GLOBALTRANS INVESTMENT PLC

Condensed consolidated interim financial information (unaudited)

for the six months ended 30 June 2011

Globaltrans

Russia’s Leading Private Freight Rail Group

Contents

Consolidated interim income statement
for the six months ended 30 June 2011

	Note	2011 US$'000	2010 US$'000
Revenue	6	905,844	644,768
Cost of sales	7	(645,721)	(460,174)
Gross profit		260,123	184,594
Selling and marketing costs	7	(1,542)	(1,296)
Administrative expenses	7	(40,636)	(34,811)
Other (losses)/gains – net		(555)	1,967
Operating profit		217,390	150,454
Finance income	8	2,843	4,369
Finance costs	8	(20,702)	(34,447)
Finance costs – net		(17,859)	(30,078)
Share of profit of associate		300	132
Profit before income tax		199,831	120,508
Income tax expense	13	(40,544)	(24,575)
Profit for the period		159,287	95,933
Attributable to:			
Equity holders of the Company		134,618	72,842
Non-controlling interests		24,669	23,091
		159,287	95,933
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US$ per share)	14	0.85	0.46

The notes on pages 6 to18 are an integral part of these interim condensed consolidated financial statements.

Consolidated interim statement of comprehensive income
for the six months ended 30 June 2011

	2011 US$'000	2010 US$'000
Profit for the period	159,287	95,933
Other comprehensive income:		
Currency translation differences	78,686	(34,317)
Other comprehensive income/(loss) for the period, net of tax	78,686	(34,317)
Total comprehensive income for the period	237,973	61,616
Total comprehensive income attributable to:		
- owners of the Company	204,098	45,614
- non-controlling interests	33,875	16,002
	237,973	61,616

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 6 to 18 are an integral part of these interim condensed consolidated financial statements.

Consolidated interim balance sheet
at 30 June 2011

	Note	30-Jun-2011 US$'000	31-Dec-2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,243,183	1,112,212
Intangible assets		266	331
Investment in associate		1,925	1,494
Trade and other receivables	10	36,308	64,365
Total non-current assets		1,281,682	1,178,402
Current assets			
Inventories		6,865	6,918
Trade and other receivables	10	191,407	184,358
Current income tax assets		3,356	7,960
Cash and cash equivalents		96,403	137,703
Total current assets		298,031	336,939
TOTAL ASSETS		1,579,713	1,515,341
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital		15,814	15,814
Share premium		621,227	621,227
Common control transaction reserve		(368,476)	(368,476)
Translation reserve		(20,801)	(90,281)
Capital contribution		90,000	90,000
Retained earnings		561,683	485,575
Total equity attributable to the owners of the Company		899,447	753,859
Non-controlling interests		142,660	130,106
TOTAL EQUITY		1,042,107	883,965
Non-current liabilities			
Borrowings	12	268,105	327,890
Trade and other payables	11	10,467	10,467
Deferred tax liabilities		36,931	32,430
Total non-current liabilities		315,503	370,787
Current liabilities			
Borrowings	12	150,093	191,149
Trade and other payables	11	71,433	67,203
Deferred gains		2	150
Current tax liabilities		575	2,087
Total current liabilities		222,103	260,589
TOTAL LIABILITIES		537,606	631,376
TOTAL EQUITY AND LIABILITIES		1,579,713	1,515,341

The notes on pages 6 to 18 are an integral part of these interim condensed consolidated financial statements.

Consolidated interim statement of changes in equity
for the six months ended 30 June 2011

	Attributable to the owners of the Company								
	Share capital	Share premium	Common control transaction reserve	Translation reserve	Capital contribution	Retained earnings	Total	Non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2010	15,814	621,227	(368,476)	(80,557)	90,000	332,253	610,261	101,307	711,568
Comprehensive income									
Profit for the period	-	-	-	-	-	72,842	72,842	23,091	95,933
Other comprehensive loss									
Currency translation differences	-	-	-	(27,228)	-	-	(27,228)	(7,089)	(34,317)
Total comprehensive income for the period ended 30 June 2010	-	-	-	(27,228)	-	72,842	45,614	16,002	61,616
Transactions with owners									
Dividend for 2008	-	-	-	-	-	(24,000)	(24,000)	-	(24,000)
Interim dividend for 2010	-	-	-	-	-	-	-	(7,576)	(7,576)
Total transactions with owners	-	-	-	-	-	(24,000)	(24,000)	(7,576)	(31,576)
Balance at 30 June 2010	15,814	621,227	(368,476)	(107,785)	90,000	381,095	631,875	109,733	741,608
Balance at 1 January 2011	15,814	621,227	(368,476)	(90,281)	90,000	485,575	753,859	130,106	883,965
Comprehensive income									
Profit for the period	-	-	-	-	-	134,618	134,618	24,669	159,287
Other comprehensive income									
Currency translation differences	-	-	-	69,480	-	-	69,480	9,206	78,686
Total comprehensive income for the period ended 30 June 2011	-	-	-	69,480	-	134,618	204,098	33,875	237,973
Transactions with owners									
Dividend for 2010	-	-	-	-	-	(58,510)	(58,510)	-	(58,510)
Interim dividend for 2011	-	-	-	-	-	-	-	(21,321)	(21,321)
Total transactions with owners	-	-	-	-	-	(58,510)	(58,510)	(21,321)	(79,831)
Balance at 30 June 2011	15,814	621,227	(368,476)	(20,801)	90,000	561,683	899,447	142,660	1,042,107

The notes on pages 6 to 18 are an integral part of these interim condensed consolidated financial statements.

Consolidated interim cash flow statement
for the six months ended 30 June 2011

	Note	30-Jun-2011 US$'000	30-Jun-2010 US$'000
Cash flows from operating activities			
Profit before tax		199,831	120,508
Adjustments for:			
Depreciation of property, plant and equipment	7	38,986	30,779
Amortisation of intangible assets	7	91	87
(Gain)/loss on sale of property, plant and equipment	7	(481)	1,050
Amortisation of financial guarantees	8	-	(972)
Interest income	8	(2,843)	(3,397)
Interest expense	8	20,815	21,332
Share of profit of associate		(300)	(132)
Exchange (gains)/losses on financing activities	8	(1,234)	12,164
Finance cost on liability for minimum dividend distribution	8	1,121	951
Recognised deferred gain		(155)	(170)
		255,831	182,200
Changes in working capital:			
Inventories		53	912
Trade and other receivables		(516)	(58,555)
Trade and other payables		6,637	(9,654)
Cash generated from operations		262,005	114,903
Tax paid		(25,841)	(15,406)
Net cash from operating activities		236,164	99,497
Cash flows from investing activities			
Acquisition of subsidiaries-net of cash acquired		-	(7,013)
Purchases of property, plant and equipment		(50,264)	(148,403)
Proceeds from sale of assets classified as held for sale		-	265
Proceeds from disposal of property, plant and equipment		4,443	117
Interest received		2,843	3,394
Receipts from finance lease receivable		-	2,731
Net cash used in investing activities		(42,978)	(148,909)
Cash flows from financing activities			
Proceeds from borrowings		15,585	160,872
Repayments of borrowings		(133,006)	(114,092)
Finance lease principal payments		(41,453)	(43,452)
Interest paid		(21,073)	(21,792)
Proceeds from sale and finance leaseback transactions		27,776	-
Dividends paid to non-controlling interests in subsidiaries	15	(22,338)	(9,478)
Dividends paid to Company's shareholders	15	(58,510)	(24,000)
Net cash used in financing activities		(233,019)	(51,942)
Net decrease in cash and cash equivalents		(39,833)	(101,354)
Exchange losses on cash and cash equivalents		(722)	(201)
Cash, cash equivalents and bank overdrafts at beginning of period		136,958	159,093
Cash and cash equivalents at end of period		96,403	57,538

The principal non cash transactions consist of:
(a) Finance leases as a lessor (Note 10)
(b) Finance leases as a lessee (Note 12)

The notes on pages 6 to 18 are an integral part of these interim condensed consolidated financial statements.

Notes to the condensed consolidated interim financial information

1. GENERAL INFORMATION

The Company is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the 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. The Group's principal place of business is at 16/15 Spartakovskaya Sqr., Moscow, Russia.

Global Depositary Receipts representing ordinary shares of the Company are listed on the London Stock Exchange.

This condensed consolidated interim financial information was approved by the Board of Directors of the Company on 29 August 2011.

This condensed consolidated interim financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap. 113.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2010, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Payroll related taxes and contributions which are assessed on an annual basis are recognised in interim periods using an estimated annual effective payroll tax or contribution rate.

New standards, interpretations and amendments to published standards

(a) The Group has adopted the following new standards, amendments and interpretations as of 1 January 2011:

- Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The adoption of the above did not have any significant impact on these financial statements.

- IFRIC14 (Amendments), "Prepayments of a Minimum Funding Requirement" (effective for annual periods beginning on or after 1 January 2011). The amendments did not have any on these financial statements.

ACCOUNTING POLICIES CONTINUED

- Classification of Rights Issues - Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendment did not have any impact on these financial statements.

- Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, Financial Instruments: Disclosures. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. This amendment did not have any impact on these financial statements.

- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity settles its debt by issuing its own equity instruments. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. This interpretation did not have any impact on these financial statements.

The following new International Financial Reporting Standards (IFRS) and IFRIC Interpretations have been issued but are not yet effective (Items marked with * have not been endorsed by the European Union (EU); the Company will only be able to apply new IFRS and IFRICs when endorsed by the EU):

(b) Standards, amendments and interpretations that are relevant and not yet effective and have not been early adopted by the Group

- IFRS 9, "Financial Instruments Part 1: Classification and Measurement."* (effective for annual periods beginning on or after 1 January 2013). IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group which is subject to EU endorsement. The expected impact is still being assessed in detail by management and the impact is not yet known nor can it be reasonably estimated.

- IFRS 10 'Consolidation'*, IFRS 11 'Joint Arrangements'*, IFRS 12 'Disclosure of Interests in Other Entities',* IAS 27 'Separate Financial Statements'* and IAS 28 'Investments in Associates and Joint Ventures'* provide for the following:

  - A revised definition of control for the purposes of determining which arrangements should be consolidated, including guidance on participating and protective rights;
  - A reduction in the types of joint ventures to two: joint operations and joint ventures, and classification based on rights and obligations rather than legal structure;
  - Elimination of the policy choice of proportional consolidation for joint ventures;
  - Introduction for new requirements to disclose significant judgements and assumptions in determining whether an entity controls, jointly control or significantly influences its interests in other entities.

  The standards are not applicable until January 2013, but are available for early adoption subject to endorsement by the European Union. The Group is yet to fully assess the impact of IFRS 10, IFRS 12, IAS 27 and IAS 28, but is not expected to have a significant impact on the consolidated financial statements.

- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income" * (effective for annual periods beginning on or after 1 July 2012). The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present other OCI items before tax will be required to show the amount of tax related to the two groups separately. Also, the title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However IAS 1 still permits entities to use other titles. The amendment is not applicable until 1 January 2013 but is available for early adoption. The timing of the adoption of the amendment by the Group is dependent on endorsement by the European Union. The amendment is expected to impact only the presentation of other comprehensive income items.

- Amendment to IAS 19, 'Employee benefits'* (effective for annual periods beginning on or after 1 January 2013). The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendment is effective for periods beginning on or after 1 January 2013. Earlier application is permitted. The amendment should be applied retrospectively in accordance with IAS 8, 'Accounting policies, changes in accounting estimates and errors', except for changes to the carrying value of assets that include employee benefit costs in the carrying amount. The timing of the adoption of the amendment by the Group is dependent on endorsement by the European Union. The amendment is not expected to have a significant impact on these financial statements as the Group is not operating any defined benefit plans.

ACCOUNTING POLICIES CONTINUED

(c) Standards, amendments and interpretations that are not relevant and not yet effective and have not been early adopted by the Group

- Amendments to IFRS 7: Disclosures—Transfers of Financial Assets * (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment is not expected to have an impact on the Group's consolidated financial statements.

- Amendments to IAS12- Deferred tax on investment property measured at fair value * (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The amendment adds another exemption to the principles in IAS12, the rebuttable presumption that investment property measured at fair value is recovered entirely by sale. The rebuttable presumption also applies to the deferred tax liabilities or assets that arise from investment properties acquired in a business combination, if the acquirer subsequently uses the fair value model to measure those investment properties. The presumption of recovery entirely by sale is rebutted if the investment property is depreciable (eg. buildings, and land held under a lease) and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The presumption cannot be rebutted for freehold land that is an investment property, because land can only be recovered through sale. The amendments also incorporate SIC 21 "Income taxes – recovery of revalued non-depreciable assets" into IAS12, although this guidance will not be applied to investment property measured at fair value. The SIC 21 guidance has been included because it is applied by analogy in a number of transactions. The amendment is not expected to have an impact on the Group's consolidated financial statements.

- Amendments to IFRS 1- Exemption from severe hyperinflation and removal of fixed dates * (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRSs. When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the exemption allows an entity to elect to measure certain assets and liabilities at fair value and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The amendment is not expected to have an impact on the Group's consolidated financial statements.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010, with the exception of changes in estimates that are required in determining the provision for income and payroll related taxes and contributions (see Note 3).

Moreover, during the six month period ended 30 June 2011, the Group has amended certain transportation agreements with its clients regulating the payment of railway tariff, as a result of which, there are some indications that the Group may be acting as an agent in collecting such tariffs from its clients and making further payment thereof to OAO Russian Railways, particularly in light of the fact that OAO Russian Railways' tariffs are available to the public, therefore are known to the customer, and that the risk of delivery is borne by OAO Russian Railways. However, there are also indications that the Group may be acting as a principal under these arrangements as the Group has the primary responsibility for providing the transportation services to its customers, by providing rolling stock and deliver customers' cargo to the relevant destination point, it has a contractual relationship with the customers, it has latitude in establishing prices and it also bears the credit risk and controls the flows of receipts and payments. Management believes that the Group acts as a principal in these arrangements and the Group accounts for receipts from customers as sales revenue and the OAO Russian Railways' tariff is included in cost of sales.

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors of the Group. 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.

SEGMENT INFORMATION CONTINUED

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, management reviews revenues with no further analysis of the underlying cost components. From the type of rolling stock used perspective management assesses the performance of each type of rolling stock at the level of adjusted revenue.

Adjusted revenue 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 relating rolling stock. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

Segment assets consist of rolling stock. Unallocated assets comprise all the assets of the Group except for rolling stock as included within segment assets.

	Open wagons	Tank cars	Other	Total
Six months ended 30 June 2011				
Total revenue – operator's services	315,737	540,590	11,964	868,291
Total revenue – operating lease	4,938	30,211	737	35,886
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	320,675	570,801	12,701	904,177
less Infrastructure and locomotive tariffs: loaded trips	(2,220)	(299,122)	(929)	(302,271)
Adjusted revenue for reportable segments	318,455	271,679	11,772	601,906

	Open wagons	Tank cars	Other	Total
Six months ended 30 June 2010				
Total revenue – operator's services	161,587	435,525	10,887	607,999
Total revenue – operating lease	2,776	32,051	879	35,706
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	164,363	467,576	11,766	643,705
less Infrastructure and locomotive tariffs: loaded trips	(4,181)	(232,205)	(865)	(237,251)
Adjusted revenue for reportable segments	160,182	235,371	10,901	406,454

	Open wagons	Tank cars	Other	Total
Reportable segment assets				
30 June 2011	700,530	485,223	34,711	1,220,464
31 December 2010	634,938	425,489	35,553	1,095,980

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

	Six months ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Adjusted revenue for reportable segments	601,906	406,454
Other revenues	1,667	1,063
Total adjusted revenue	603,573	407,517
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, impairments and depreciation of property, plant and equipment)	(304,912)	(192,541)
Selling, marketing and administrative expenses (excl. depreciation and impairments)	(41,520)	(34,928)
Depreciation	(39,077)	(30,866)
Impairment losses	(119)	(695)
Other gains – net	(555)	1,967
Operating profit	217,390	150,454
Finance income	2,843	4,369
Finance costs	(20,702)	(34,447)
Share of profit of associates	300	132
Profit before income tax	199,831	120,508

6. REVENUE

	Six months ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Railway transportation – operators services (tariff borne by the Group) (1)	492,923	403,506
Railway transportation – operators services (tariff borne by the client)	375,368	204,493
Railway transportation – freight forwarding	1,210	409
Operating leasing of rolling stock	35,886	35,706
Other	457	654
	905,844	644,768

(1) Includes infrastructure and locomotive tariffs for loaded trips for the six months ended 30 June 2011 amounting to US$302,271 thousand (for the six months ended 30 June 2010: US$237,251 thousand)

Increase in revenue from transportation services during the six months of 2011 resulted from improved pricing as well as growth in rolling stock operated by the Group compared to the same period of last year.

7. EXPENSES BY NATURE

	Six months ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	302,271	237,251
Infrastructure and locomotive tariffs: empty run trips, other tariffs and services provided by other transportation organisations	151,539	108,867
Operating lease rentals – rolling stock	78,867	25,268
Employee benefit expense	9,122	6,540
Repair and maintenance	39,314	30,597
Depreciation of property, plant and equipment	38,447	30,295
Amortisation of intangible assets	91	87
Fuel and spare parts – locomotives	14,210	10,676
Engagement of locomotive crews	6,378	5,638
(Gain)/loss on sale of property, plant and equipment	(453)	1,180
Other expenses	5,935	3,775
Total cost of sales	645,721	460,174

	Six months ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	539	484
Gain on sale of property, plant and equipment	(28)	(130)
Employee benefit expense	19,519	17,034
Impairment charge of receivables	119	695
Operating lease rental – office	2,508	2,163
Auditors' remuneration	584	530
Legal, consulting and other professional fees	2,052	2,167
Advertising and promotion	240	230
Communication costs	548	519
Information services	812	705
Taxes (other than income tax and value added taxes)	10,156	7,141
Other expenses	5,129	4,569
Total selling, marketing and administrative expenses	42,178	36,107

EXPENSES BY NATURE CONTINUED

	Six months ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Total expenses		
Depreciation of property, plant and equipment (Note 9)	38,986	30,779
Amortisation of intangible assets	91	87
(Gain)/loss on sale of property, plant and equipment	(481)	1,050
Employee benefit expense	28,641	23,574
Impairment charge for receivables	119	695
Operating lease rentals – rolling stock	78,867	25,268
Operating lease rentals – office	2,508	2,163
Repairs and maintenance	39,314	30,597
Fuel and spare parts – locomotives	14,210	10,676
Engagement of locomotive crews	6,378	5,638
Infrastructure and locomotive tariffs: loaded trips	302,271	237,251
Infrastructure and locomotive tariffs: empty run trips, other tariffs and services provided by other transportation organisations	151,539	108,867
Auditors' remuneration	584	530
Legal, consulting and other professional fees	2,052	2,167
Advertising and promotion	240	230
Communication costs	548	519
Information services	812	705
Taxes (other than income tax and value added taxes)	10,156	7,141
Other expenses	11,064	8,344
Total cost of sales, selling and marketing costs and administrative expenses	687,899	496,281

Expenses related to the operating lease of rolling stock increased in the six months of 2011 resulting from significant growth in the average fleet leased-in over the period.

Increase in infrastructure and locomotive tariffs during the six months ended 30 June 2011 compared to the same period of 2010 was due to increased volumes as well as annual increase in Russian Railways regulated empty run tariff.

8. FINANCE INCOME AND COSTS

	Six months ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Interest expense:		
Bank borrowings	(13,334)	(12,531)
Finance leases	(2,782)	(7,882)
Non-convertible bond	(4,493)	-
Other interest - related parties (Note 17)	-	(899)
Other finance costs	(206)	(20)
Total interest expense	(20,815)	(21,332)
Net foreign exchange transaction (gain)/loss on financing activities	1,234	(12,164)
Finance cost on liability for minimum dividend distribution	(1,121)	(951)
Finance costs	(20,702)	(34,447)
Interest income:		
Bank balances	165	139
Short term deposits	721	232
Finance leases – third parties	1,957	3,025
Loans to third parties	-	1
Total interest income	2,843	3,397
Amortisation of financial guarantees	-	972
Finance income	2,843	4,369
Net finance costs	(17,859)	(30,078)

Exchange rate of Russian rouble against the US Dollar has strengthened during the six months ended 30 June 2011 by 8% resulting in the Group realising a gain on revaluation of its US Dollar denominated liabilities. That fact combined with the increased proportion of Rouble denominated borrowings in the Group's debt portfolio as of 30 June 2011 compared to 30 June 2010 resulted in significant fluctuation of net foreign exchange gain/(loss) in 2011 compared to 2010.

9. PROPERTY, PLANT AND EQUIPMENT

	US$'000
Six months ended 30 June 2011	
Opening net book amount as at 1 January 2011	1,112,212
Additions	78,736
Disposals	(3,957)
Depreciation charge	(38,986)
Exchange difference	95,178
Closing net book amount as at 30 June 2011	1,243,183

During the six months ended 30 June 2011 the Group has received 475 open wagons and 595 tank cars.

Strengthening of the Russian rouble exchange rate against the US Dollar during the six months of 2011 resulted in significant exchange differences on property, plant and equipment recognised in Translation reserve in equity.

10. TRADE AND OTHER RECEIVABLES

	As at 30-Jun-2011 US$'000	As at 31-Dec-2010 US$'000
Trade receivables – third parties	47,163	42,980
Trade receivables – related parties (Note 17)	11,871	12,701
Less: Provision for impairment of trade receivables	(1,722)	(1,645)
Trade receivables – net	57,312	54,036
Other receivables – third parties	3,280	4,658
Other receivables – related parties (Note 17)	6,416	1
Less: Provision for impairment of other receivables	(675)	(676)
Other receivables – net	9,021	3,983
Prepayments - related parties (Note 17)	6,071	7,917
Prepayments – third parties	47,080	74,544
Finance lease receivables – third parties	36,638	35,906
VAT and other taxes recoverable	71,593	72,337
	227,715	248,723
Less non-current portion:		
Prepayments – third parties[1]	3,306	31,665
Other receivables – third parties	45	-
Finance lease receivables – third parties	32,930	32,637
VAT and other taxes recoverable	27	63
Total non-current portion	36,308	64,635
Total current portion	191,407	184,358

[1] Prepayments in non-current trade and other receivables represent prepayments for purchases of property, plant and equipment.

During the six months ended 30 June 2011, the Group has received all of the railcars for which the prepayment was made in 2010.

11. TRADE AND OTHER PAYABLES

	As at 30-Jun-2011 US$'000	As at 31-Dec-2010 US$'000
Current		
Trade payables - third parties	15,706	15,673
Trade payables - related parties (Note 17)	462	1,315
Other payables - third parties[1]	24,204	13,256
Accrued expenses	5,867	9,530
Advances from third parties	22,748	24,400
Advances from related parties (Note 17)	2,446	3,029
	71,433	67,203
Non-current		
Other trade payables - third parties	10,467	10,467
	10,467	10,467

[1] Includes US$10,587 thousand payable by the Group in accordance with the legal case in favour of Estonian Railways (Note 16).

12. BORROWINGS

	As at 30-Jun-2011 US$'000	As at 31-Dec-2010 US$'000
Current		
Bank overdrafts	-	745
Bank borrowings	91,693	119,601
Non-convertible unsecured bonds	23,119	21,528
Finance lease liabilities	35,281	49,275
	150,093	191,149
Non-current		
Bank borrowings	161,169	219,426
Non-convertible unsecured bonds	74,485	78,397
Finance lease liabilities	32,451	30,067
	268,105	327,890
Total borrowings	418,198	519,039
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 1 and 2 years	83,845	117,346
Between 2 and 5 years	147,422	174,820
Over 5 years	4,387	5,657
	235,654	297,823

Movements in borrowings are analysed as follows:

	US$'000
Six months ended 30 June 2011	
Opening amount as at 1 January 2011	519,039
Proceeds from borrowings	45,490
Repayments of borrowings	(135,947)
Repayments of finance leases	(41,453)
Interest charged	20,609
Interest paid	(21,073)
Net foreign exchange difference	31,533
Closing amount as at 30 June 2011	418,198

BORROWINGS CONTINUED

	As at 30-Jun-2011 US$'000	As at 31-Dec-2010 US$'000
Finance lease liabilities – minimum lease payments		
Not later than 1 year	37,715	54,161
Later than 1 year and not later than 5 years	33,643	31,383
Future finance charges of finance leases	(3,626)	(6,202)
Present value of finance lease liabilities	67,732	79,342
The present value of finance lease liabilities is as follows:		
Not later than 1 year	35,281	49,275
Later than 1 year and not later than 5 years	32,451	30,067
	67,732	79,342

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 30-Jun-2011 US$'000	As at 31-Dec-2010 US$'000
US Dollar	102,434	113,115
Russian Rouble	315,633	405,753
Euro	131	171
	418,198	519,039

The group has the following undrawn borrowing facilities:

	As at 30-Jun-2011 US$'000	As at 31-Dec-2010 US$'000
Fixed rate:		
- expiring within one year	13,891	8,531
- expiring after one year	24,697	22,752
Floating rate:		
- expiring within one year	37,818	37,384
Total undrawn borrowing facilities	76,406	68,667

The weighted average effective interest rates at the balance sheet were as follows:

	As at 30-Jun-2011 %	As at 31-Dec-2010 %
Bank overdrafts	-	2.3
Bank borrowings	8.1	8.2
Non-convertible bonds	9.3	9.3
Finance lease liabilities	5.5	9.1

13. INCOME TAXES

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2011 is 20.3% (2010: 20.4%).

14. 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 period.

	Six months ended 30-Jun-2011	Six months ended 30-Jun-2010
Profit for the period attributable to equity holders of the Company (US$'000)	134,618	72,842
Weighted average number of ordinary shares in issue (thousand)	158,136	158,136
Earnings per share for profit attributable to the equity holders of the company:		
- basic and diluted (expressed in US$ per share)	0.85	0.46

15. DIVIDENDS

A final dividend in relation to the year ended 31 December 2010 of 37 US cents per ordinary share amounting to a total dividend of US$58,510,147.21 was approved at the Annual General Meeting of the shareholders of the Company held on 13 May 2011. The dividend was paid on 13 May 2011.

During the six months ended 30 June 2011, the Group declared and paid US$22,338 thousand of dividends in favour of non-controlling interests. Pursuant to the obligation for minimum dividend distribution by Ultracare Holdings Limited and BaltTransServis, OOO, (subsidiaries of the Company) US$1,017 thousand was paid out of liability accrued as at 31 December 2010 and the remaining US$21,321 thousand was recognised as dividends during the period. Finance cost of US$1,121 (Note 8) was recognised during the period ended 30 June 2011 in relation to such obligation.

16. CONTINGENCIES

Legal proceedings

During the 6 months ended 30 June 2011, the Group was involved as a claimant in a number of court proceedings.

During the year ended 31 December 2010, AS Spacecom, a subsidiary of the Company was involved in court proceedings with AS Eesti Raudtee (Estonian Railways). In January 2011, Tallinn Circuit Court (court of second instance) published a ruling which satisfied the claim of Estonian Railways against AS Spacecom in the amount of EUR15,078 thousand (USD21,792 thousand at 30 June 2011 exchange rates) for the unpaid invoices and late payment charges, plus costs and legal fees. On 23 May 2011, the Court of third instance has declined an application for an appeal submitted by AS Spacecom and consequently the decision of the Tallinn Circuit Court came into force. The Group is indemnified for up to 61% of any losses arising from this case over and above the amounts already provided in the consolidated financial statements of the Group pursuant to the indemnification clauses included in the share purchase agreements in relation to this litigation. The net amount of the claim which was not previously provided for in the consolidated financial statements of the Group less any amounts to be compensated in accordance with such indemnification clauses was recognised in these interim consolidated financial statements in a total amount of EUR2,848 thousand (USD4,116 thousand at 30 June 2011 exchange rates). Such amount was attributed solely to non-controlling interests and therefore had no impact on profit attributable to equity owners of the Group or on Earnings per share.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 30 June 2011, 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 interim condensed consolidated financial information.

17. RELATED PARTY TRANSACTIONS

The Group is controlled by Transportation Investments Holding Limited incorporated in Cyprus, which owns 50.1% of the Company's shares. Envesta Investments Limited owns 14.5% (including the holding of Global Depositary Receipts of the Company) of the Company's shares. Further, the Directors of the Company control 0.1% of the Company's shares through their holdings of Global Depositary Receipts. The remaining 35.3% of the shares represent the free market-float and are held by external investors through the Global Depositary Receipts. The ultimate controlling party of the Group is Mirbay International Inc, registered in Bahamas.

RELATED PARTY TRANSACTIONS CONTINUED

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Six months ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Sales of services:		
Other related parties		
Entities under control of the Parent	14,091	14,624
Entities under significant influence/joint control of the Parent	7,997	11,928
Entities under significant influence of members of key management	56,985	37,491
	79,073	64,043

(b) Purchases of goods and services

	Six months ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Purchases of services:		
Associate	36	304
Other related parties		
Entities under control of the Parent	3,490	2,030
Entities under control by parties with significant influence over the Group	560	532
Entities under significant influence of the Parent	286	1,319
Entities under significant influence of members of key management	29,438	10,428
	33,810	14,613

(c) Additions and disposals of property, plant and equipment

	Six months ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Additions:		
Other related parties		
Entities under control of the Parent	861	194
Entities under significant influence of members of key management	49	-
	910	194
Disposals:		
Associate	-	265
Other related parties: entities under significant influence of members of key management	-	10
	-	275

RELATED PARTY TRANSACTIONS CONTINUED

(d) Interest expense

	Six months Ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Interest expense:		
The Parent	-	899
	-	899

Interest expense to the Parent in the six months ended 30 June 2010 consists of interest on consideration payable for the acquisition of Estonian subsidiaries of the Group for the amount of US$348 thousand and unwinding of discounting effect on such liability for the amount of US$551 thousand.

(e) Directors and key management compensation

	Six months Ended 30-Jun-2011 US$'000	Six months ended 30-Jun-2010 US$'000
Salaries and other short term employee benefits	8,470	5,934
Directors' fees in non-executive capacity	117	110
Directors' emoluments in their executive capacity[(1)]	505	285
	9,092	6,329

[(1)] Includes remuneration paid to Directors by the subsidiaries of the Company in their executive capacity.

(f) Period-end balances arising from sales/purchases of goods/services

	As at 30-Jun-2011 US$'000	As at 31-Dec-2010 US$'000
Trade receivables from related parties:		
The Parent	-	-
Other related parties		
Entities under control of the Parent	106	3,110
Entities under significant influence/joint control of the Parent	1,933	1,305
Entities under significant influence of members of key management	9,832	7,898
	11,871	12,313
Other receivables from and prepayments to related parties:		
Associate	376	-
The Parent	6,408	-
Other related parties		
Entities under control of the Parent	334	361
Entities under significant influence of the Parent	-	1
Entities under significant influence of members of key management	5,369	7,556
	12,487	7,918
Trade payables to related parties:		
Other related parties		
Entities under control of the Parent	128	6
Entities under significant influence/joint control of the Parent	21	13
Entities under significant influence of members of key management	313	1,296
	462	1,315
Other payables to and advances from related parties:		
Other related parties		
Entities under control of the Parent	2,157	2,038
Entities under significant influence of the Parent	-	255
Entities under significant influence of members of key management	289	736
	2,446	3,029

18. SUBSEQUENT EVENTS

In August 2011 the Group received a notice of the claim in relation to 240 railcars, which a subsidiary of the Company acquired through finance lease in July 2010. The claim suggests that such railcars were not released from pledge by the lessor upon transfer to the Group and due to the fact that the lessor defaulted on its obligations to pledgee, the claim was brought against the subsidiary of the Company being the current owner of pledged railcars. Net book value of the railcars as at 30 June 2011 was US$8,489 thousand. The first court hearing is scheduled for 8 September 2011. Based on current facts and circumstances, no reliable estimate of the probability of outcome or amount of the obligation can be made with any sufficient reliability, therefore no provision has been raised in respect of this claim in these interim financial statements.

19. SEASONALITY

The operations of the Group are not subject to seasonal fluctuations.

Independent Auditors' Review Report
to Globaltrans Investment Plc

Introduction

We have been engaged by Globaltrans Investment Plc "the Company" to review the accompanying condensed consolidated interim financial information of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2011, which comprises the condensed consolidated interim balance sheet as of 30 June 2011 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and related notes.

Board of Directors' responsibilities

The condensed consolidated interim financial information is the responsibility of, and has been approved by, the Board of Directors. The Board of Directors is responsible for preparing the condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial information based on our review. This report, including the conclusion, has been prepared for and only for the Company. We do not, in producing this report, accept or assume responsibility to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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P O Box 53034, CY-3300 Limassol, Cyprus
T: +357 25 - 555 000, F:+357 - 25 555 001, www.pwc.com/cy

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Chartered Accountants

29 August 2011
Limassol
Cyprus

1 The maintenance and integrity of the Globaltrans website is the responsibility of the Board of Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.