services provided by other transportation organisations	2,698	2,988	11%
Net Revenue from Engaged Fleet	821*	199*	-76%
Net Revenue from Operation of Rolling Stock	**38,332***	**41,757***	**9%**

The Group’s Net Revenue from Operation of Rolling Stock increased 9% year on year to RUB 41,757 million* in 2016. The key factors that contributed to this performance included:

- Strong results for the gondola car segment, partially offset by a weak performance in the rail tank car segment;
- Average Price per Trip increased 6% year on year to RUB 28,975;
- Average Rolling Stock Operated up 2% year on year to 55,178 units reflecting primarily a rise in the number of leased-in gondola cars;

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

- Average Number of Loaded Trips per Railcar increased 1% year on year to 26.1 trips, while the Average Distance of Loaded Trips rose 6% year on year to 1,723 km.

Revenue from operating leasing of rolling stock

Revenue from operating leasing of rolling stock, which contributed 3% of the Group's Adjusted Revenue in 2016, was down 39% year on year to RUB 1,473 million, primarily reflecting a combination of the decline in the leasing rates for rail tank cars and a lower average number of rolling stock leased-out during the reporting year.

Net Revenue from Engaged Fleet

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

Net Revenue from Engaged Fleet, comprising less than 1% of the Group's Adjusted Revenue in 2016, decreased 76% year on year to RUB 199 million*. This was primarily driven by lower profitability of the Engaged Fleet operations on the back of the gondola segment recovery.

As of the end of 2016 the Group engaged about 8k units of rolling stock from third parties to meet demand under service contracts not covered by Owned and Leased-in Fleets.

Other revenue

Other revenue (2% of the Group's Adjusted Revenue), which primarily includes revenues from auxiliary services, increased 33% year on year to RUB 820 million. This primarily reflected a rise in revenue from the transportation of petrochemicals in tank containers, as newly acquired tank containers started to be gradually commissioned into operation throughout 2016.

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 2016 and 2015.

	2015 RUB mln	2016 RUB mln	Change %
Cost of sales	54,228	54,906	1%
Selling and marketing costs	295	235	-20%
Administrative expenses	4,240	3,639	-14%
Total cost of sales, selling and marketing costs and administrative expenses	**58,763**	**58,780**	**0%**

In 2016, the Group's Total cost of sales, selling and marketing costs and administrative expenses remained flat year on year at RUB 58,780 million, largely reflecting the factors described below.

- "Pass through" cost items (a combination of "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations") decreased 3% year on year to RUB 25,239 million*;
- The Group's Cost of sales, selling and marketing costs and administrative expenses adjusted for the "pass-through" cost items increased 2% year on year to RUB 33,541 million* in 2016, which reflected:
    - Excellent cost control with Total Operating Cash Costs maintained broadly at the level of the previous year – up 1% year on year to RUB 26,490 million*. This is substantially below the rise in business volumes (the Group's Freight Rail Turnover - excluding Engaged Fleet was up 10% year on year) and the 9% year-on-year increase in regulated RZD tariffs (including for the traction of empty railcars).
    - Total Operating Non-Cash Costs rose 8% year on year to RUB 7,051 million* in 2016 as the decline in the amortisation of intangible assets was more than offset by an increased loss on the

derecognition arising on capital repairs[16] as the number of capital repairs increased during the reporting year.

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:

	2015 RUB mln	2016 RUB mln	Change %
"Pass through" cost items	**26,024***	**25,239***	**-3%**
Infrastructure and locomotive tariffs: loaded trips	23,326	22,251	-5%
Services provided by other transportation organisations	2,698	2,988	11%
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for "pass through" cost items)	**32,739***	**33,541***	**2%**
Total Operating Cash Costs	**26,201***	**26,490***	**1%**
Empty Run Costs	11,804*	12,428*	5%
Repairs and maintenance	3,681	3,605	-2%
Employee benefit expense	3,440	2,946	-14%
Operating lease rentals - rolling stock	1,334	1,557	17%
Fuel and spare parts – locomotives	1,615	1,494	-8%
Infrastructure and Locomotive Tariffs - Other Tariffs	1,318*	1,438*	9%
Engagement of locomotive crews	516	576	12%
Other Operating Cash Costs	2,493*	2,447*	-2%
Total Operating Non-Cash Costs	**6,538***	**7,051***	**8%**
Depreciation of property, plant and equipment	5,016	4,958	-1%
Amortisation of intangible assets	1,078	836	-23%
Loss on derecognition arising on capital repairs	203	887	337%
Impairment of receivables	119	82	-31%
Impairment of property, plant and equipment	141	228	62%
Net (profit)/loss on sale of property, plant and equipment	(20)	59	NM
Total cost of sales, selling and marketing costs and administrative expenses	**58,763**	**58,780**	**0%**

"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[17] and is reflected in equal amounts in both the Group's Total revenue and Cost of sales. This cost item decreased 5% year on year to RUB 22,251 million in 2016 primarily due to the decline in business volumes in the rail tank car segment.

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 increased 11% year on year to RUB 2,988 million in 2016, primarily reflecting the gondola segment recovery.

Total Operating Cash Costs

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

[16] *Following the harmonisation of the Group's accounting policy, 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.*

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

The Group's Total Operating Cash Costs increased 1% year on year to RUB 26,490 million* in 2016 due to a combination of factors described below.

The following table provides a breakdown of the Total Operating Cash Costs for 2016 and 2015.

	2016 % of total	2015 RUB mln	2016 RUB mln	Change %
Empty Run Costs	*47%*	11,804*	12,428*	5%
Repairs and maintenance	*14%*	3,681	3,605	-2%
Employee benefit expense	*11%*	3,440	2,946	-14%
Operating lease rentals - rolling stock	*6%*	1,334	1,557	17%
Fuel and spare parts - locomotives	*6%*	1,615	1,494	-8%
Infrastructure and Locomotive Tariffs - Other Tariffs	*5%*	1,318*	1,438*	9%
Engagement of locomotive crews	*2%*	516	576	12%
Other Operating Cash Costs	*9%*	2,493*	2,447*	-2%
Total Operating Cash Costs	***100%***	**26,201***	**26,490***	**1%**

Empty Run Costs

Empty Run Costs (a non-GAAP financial measure) accounted for 47% of the Group's Total Operating Cash Costs in 2016. Empty Run Costs rose 5% year on year to RUB 12,428 million* in 2016, less than the combined increase in the regulated RZD tariffs (including for the traction of empty railcars) and growth in the Group's Freight Rail Turnover. The increase was the result of a combination of the following factors:

- A 9% year-on-year increase in the regulated RZD tariffs (including for the traction of empty railcars) and a 10% rise in the Group's Freight Rail Turnover (excluding Engaged Fleet) as well as changed logistics;
- The Group's Total Empty Run Ratio (for all types of rolling stock) declined to 48% (2015: 51%) with the Empty Run Ratio for gondola cars improved to 38% (2015: 39%); and
- The Share of Empty Run Kilometres paid by Globaltrans remained unchanged year on year at 88%.

Repairs and maintenance

Repairs and maintenance costs, which comprised 14% of the Group's Total Operating Cash Costs in 2016, decreased 2% year on year to RUB 3,605 million. The reduction in the number of required depot repairs as a large portion of the Group's fleet went through their first capital repair was partially offset by an increase in the number of current repairs due to strengthened industry safety regulations coupled with cost inflation related to works and spare parts.

Employee benefit expense

Employee benefit expense, which accounted for 11% of the Group's Total Operating Cash Costs, decreased 14% year on year to RUB 2,946 million in 2016. This reflected a selective rise in wages and salaries as well as lower bonus payments. In addition, as the Group completed a corporate restructuring in 2015, only a small amount of termination benefits were paid in 2016.

Operating lease rentals - rolling stock

Operating lease rentals - rolling stock, which comprised 6% of the Group's Total Operating Cash Costs in the 2016, was up 17% year on year to RUB 1,557 million, primarily reflecting the higher average number of gondola cars leased-in from third parties as well as a rise in leasing rates for this type of rolling stock. This was partially offset by the reduction in the average number of rail tank cars leased-in as well as a decline in leasing rates for this type of rolling stock compared to the previous year.

Fuel and spare parts - locomotives

Fuel and spare parts - locomotives expenses, comprising 6% of the Group's Total Operating Cash Costs, totalled RUB 1,494 million in 2016, 8% lower than in the previous year. The decrease in this cost item primarily reflected the decline in the number of block train runs[18] with owned locomotives due to weak market conditions in the oil products and oil segment.

[18] *A block train consists of Group-operated rolling stock bound for one destination.*

Infrastructure and Locomotive Tariffs - Other Tariffs

Infrastructure and Locomotive Tariffs - Other Tariffs (a non-GAAP financial measure), which is presented as part of the ”Infrastructure and locomotive tariffs: empty run trips and other tariffs” component of cost of sales reported under EU IFRS, accounted for 5% of the Group’s Total Operating Cash Costs in 2016. This cost item includes the costs of relocation of rolling stock to and from maintenance, the transition of purchased rolling stock to its first place of commercial utilisation, and the relocation of rolling stock in and from lease operations as well as other expenses including empty run costs attributable to petrochemical tank container business.

Infrastructure and Locomotive Tariffs - Other Tariffs totalled RUB 1,438 million* in 2016, an increase of 9% year on year, mainly reflecting a combination of the 9% year-on-year rise in the regulated RZD tariffs and an increase in relocation costs.

Engagement of locomotive crews

Costs related to the engagement of locomotive crews from RZD (2% of the Group’s Total Operating Cash Costs) were up 12% year on year to RUB 576 million in 2016, reflecting primarily inflationary increases effective from the second half of 2016 which were partially offset by lower service volumes due to weak market conditions in the oil products and oil segment.

Other Operating Cash Costs

Other Operating Cash Costs (a non-GAAP financial measure) include cost items such as “Rental of tank containers”, “Legal, consulting and other professional fees”, “Operating lease rentals - office”, “Auditors’ remuneration”, “Advertising and promotion”, “Communication costs”, “Information services”, “Taxes (other than income tax and value added taxes)” and “Other expenses”.

Other Operating Cash Costs, which comprised 9% of the Group’s Total Operating Cash Costs, were down 2% to RUB 2,447 million* in 2016 compared to the previous year. The reduction in this cost primarily reflected a decrease in Taxes (other than income tax and value added taxes) which predominantly includes property tax, a decrease in Operating lease rentals – office and Legal, consulting and other professional fees, which were partially offset by an increase in the Rental of tank containers costs and Other expenses.

Total Operating Non-Cash Costs

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

The following table provides a breakdown of the Total Operating Non-Cash Costs for 2016 and 2015.

	2015 RUB mln	**2016 RUB mln**	**Change %**
Depreciation of property, plant and equipment	5,016	4,958	-1%
Amortisation of intangible assets	1,078	836	-23%
Loss on derecognition arising on capital repairs	203	887	337%
Impairment of receivables	119	82	-31%
Impairment of property, plant and equipment	141	228	62%
Net (profit)/loss on sale of property, plant and equipment	(20)	59	NM
Total Operating Non-Cash Costs	**6,538***	**7,051***	**8%**

Total Operating Non-Cash Costs were up 8% year on year to RUB 7,051 million* in 2016, mainly reflecting a combination of the following factors:

- Amortisation of intangible assets decreased 23% year on year to RUB 836 million due to the impairment of customer relationship with MMK booked in 2015;
- Loss on derecognition arising on capital repairs[19] rose to RUB 887 million (2015: RUB 203 million) due to the increase in the number of capital repairs undertaken in the reporting year.

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

Adjusted EBITDA (non-GAAP financial measure)

The Group's Adjusted EBITDA in 2016 increased 10% year on year to RUB 17,677 million*. The Adjusted EBITDA Margin expanded to 40%* from 38%* in the previous year, on the back of a 5% year-on-year increase in Adjusted Revenue and broadly stable Total Operating Cash Costs (up 1% year on year).

Adjusted EBITDA (a non-GAAP financial measure) represents EBITDA excluding "Net foreign exchange transaction gains/(losses) on financing activities", "Share of profit/(loss) of associate", "Other gains - net", "Net profit/(loss) on sale of property, plant and equipment", "Impairment of property, plant and equipment", "Impairment of intangible assets" and "Loss on derecognition arising on capital repairs".

The following table provides details on Adjusted EBITDA for 2016 and 2015, and its reconciliation to EBITDA and Profit for the year.

	2015 RUB mln	2016 RUB mln	Change %
Profit for the year	**4,468**	**6,115**	**37%**
Plus (Minus)			
Income tax expense	1,290	2,336	81%
Finance costs – net	2,945	2,312	-21%
Net foreign exchange transaction losses on financing activities	(209)	(291)	39%
Amortisation of intangible assets	1,078	836	-23%
Depreciation of property, plant and equipment	5,016	4,958	-1%
EBITDA	**14,589***	**16,266***	**11%**
Minus (Plus)			
Loss on derecognition arising on capital repairs	(203)	(887)	337%
Net foreign exchange transaction losses on financing activities	(209)	(291)	39%
Other gains – net	86	116	36%
Share of loss of associate	(54)	(61)	13%
Net profit/(loss) on sale of property, plant and equipment	20	(59)	-399%
Impairment of property, plant and equipment	(141)	(228)	62%
Impairment of intangible assets	(996)	-	-100%
Adjusted EBITDA	**16,086***	**17,677***	**10%**

Finance income and costs

The following table provides a breakdown of Finance income and costs for 2016 and 2015.

	2015 RUB mln	2016 RUB mln	Change %
Included in finance costs:			
Borrowings from third parties	(2)	(2)	-3%
Bank borrowings	(2,758)	(2,271)	-18%
Non-convertible bond	(194)	-	-100%
Finance leases	(1)	-	-100%
Total interest expense	(2,955)	(2,274)	-23%
Other finance costs	(42)	(7)	-84%
Total finance costs	**(2,996)**	**(2,280)**	**-24%**
Included in finance income:			
Loans receivables from third parties	5	0.2	-97%
Bank balances	96	60	-38%
Short term deposits	159	183	15%
Finance leases	-	16	NM
Total interest income	260	259	0%
Total finance income	**260**	**259**	**0%**
Net foreign exchange transaction losses on borrowings and other liabilities	(163)	(1)	-99%
Net foreign exchange transaction losses on cash and cash equivalents and other monetary assets	(46)	(290)	528%
Net foreign exchange transaction losses on financing activities	**(209)**	**(291)**	**39%**
Net finance costs	**(2,945)**	**(2,312)**	**-21%**

Total finance costs

Total finance costs decreased 24% year on year to RUB 2,280 million in 2016, primarily reflecting the reduction of the Group's Total debt and the decline in the Group's weighted average effective interest rate.

Total finance income

In 2016, the Group' total finance income stood unchanged year on year at RUB 259 million, reflecting a decrease in interest rates on bank balances, an increase in the amount of short term bank deposits along with additional income derived from finance leases.

Net foreign exchange transaction losses on financing activities

Net foreign exchange transaction losses on borrowings and other liabilities amounted to RUB 1 million in 2016 compared to RUB 163 million in the previous year, which reflects the increase in the proportion of RUB denominated debt to almost 100% of the Group's debt as of the end of 2016.

In 2016, the Group recorded Net foreign exchange transaction losses on cash and cash equivalents and other monetary assets of RUB 290 million compared to RUB 46 million in the previous year. This increase reflects the foreign exchange volatility on the available cash and cash equivalents denominated in foreign currency.

Profit before income tax

The Group reported Profit before income tax of RUB 8,451 million in 2016, an increase of 47% compared to the previous year. This increase was driven by the 24% year-on-year rise in the Group's Operating profit to RUB 10,824 million, largely reflecting the factors described above, along with a 21% year-on-year reduction in Net finance costs to RUB 2,312 million.

Income tax expense

Income tax expense increased 81% year on year to RUB 2,336 million in 2016, reflecting the 47% year-on-year rise in the Group's Profit before income tax as well as the higher weighted average effective tax rate for 2016 of 27.6% (22.4% in 2015).

The increase in the weighted average effective tax rate primarily reflects the increase in the provision for withholding tax on intra-group dividends due to the expected rise in dividend distribution by each respective subsidiary in the foreseeable future.

Profit for the year / Profit attributable to owners of the Company

The Group's Profit for the year was RUB 6,115 million in 2016, up 37% year on year reflecting the factors described above.

Profit attributable to owners of the Company increased 113% year on year to RUB 4,473 million benefitting from the positive contribution from the wholly-owned gondola business which delivered a strong performance as described above.

Adjusted profit attributable to owners of the Company increased 44% year on year. For 2015, it was adjusted to exclude the impact of the impairment of customer relationships related to the service contracts with MMK in the amount of RUB 996 million. For 2016, no adjustments were made.

LIQUIDITY AND CAPITAL RESOURCES

In 2016, the Group's large-scale capital expenditure ("CAPEX") for expansion remained on hold and the Group's capital expenditure consisted primarily of maintenance CAPEX (including capital repairs) and the selective acquisition of gondola cars and petrochemical tank containers. The Group was able to meet its liquidity and capital expenditure needs comfortably through operating cash flow, cash and cash equivalents available at 31 December 2015, and proceeds from borrowings.

The Group manages its liquidity based on expected cash flows. As at 31 December 2016, the Group had Net Working Capital of RUB 2,565 million*. Using 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 2016 and 2015.

	2015 RUB mln	**2016 RUB mln**
Cash flows from operating activities	16,249	17,875
Changes in working capital:		
Inventories	56	202
Trade and other receivables	1,449	(268)
Trade and other payables	(1,527)	(146)
Cash generated from operations	16,228	17,663
Tax paid	(1,322)	(1,588)
Net cash from operating activities	**14,905**	**16,076**
Cash flows from investing activities		
Loans granted to third parties	(86)	-
Loan repayments received from third parties	20	16
Purchases of property, plant and equipment	(2,007)	(4,932)
Purchases of intangible assets	-	(10)
Proceeds from disposal of property, plant and equipment	93	177
Interest received	255	262
Receipts from finance lease receivable	-	4
Net cash used in investing activities	**(1,725)**	**(4,482)**
Cash flows from financing activities		
Net cash outflows from borrowings and financial leases[20]	(7,634)*	(4,088)*
Interest paid	(3,285)	(2,252)
Proceeds from disposal of non-controlling interests	0.2	-
Contribution from non-controlling interests	-	8
Dividends paid to Company's shareholders	-	(2,218)
Dividends paid to non-controlling interests	(2,696)	(2,065)
Net cash used in financing activities	**(13,614)**	**(10,615)**
Net (decrease)/increase in cash and cash equivalents	(434)	978
Exchange losses on cash and cash equivalents	(109)	(309)
Cash and cash equivalents at beginning of year	4,648	4,104
Cash and cash equivalents at the end of year	**4,104**	**4,773**

Net cash from operating activities

Net cash generated from operating activities rose 8% year on year to RUB 16,076 million in 2016, reflecting a combination of the 10% year-on-year increase in Cash flows from operating activities[21], primarily due to the factors described above, and the 20% year-on-year increase in Tax paid.

Net cash used in investing activities

Net cash used in investing activities rose 160% year on year to RUB 4,482 million mostly reflecting an increase in CAPEX, which was partially offset by an increase in proceeds from the sale of property, plant and equipment and interest received. Purchases of property, plant and equipment increased 146% to RUB 4,932 million, due to selective acquisitions of gondola cars and petrochemical tank containers as well as higher maintenance CAPEX amid a rise in the number of capital repairs (as a large portion of the fleet reached the age of a first capital repair).

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

[21] Before changes in working capital.

Net cash used in financing activities

Net cash used in financing activities was RUB 10,615 million in 2016, a decrease of 22% compared to the previous year. This was due to a combination of the following factors:

- Net cash outflows from borrowings and finance leases[20] were down 46% year on year to RUB 4,088 million* in 2016 as the Group combined deleveraging with use of cash for dividends and increased CAPEX in the reporting year;
- The 31% year-on-year decrease in Interest paid to RUB 2,252 million in 2016, mainly reflecting the improvement in the Group's weighted average effective interest rate and a decrease in Total debt;
- The payment of dividends to Company's shareholders in the amount of RUB 2,218 million in 2016;
- The payment of RUB 2,065 million in dividends to non-controlling interests, compared to the RUB 2,696 million paid in the previous year.

Free Cash Flow

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

The Group's Free Cash Flow was RUB 8,882 million* in 2016, down 8% year on year, which primarily reflected a combination of the following factors:

- Cash generated from operations (after changes in working capital) increased 9% year on year primarily due to the factors described above;
- A 146% year-on-year rise in costs related to the Purchase of property, plant and equipment (which includes maintenance CAPEX) and a 20% year-on-year increase in Tax paid, partially offset by a 31% year-on-year reduction in Interest paid.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for 2016 and 2015, and its reconciliation to Cash generated from operations.

	2015 RUB mln	**2016 RUB mln**	**Change %**
Cash generated from operations	16,228	17,663	9%
Tax paid	(1,322)	(1,588)	20%
Interest paid	(3,285)	(2,252)	-31%
Purchases of property, plant and equipment	(2,007)	(4,932)	146%
Purchases of intangible assets	-	(10)	NM
Free Cash Flow	**9,614***	**8,882***	**-8%**
Minus			
Adjusted Profit Attributable to Non-controlling Interests[22]	2,365*	1,642*	-31%
Attributable Free Cash Flow	**7,249***	**7,240***	**0%**

Capital expenditure

The Group's capital expenditure for the acquisition of fleet (including maintenance CAPEX) on an accrual basis[23] was RUB 4,808 million in 2016, an increase of 157% compared to the previous year.

This higher capital expenditure reflects selective acquisitions of gondola cars and petrochemical tank containers, as well as the increased number of capital repairs in the reporting year due to a large portion of the Group's fleet reaching the age of requiring a first capital repair. In 2016 the Group had acquired 665 gondola cars from secondary market and 550 new petrochemical tank containers.

Capital resources

The Group continued deleveraging in 2016. Its financial indebtedness consisted of bank borrowings for an aggregate principal amount of RUB 16,292 million (including accrued interest of RUB 36 million*) as of the end of 2016, a decrease of 20% compared to the end of the previous year.

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[22] For 2015 and 2016 there was no "Impairment of property, plant and equipment" nor "Impairment of intangible assets" attributable to non-controlling interests.

[23] Including assets under construction.

The Group's Net Debt was RUB 11,519 million* as of the end of 2016, a 29% decrease from the level of Net Debt at the end of 2015.

The Group's leverage further improved with a ratio of Net Debt to Adjusted EBITDA of 0.7x* at the end of 2016, compared with 1.0x* at the end of 2015.

The following table sets out details on the Group's total debt, Net Debt and Net Debt to Adjusted EBITDA at the end of 2016 and 2015, and reconciliation of Net Debt to total debt.

	As of 31 December 2015 RUB mln	**As of 31 December 2016 RUB mln**	**Change %**
Total debt	20,359	16,292	-20%
Minus			
Cash and cash equivalents	4,104	4,773	16%
Net Debt	**16,255***	**11,519***	**-29%**
Net Debt to Adjusted EBITDA (x)	**1.0***	**0.7***	**-**

RUB-denominated borrowings accounted for almost 100% of the Group's debt portfolio as of the end of 2016.

The weighted average effective interest rate further reduced to 11.0%* as of the end of 2016 compared to 12.0%* as of the end of the previous year on the back of improving conditions in the Russian financial market. The vast majority of the Group's debt had fixed interest rates as of the end of 2016.

The Group has a balanced maturity profile, supported by the Group's strong cash flow generation, available cash and cash equivalents, as well as undrawn credit facilities[24] in the amount of RUB 20,820 million as of the end of 2016.

The following table gives the maturity profile of the Group's borrowings (including accrued interest of RUB 36 million*) as of the end of 2016.

	As of 31 December 2016 RUB mln
Q1 2017	2,173*
Q2 2017	1,420*
Q3 2017	1,577*
Q4 2017	1,428*
2018	4,841*
2019	3,868*
2020-2022	985*
Total	**16,292**
Free Cash Flow	8,882*
Cash and cash equivalents	4,773
Undrawn credit facilities[24]	20,820

PRESENTATION OF INFORMATION

The financial information presented in this announcement is derived from the consolidated Management report and consolidated financial statements (audited) of Globaltrans Investment PLC ("the Company" or, together with its subsidiaries, "Globaltrans" or "the Group") as at and for the year ended 31 December 2016 and 2015 and prepared in accordance with International Accounting 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 (audited) as at and for the year ended 31 December 2016 and 2015 along with selected historical financial and operational information are available at Globaltrans' corporate website (www.globaltrans.com).

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

The respective financial information for the first six months of 2015 and the full year 2015 has been restated to reflect the harmonisation of the Group's accounting policy in respect of capitalisation of capital repairs and associated spare parts. Historically due to low number of these repairs, they were expensed as incurred.

[24] *Including the unissued registered RUB denominated exchange-traded bonds in the amount of RUB 15,000 million.*

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

In this announcement the Group has used certain non-GAAP financial information (not recognised by EU IFRS or IFRS) as supplemental measures of the Group's operating performance.

Information (non-GAAP and operating measures) requiring additional explanation or defining is marked with initial capital letters and the explanations or definitions are provided at the end of this announcement.

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

The Group has obtained certain statistical, market and pricing information that is presented in this announcement on such topics as the Russian freight rail transportation market and related subjects from the following third-party sources: Federal State Statistics Service of Russian Federation ("Rosstat"), JSC Russian Railways ("RZD"), the Federal Antimonopoly Service ("FAS") and the Council of Rail Operators ("Railsovet"). The Group has accurately reproduced such information and, as far as it is aware and is able to ascertain from information published by such third-party sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Group has not independently verified this third-party information. In addition, the official data published by Russian governmental agencies may be substantially less complete or researched than that of more developed countries.

All non-GAAP financial and operational information presented in this announcement should be used only as an analytical tool, and investors should not consider such information in isolation or in any combination as a substitute for analysis of the Group's consolidated financial statements and condensed interim financial information reported under EU IFRS, which are available the Globaltrans' corporate website www.globaltrans.com.

DEFINITIONS

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

Adjusted EBITDA (a non-GAAP financial measure) represents EBITDA excluding "Net foreign exchange transaction gains/(losses) on borrowings and other liabilities", "Net foreign exchange transaction gains/(losses) on cash and cash equivalents and other monetary assets", "Share of profit/(loss) of associate", "Other gains - net", "Net profit/(loss) on sale of property, plant and equipment", "Impairment of property, plant and equipment", "Impairment of intangible assets" and "Loss on derecognition arising on capital repairs".

Adjusted EBITDA Margin (a non-GAAP financial measure) is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Adjusted Profit Attributable to Non-controlling Interests (a non-GAAP financial measure) is calculated as "Profit attributable to non-controlling interests" less share of "Impairment of property, plant and equipment" and "Impairment of intangible assets" attributable to non-controlling interests.

Adjusted Revenue (a non-GAAP financial measure) is calculated as "Total revenue" less the following "pass through" items "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations".

Attributable Free Cash Flow (a non-GAAP financial measure) means Free Cash Flow less Adjusted Profit Attributable to Non-controlling Interests.

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

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

Average Price per Trip is calculated as Net Revenue from Operation of Rolling Stock divided by the total number of loaded trips during the relevant period in the respective currency.

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

EBITDA (a non-GAAP financial measure) represents "Profit for the period" before "Income tax expense", "Finance costs - net" (excluding "Net foreign exchange transaction gains/(losses) on borrowings and other liabilities” and “Net foreign exchange transaction gains/(losses) on cash and cash equivalents and other monetary assets”), “Depreciation of property, plant and equipment” and “Amortisation of intangible assets”.

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

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

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

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

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

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, unless otherwise stated.

Infrastructure and Locomotive Tariffs - Other Tariffs (a non-GAAP financial measure) is presented as part of the ‘‘Infrastructure and locomotive tariffs: empty run trips and other tariffs’’ component of “Cost of sales” reported under EU IFRS. This cost item includes the costs of relocation of rolling stock to and from maintenance, transition of purchased rolling stock to its first place of commercial utilisation, and relocation of rolling stock in and from lease operations as well as other expenses including the empty run costs attributable to the petrochemical tank container business.

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

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

Leverage Ratio (a non-GAAP financial measure) means the ratio of Net Debt on the last day of a particular financial year to Adjusted EBITDA in respect of that financial year.

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

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

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

Net Working Capital (a non-GAAP financial measure) is calculated as the sum of the current portions of “Inventories”, “Current income tax assets”, “Trade receivables - net”, “Prepayments - third parties”, “Prepayments - related parties”, “Other receivables - net”, and “VAT and other taxes recoverable”, less the sum of the current portions of “Trade payables to third parties”, “Trade payables to related parties”, “Advances from third parties”, “Advances from related parties for sale of railcars”, "Accrued expenses", “Other payables to third parties”, “Other payables to related parties” and “Current tax liabilities”.

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

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

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

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

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

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

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

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