Globaltrans Investment PLC

Condensed consolidated interim financial information (unaudited)

for the six months ended 30 June 2017

Contents

Condensed consolidated interim financial information (unaudited) for the six months ended 30 June 2017

Consolidated interim income statement

for the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		RUB'000	RUB'000
	Note	**Unaudited**	Unaudited
Revenue	9	**38,207,574**	32,724,744
Cost of sales	10	**(27,398,970)**	(26,566,894)
Gross profit		**10,808,604**	6,157,850
Selling and marketing costs	10	**(86,122)**	(80,020)
Administrative expenses	10	**(1,798,359)**	(1,712,237)
Reversal of impairment of intangible assets	8	**630,223**	-
Other gains – net		**17,127**	77,131
Operating profit		**9,571,473**	4,442,724
Finance income	12	**233,350**	121,206
Finance costs	12	**(953,561)**	(1,214,127)
Net foreign exchange transaction losses on financing activities	12	**(141,995)**	(179,862)
Finance costs – net		**(862,206)**	(1,272,783)
Share of loss of associate		**-**	(64,445)
Profit before income tax		**8,709,267**	3,105,496
Income tax expense	17	**(2,015,484)**	(764,014)
Profit for the period		**6,693,783**	2,341,482
Attributable to:			
Owners of the Company		**5,848,446**	1,582,713
Non-controlling interests		**845,337**	758,769
		6,693,783	2,341,482
Weighted average number of ordinary shares in issue (thousands)	18	**178,741**	178,741
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RUB per share)[(1)]	18	**32.72**	8.85

[(1)] Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

The notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

Consolidated interim statement of comprehensive income

for the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RUB'000	RUB'000
	Unaudited	Unaudited
Profit for the period	**6,693,783**	2,341,482
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**415,460**	(1,109,248)
Items that may not be reclassified subsequently to profit or loss		
Currency translation differences attributable to non-controlling interest	**217,694**	(503,213)
Other comprehensive income/(loss) for the period, net of tax	**633,154**	(1,612,461)
Total comprehensive income for the period	**7,326,937**	729,021
Total comprehensive income attributable to:		
- owners of the Company	**6,263,906**	473,465
- non-controlling interests	**1,063,031**	255,556
	7,326,937	729,021

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 7 to 22 are an integral part of this condensed consolidated interim financial information.

Consolidated interim balance sheet

at 30 June 2017

	Note	30-Jun-2017 RUB'000 Unaudited	31-Dec-2016 RUB'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	13	**64,824,354**	65,653,581
Intangible assets	8	**1,802,154**	1,541,564
Income tax assets		**20,119**	21,899
Trade and other receivables	14	**734,726**	472,360
Total non-current assets		**67,381,353**	67,689,404
Current assets			
Inventories		**699,674**	565,200
Trade and other receivables	14	**4,102,228**	5,320,518
Current income tax assets		**35,689**	81,953
Cash and cash equivalents		**8,772,584**	4,773,414
Total current assets		**13,610,175**	10,741,085
TOTAL ASSETS		**80,991,528**	78,430,489
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	20	**516,957**	516,957
Share premium	20	**27,929,478**	27,929,478
Common control transaction reserve		**(10,429,876)**	(10,429,876)
Translation reserve		**2,945,946**	2,530,486
Capital contribution		**2,694,851**	2,694,851
Retained earnings		**22,713,457**	23,871,655
Total equity attributable to the owners of the Company		**46,370,813**	47,113,551
Non-controlling interests		**5,557,738**	6,094,707
TOTAL EQUITY		**51,928,551**	53,208,258
Non-current liabilities			
Borrowings	16	**13,098,573**	9,694,243
Trade and other payables	15	**-**	117,890
Deferred tax liabilities		**5,320,194**	5,245,331
Total non-current liabilities		**18,418,767**	15,057,464
Current liabilities			
Borrowings	16	**7,386,429**	6,598,226
Trade and other payables	15	**3,207,406**	3,419,461
Current tax liabilities		**50,375**	147,080
Total current liabilities		**10,644,210**	10,164,767
TOTAL LIABILITIES		**29,062,977**	25,222,231
TOTAL EQUITY AND LIABILITIES		**80,991,528**	78,430,489

By order of the Board

Sergey Tolmachev, Director

Konstantin Shirokov, Director

Limassol, 28 August 2017

The notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

Consolidated interim statement of changes in equity

for the six months ended 30 June 2017

		Attributable to the owners of the Company								
	Note	Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interests RUB'000	Total RUB'000
Balance at 1 January 2016		**516,957**	**27,929,478**	**(10,429,876)**	**4,569,396**	**2,694,851**	**21,617,013**	**46,897,819**	**7,405,558**	**54,303,377**
Comprehensive income										
Profit for the period		-	-	-	-	-	1,582,713	1,582,713	758,769	2,341,482
Other comprehensive income										
Currency translation differences		-	-	-	(1,109,248)	-	-	(1,109,248)	(503,213)	(1,612,461)
Total comprehensive income for the period ended 30 June 2016		-	-	-	(1,109,248)	-	1,582,713	473,465	255,556	729,021
Transactions with owners										
Dividends to owners of the Company	19	-	-	-	-	-	(2,218,175)	(2,218,175)	-	(2,218,175)
Dividends to non-controlling interests	19	-	-	-	-	-	-	-	(2,010,784)	(2,010,784)
Total transactions with owners		-	-	-	-	-	(2,218,175)	(2,218,175)	(2,010,784)	(4,228,959)
Balance at 30 June 2016 (unaudited)		**516,957**	**27,929,478**	**(10,429,876)**	**3,460,148**	**2,694,851**	**20,981,551**	**45,153,109**	**5,650,330**	**50,803,439**

The notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

Consolidated interim statement of changes in equity

for the six months ended 30 June 2017

		Attributable to the owners of the Company								
	Note	Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interests RUB'000	Total RUB'000
Balance at 1 January 2017		**516,957**	**27,929,478**	**(10,429,876)**	**2,530,486**	**2,694,851**	**23,871,655**	**47,113,551**	**6,094,707**	**53,208,258**
Comprehensive income										
Profit for the period		-	-	-	-	-	5,848,446	5,848,446	845,337	6,693,783
Other comprehensive income										
Currency translation differences		-	-	-	415,460	-	-	415,460	217,694	633,154
Total comprehensive income for the period ended 30 June 2017		-	-	-	415,460	-	5,848,446	6,263,906	1,063,031	7,326,937
Transactions with owners										
Dividends to owners of the Company	19	-	-	-	-	-	(7,006,644)	(7,006,644)	-	(7,006,644)
Dividends to non-controlling interests	19	-	-	-	-	-	-	-	(1,600,000)	(1,600,000)
Total transactions with owners		-	-	-	-	-	(7,006,644)	(7,006,644)	(1,600,000)	(8,606,644)
Balance at 30 June 2017 (unaudited)		**516,957**	**27,929,478**	**(10,429,876)**	**2,945,946**	**2,694,851**	**22,713,457**	**46,370,813**	**5,557,738**	**51,928,551**

The notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

Consolidated interim cash flow statement

for the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 RUB'000 Unaudited	2016 RUB'000 Unaudited
Cash flows from operating activities			
Profit before tax		**8,709,267**	3,105,496
Adjustments for:			
Depreciation of property, plant and equipment	10	**2,467,250**	2,528,245
Amortisation of intangible assets	10	**369,633**	417,606
Net loss/(gain) on sale of property, plant and equipment	10	**24,980**	(43,108)
Loss on derecognition arising on capital repairs	10	**286,852**	379,197
Reversal of impairment charge on intangible assets	8	**(630,223)**	-
Interest income	12	**(233,350)**	(121,206)
Interest expense and other finance costs	12	**953,561**	1,214,127
Share of losses of associate		**-**	64,445
Foreign exchange losses on financing activities	12	**141,995**	179,862
		12,089,965	7,724,664
Changes in working capital:			
Inventories		**19,514**	109,501
Trade and other receivables		**1,185,101**	83,633
Trade and other payables		**(321,377)**	(698,318)
Cash generated from operations		**12,973,203**	7,219,480
Tax paid		**(1,888,846)**	(799,452)
Net cash from operating activities		**11,084,357**	6,420,028
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,081,390)**	(1,860,095)
Purchases of intangible assets	8	**-**	(9,499)
Proceeds from disposal of property, plant and equipment		**243,320**	122,302
Loan repayments received from third parties		**5,888**	7,632
Interest received		**232,337**	119,375
Receipts from finance lease receivable		**9,587**	-
Net cash used in investing activities		**(1,590,258)**	(1,620,285)
Cash flows from financing activities			
Proceeds from borrowings		**9,750,000**	5,862,723
Repayments of borrowings		**(5,554,614)**	(5,895,358)
Finance lease principal payments		**-**	(46)
Interest paid		**(951,280)**	(1,199,240)
Dividends paid to non-controlling interests in subsidiaries	19	**(1,600,000)**	(2,025,532)
Dividends paid to owners of the Company	19	**(7,006,644)**	(2,218,175)
Net cash used in financing activities		**(5,362,538)**	(5,475,628)
Net increase/(decrease) in cash and cash equivalents		**4,131,561**	(675,885)
Foreign exchange losses on cash and cash equivalents		**(132,391)**	(208,122)
Cash and cash equivalents at beginning of period		**4,773,414**	4,104,079
Cash and cash equivalents at end of period		**8,772,584**	3,220,072

Principal non-cash investing transactions

The principal non-cash investing transactions consist of finance leases with the Group acting as the lessor (Note 14).

The notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information

1. GENERAL INFORMATION

Globaltrans Investment PLC (the "Company") and its subsidiaries (together the "Group") is a freight rail transportation group operating in Russia, the CIS countries and the Baltics.

The main business of the Group is the provision of freight rail transportation services with a focus on the transportation of key industrial freight including metallurgical cargoes, oil products and oil, coal and various construction materials. The Group is also engaged in operating lease of rolling stock.

The Company is a public limited company incorporated and domiciled in Cyprus in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The address of its registered office is 20 Omirou Street, Agios Nikolaos, CY-3095 Limassol, Cyprus. The Group's principal place of business is at 16/15 Spartakovskaya Sqr., Moscow, Russia.

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

This condensed consolidated interim financial information was approved by the Board of Directors of the Company on 25 August 2017, who authorized the Directors to sign on 28 August 2017.

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 2017 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 2016, 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

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2016, as described in those annual consolidated financial statements, with the exception of the following:

(a) Taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings for each tax jurisdiction and applied individually to the interim period pre-tax income of the relevant jurisdiction. Adjustments due to changes in estimates of prior year taxes are not taken into account in the calculation of the estimated average annual tax rate but are charged in full in the interim period in which it becomes probable that such adjustment is needed.

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.

(b) New standards, interpretations and amendments to published standards

(i) The Group has adopted the following new standards, amendments and interpretations as of 1 January 2017:

There were no new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2016, that became effective for the Group from 1 January 2017.

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

Since the Group published its last annual financial statements, certain new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning after 1 January 2017 and which are still subject to endorsement by the European Union and not available for early adoption by the Group. These standards and interpretations are not expected to have an impact on the Group, except for the following:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019, subject to EU endorsement). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the interpretation on its financial statements.

4. ESTIMATES AND JUDGEMENTS

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 estimates and 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 2016, except as detailed below.

(a) Impairment of property, plant and equipment

Management has assessed whether there are any impairment indicators for property, plant and equipment as of 30 June 2017. No impairment indicators have been identified as of 30 June 2017.

(b) Useful lives of rolling stock

The estimation of the useful lives of items of rolling stock is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

The Group assesses the remaining useful lives of its rolling stock, in accordance with its accounting policy as disclosed in the Group's consolidated financial statements for the year ended 31 December 2016. In making this assessment, the Group takes into account the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions and applicable regulations regarding usage of rolling stock.

Management has reassessed the useful economic life of the Group's rolling stock as of 1 January 2017 and has concluded to revise the useful economic life of all items of the Group's rolling stock, other than locomotives. For locomotives, management has concluded that their remaining useful economic lives remain reasonable.

The revised useful lives of the Group's rolling stock are as follows:

	Number of years, range
Gondola cars	22
Rail tank cars	32 (for specialised types ranges between 30-40)
Hoppers	15-26
Flat cars	20-32

As a result of the revision in the useful lives of the Group's rolling stock, the depreciation charged in the income statement for the six-month period to 30 June 2017 is higher than the one that would have been charged for the same period if there was no revision in useful lives by RUB 97,142 thousand.

(c) Assessment of reversal of previously recognised impairment of customer relationships

The Group's balance sheet as of 30 June 2017 includes a customer relationship with MMK Group with a carrying amount of RUB 1,794,968 thousand as of that date. This customer relationship has been allocated to the Russian gondola cars/operator's services CGU.

Based on impairment assessment performed by the Group as of 31 December 2015, an impairment charge of RUB 996,160 thousand was recognised during the year ended 31 December 2015 against the carrying amount of this customer relationship.

The Group assesses at each balance sheet date whether there are indications for impairment or reversal of previously recognised impairment for its customer relationships, in accordance with its accounting policy for impairment of non-current assets, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2016.

The analysis of indicators for reversal of the previously recognised impairment for the customer relationship with MMK Group showed that there were indicators of reversal in place as of 30 June 2017, reflecting the general recovery in the market and industry conditions. Therefore, management performed an impairment assessment to determine the customer relationship's recoverable amount.

The recoverable amount of this customer relationship as of 30 June 2017 was estimated based on value-in-use calculations and was determined to be higher than its carrying amount if no impairment charge was recognised in the past in respect of it. As a result, a reversal of impairment of RUB 630,223 thousand was recognised during the period ended 30 June 2017 increasing the carrying amount of the customer relationship to the one that would have been if no impairment charge was recognised in the past.

The value-in-use calculations require the use of estimates and are not sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of this customer relationship.

The projections prepared are based on 3.5-year post-tax cash flow projections, being the period over which cash flows are expected from this customer relationship. A post-tax discount rate of 14.9% has been applied for the projected period.

The key assumptions are transportation volumes and tariffs per trip, which are the main components of revenue as well as cost drivers, which are projected on the actual results for the six months to 30 June 2017, and the estimated growth in the EBITDA margin during the projected period and the discount rate. The projected volumes reflect past experience and management's estimates. The transportation prices are estimated in accordance with the past performance of the Group and management's expectations of market development.

Any reasonable change in the assumptions used in the calculation for the recoverable amount of this customer relationship would not decrease the amount of the reversal of impairment recognised.

(d) Revenue recognition

As discussed in the consolidated financial statements for the year ended 31 December 2016, critical judgement is involved in determining whether the Group is acting as a principal or as an agent in certain arrangements for operators' services. There were no changes in the terms of these arrangements during the period. Had the infrastructure and locomotive tariffs directly attributable to such services and the cost of services provided by other transportation organisations directly attributable to such contracts been excluded from revenues and cost of sales for the six months ended 30 June 2017 both would have decreased by RUB 12,810,784 thousand (for the six months ended 30 June 2016: RUB 12,111,935 thousand).

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2016. There have been no changes in the risk management policies since the year end.

Liquidity risk

Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long term perspective the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures. As at 30 June 2017, Group current assets exceed its current liabilities by RUB 2,965,965 thousand.

Fair value of financial assets and liabilities measured at amortised cost

The estimated fair values of financial instruments have been determined by the Group, using available market information, where it exists, appropriate valuation methodologies and assistance of experts. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore do not always represent the fair values of financial instruments. The Group has used all available market information in estimating the fair value of financial instruments.

Fair value measurements are analysed by level in the fair value hierarchy. The different levels in fair value hierarchy have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The carrying values and fair values of current and non-current borrowings are as follows:

	Carrying values		Fair values	
	As at 30-Jun-2017 RUB'000	As at 31-Dec-2016 RUB'000	As at 30-Jun-2017 RUB'000	As at 31-Dec-2016 RUB'000
Bank borrowings	**20,485,002**	16,292,469	**20,694,235**	16,569,521
	20,485,002	16,292,469	**20,694,235**	16,569,521

The fair value as at 30 June 2017 and 31 December 2016 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to the reporting dates. The discount rate used was 9.3% p.a. (2016: 10% p.a.). The fair value measurement of the bank borrowings is within level 3 of the fair value hierarchy.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Trade and other payables
- Cash and cash equivalents

6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from two perspectives: by type of activity and by type of rolling stock used. From a type of activity perspective, the Board reviews revenues with no further analysis of the underlying cost components. From the type of rolling stock used perspective the Board assesses the performance of each type of rolling stock at the level of adjusted revenue. In particular, the Board reviews discrete financial information for gondola cars and rail tank cars, whereas all other types of rolling stock (such as hopper cars and platforms) are reviewed together.

Adjusted revenue 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 and services provided by other transportation organisations. Further, the Board receives information in respect of depreciation and amortisation changes for rolling stock and customer relationships respectively and impairment charges/reversal of impairment in respect of rolling stock. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

The Board also reviews additions to segment assets. Liabilities are not segmented since they are not reviewed from that perspective by the chief operating decision maker. Capital expenditure comprises additions of rolling stock to property, plant and equipment.

The Group does not have transactions between different business segments.

	Gondola cars	**Rail tank cars**	**Other railcars**	**Total**
	RUB'000	RUB'000	RUB'000	RUB'000
Six months ended 30 June 2017				
Total revenue – operator's services	24,066,164	12,457,099	597,269	37,120,532
Total revenue – operating lease	44,555	489,886	62,701	597,142
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	24,110,719	12,946,985	659,970	37,717,674
less Services provided by other transportation organisations	(1,527,517)	(60,533)	(29,368)	(1,617,418)
less Infrastructure and locomotive tariffs: loaded trips	(7,883,993)	(3,045,469)	(263,904)	(11,193,366)
Adjusted revenue for reportable segments	**14,699,209**	**9,840,983**	**366,698**	**24,906,890**

	Gondola cars	**Rail tank cars**	**Other railcars**	**Total**
	RUB'000	RUB'000	RUB'000	RUB'000
Six months ended 30 June 2016				
Total revenue – operator's services	18,856,439	12,113,951	640,622	31,611,012
Total revenue – operating lease	31,212	641,963	105,895	779,070
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	18,887,651	12,755,914	746,517	32,390,082
less Services provided by other transportation organisations	(1,512,429)	(31,980)	(29,378)	(1,573,787)
less Infrastructure and locomotive tariffs: loaded trips	(7,136,460)	(3,132,221)	(269,467)	(10,538,148)
Adjusted revenue for reportable segments	**10,238,762**	**9,591,713**	**447,672**	**20,278,147**

Adjusted revenue increased by RUB 4,628,743 thousands during the six month period ended as 30 June 2017 as compared to the corresponding period in 2016. The main reason for the increase was a gradual recovery in pricing and volumes in the gondola segment over the last twelve months combined with stable volumes and pricing conditions in the segment of oil products and oil rail transportation.

	Gondola cars	**Rail tank cars**	**Other railcars**	**Total**
	RUB'000	RUB'000	RUB'000	RUB'000
Additions to non-current assets (included in reportable segment assets)				
Six months ended 30 June 2017	1,305,398	386,444	6,857	1,698,699
Six months ended 30 June 2016	1,162,398	334,767	19,570	1,516,735
Depreciation and amortisation				
Six months ended 30 June 2017	(2,202,279)	(500,920)	(56,022)	(2,759,221)
Six months ended 30 June 2016	(2,093,599)	(677,461)	(112,008)	(2,883,068)
Reversal of Impairment charge for intangible assets				
Six months ended 30 June 2017	630,223	-	-	630,223
Six months ended 30 June 2016	-	-	-	-
Reportable segment assets				
30 June 2017	44,668,833[(1)]	19,551,576	561,994	64,782,403
31 December 2016	45,098,408[(2)]	19,176,300	1,178,107	65,452,815

[(1)]Includes RUB 1,794,968 thousand of intangible assets representing customer relationships
[(2)]Includes RUB 1,533,435 thousand of intangible assets representing customer relationships

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

	Six months ended 30-Jun-2017	Six months ended 30-Jun-2016
	RUB'000	RUB'000
Adjusted revenue for reportable segments	**24,906,890**	20,278,147
Other revenues	**489,900**	334,662
Total adjusted revenue	**25,396,790**	20,612,809
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, depreciation of property, plant and equipment, amortisation of intangible assets and loss on derecognition arising on capital repairs)	**(11,489,905)**	(11,157,925)
Selling, marketing and administrative expenses (excl. depreciation and impairments)	**(1,858,841)**	(1,754,608)
Depreciation and amortisation	**(2,836,883)**	(2,945,851)
Impairment charge for receivables	**(186)**	(9,635)
Loss on derecognition arising on capital repairs	**(286,852)**	(379,197)
Reversal of impairment of intangible assets	**630,223**	-
Other gains – net	**17,127**	77,131
Operating profit	**9,571,473**	4,442,724
Finance income	**233,350**	121,206
Finance costs	**(953,561)**	(1,214,127)
Net foreign exchange transaction losses on financing activities	**(141,995)**	(179,862)
Share of loss of associates	**-**	(64,445)
Profit before income tax	**8,709,267**	3,105,496

7. SHARE BASED PAYMENTS

Starting 1 January 2015, the Group has introduced a new remuneration program for some of the members of its management, including key management of the Group. The new remuneration program introduces, amongst other things, a three year compensation scheme in accordance to which, members of management receive a yearly cash compensation based on the weighted average market quotations of the GDRs of the Company. This compensation is set for a three year period and is divided in three instalments to be paid after the end of each assessment period which equals to one year. The award is conditional on the performance of the participants and on meeting certain key performance indicators ("KPIs") each year during the three years vesting period.

The scheme falls within the scope of IFRS2 "Share-based payment" and has therefore been classified as a cash-settled share based payment arrangement.

In accordance with the terms of the remuneration program, the compensation is calculated based on the weighted average fair value of the Company's GDRs, quoted in US Dollar, multiplied by the weighted average RUB/USD exchange rate for each period.

The Group has recognised an employee benefit expense of RUB 39,605 thousands in this respect for the six months ended 30 June 2017 (RUB 26,343 thousands for the six months ended 30 June 2016) and share based payment liability as at 30 June 2017 RUB 161,317 thousands (31 December 2016: RUB 145,745 thousands).

The share based payment liability as of 30 June 2017 was determined based on the assumption that all participants will remain with the Group and all KPIs will be met. The significant inputs into the valuation were the weighted average fair value of the Company's GDRs of USD 7 (31 December 2016: USD 4.36) and the weighted average USD/RUB exchange of 57.84 (31 December 2016: USD 66.833). There were no changes in the number of instruments over the six-month period ended 30 June 2017.

8. INTANGIBLE ASSETS

Six months ended 30 June 2017	Customer relationships RUB'000	Software RUB'000	Total RUB'000
Opening amount on 1 January 2017	1,533,435	8,129	1,541,564
Reversal of customer relationships (Note 4)	630,223	-	630,223
Amortisation charge (Note 10)	(368,690)	(943)	(369,633)
Closing amount on 30 June 2017	1,794,968	7,186	1,802,154

9. REVENUE

	Six months ended	
	30-Jun-2017	30-Jun-2016
	RUB'000	RUB'000
Railway transportation – operators services (tariff borne by the Group)	**22,606,488**	20,163,911
Railway transportation – operators services (tariff borne by the client)	**14,514,044**	11,447,101
Operating leasing of rolling stock	**597,142**	779,070
Other	**489,900**	334,662
Total revenue	**38,207,574**	32,724,744

Note: Revenue from railway transportation – operators services (tariff borne by the Group) includes infrastructure and locomotive tariffs for loaded trips for the six months ended 30 June 2017 amounting to RUB 11,193,366 thousand (for the six months ended 30 June 2016: RUB 10,538,148 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 1,617,418 thousand (for the six months ended 30 June 2016: RUB 1,573,787 thousand).

10. EXPENSES BY NATURE

	Six months ended	
	30-Jun-2017	30-Jun-2016
	RUB'000	RUB'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	**11,193,366**	10,538,148
Infrastructure and locomotive tariffs: empty run trips and other tariffs	**6,712,440**	6,784,892
Services provided by other transportation organisations	**1,617,418**	1,573,787
Operating lease rentals – rolling stock	**792,388**	735,437
Rental of tank containers	**32,730**	31,267
Employee benefit expense	**544,286**	438,890
Repairs and maintenance	**1,949,467**	2,038,630
Depreciation of property, plant and equipment	**2,441,805**	2,500,241
Loss on derecognition arising on capital repairs	**286,852**	379,197
Amortisation of intangible assets	**369,624**	417,596
Fuel and spare parts – locomotives	**855,165**	720,060
Engagement of locomotive crews	**372,840**	223,368
Loss/(Gain) on sale of property, plant and equipment	**25,876**	(42,003)
Other expenses	**204,713**	227,384
Total cost of sales	**27,398,970**	26,566,894

	Six months ended	
	30-Jun-2017	30-Jun-2016
	RUB'000	RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	**25,445**	28,004
Amortisation of intangible assets	**9**	10
Gain on sale of property, plant and equipment	**(896)**	(1,105)
Employee benefit expense	**1,030,125**	848,611
Impairment charge for receivables	**186**	9,635
Operating lease rental – office	**89,945**	110,058
Auditors' remuneration	**22,497**	24,900
Legal, consulting and other professional fees	**36,933**	41,211
Advertising and promotion	**18,075**	16,201
Communication costs	**18,750**	17,614
Information services	**9,794**	13,055
Taxes (other than income tax and value added taxes)	**381,619**	431,260
Other expenses	**251,999**	252,803
Total selling, marketing and administrative expenses	**1,884,481**	1,792,257

	Six months ended	
	30-Jun-2017	30-Jun-2016
	RUB'000	RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 13)	**2,467,250**	2,528,245
Loss on derecognition arising on capital repairs (Note 13)	**286,852**	379,197
Amortisation of intangible assets (Note 8)	**369,633**	417,606
Net loss/(gain) on sale of property, plant and equipment	**24,980**	(43,108)
Rental of tank containers	**32,730**	31,267
Employee benefit expense (Note 11)	**1,574,411**	1,287,501
Impairment charge for receivables	**186**	9,635
Operating lease rentals – rolling stock	**792,388**	735,437
Operating lease rentals – office	**89,945**	110,058
Repairs and maintenance	**1,949,467**	2,038,630
Fuel and spare parts – locomotives	**855,165**	720,060
Engagement of locomotive crews	**372,840**	223,368
Infrastructure and locomotive tariffs: loaded trips	**11,193,366**	10,538,148
Infrastructure and locomotive tariffs: empty run trips, other tariffs	**6,712,440**	6,784,892
Services provided by other transportation organisations	**1,617,418**	1,573,787
Auditors' remuneration	**22,497**	24,900
Legal, consulting and other professional fees	**36,933**	41,211
Advertising and promotion	**18,075**	16,201
Communication costs	**18,750**	17,614
Information services	**9,794**	13,055
Taxes (other than income tax and value added taxes)	**381,619**	431,260
Other expenses	**456,712**	480,187
Total cost of sales, selling and marketing costs and administrative	**29,283,451**	28,359,151

11. EMPLOYEE BENEFIT EXPENSE

	Six months ended	
	30-Jun-2017	30-Jun-2016
	RUB'000	RUB'000
Wages and salaries	**900,860**	870,666
Bonus	**350,176**	153,860
Share based payment expense (Note 7)	**39,605**	26,343
Social insurance costs	**283,770**	236,632
Total employee benefit expense	**1,574,411**	1,287,501

Employee benefit expense increased by RUB 286,910 thousands during the six month period ended 30 June 2017 as compared to the corresponding period in 2016. The increase was the result a 4% year on year increase in the average headcount, a rise in wages and salaries as well as higher bonus payments and a related increase in social insurance costs.

12. FINANCE INCOME AND COSTS

	Six months ended	
	30-Jun-2017	30-Jun-2016
	RUB'000	RUB'000
Included in finance costs:		
Bank borrowings	**(948,429)**	(1,212,527)
Loans from third parties	**-**	(1,094)
Finance leases	**-**	(1)
Total interest expense	**(948,429)**	(1,213,622)
Other finance costs	**(5,132)**	(505)
Total finance costs	**(953,561)**	(1,214,127)
Included in finance income:		
Bank balances	**51,416**	32,413
Short term deposits	**160,398**	86,107
Finance leases – third parties	**19,929**	-
Loans to third parties	**1,607**	2,686
Total interest income	**233,350**	121,206
Total finance income	**233,350**	121,206
Net foreign exchange transaction gain on borrowings and other liabilities	**26,035**	8,365
Net foreign exchange transaction losses on cash and cash equivalents and other monetary assets	**(168,030)**	(188,227)
Net foreign exchange transaction losses on financing activities	**(141,995)**	(179,862)
Net finance costs	**(862,206)**	(1,272,783)

13. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
	30-Jun-2017	30-Jun-2016
	RUB'000	RUB'000
Opening net book amount on 1 January 2017 / 1 January 2016	**65,653,581**	70,223,776
Additions	**2,025,356**	1,898,202
Disposals	**(554,666)**	(66,329)
Transfer to inventories	**(141,056)**	(120,448)
Depreciation charge (Note 10)	**(2,467,250)**	(2,528,245)
Derecognition arising on capital repairs (Note 10)	**(286,852)**	(379,197)
Currency translation differences	**595,241**	(1,566,943)
Closing net book amount on 30 June 2017 / 30 June 2016	**64,824,354**	67,460,816

Additions during the period ended 30 June 2017 mainly related to purchases of rolling stock, petrochemical tank containers and wheel pairs, as well as to capital repairs of rolling stock and locomotives, which were capitalised to property, plant and equipment, in accordance with the Group's accounting policy regarding capitalisation upon periodic capital repairs, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2016.

Disposals during the period ended 30 June 2017 mainly related to sales of rolling stock and disposals of rolling stock under finance leases with third parties.

'Loss on derecognition arising on capital repairs' represents the loss arising upon the capitalisation of periodic capital repairs of rolling stock as a result of the derecognition of the carrying amount of the rolling stock that is attributable to the previous periodic capital repair, in accordance with the Group's accounting policy regarding capitalisation of repair costs upon periodic capital repairs, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2016.

14. TRADE AND OTHER RECEIVABLES

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
Trade receivables – third parties	**2,252,028**	2,579,788
Trade receivables – related parties (Note 22)	**82,683**	1,449
Less: provision for impairment of trade receivables	**(297,184)**	(263,972)
Trade receivables – net	**2,037,527**	2,317,265
Other receivables – third parties	**124,904**	77,690
Less: provision for impairment of other receivables	**(27,886)**	(29,163)
Other receivables – net	**97,018**	48,527
Prepayments – third parties	**1,629,687**	2,464,705
Loans to third parties	**23,933**	29,533
Finance lease receivables – third parties	**460,162**	213,085
VAT and other taxes recoverable	**588,627**	719,763
	4,836,954	5,792,878

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
Less non-current portion:		
Trade receivables – third parties	**226,591**	214,210
Less: provision for impairment of trade receivables	**(41,625)**	(39,351)
Trade receivables – net	**184,966**	174,859
Finance leases to third parties	**430,964**	202,131
Prepayments for property, plant and equipment	**95,100**	65,837
Loans to third parties	**23,696**	29,533
Total non-current portion	**734,726**	472,360
Total current portion	**4,102,228**	5,320,518

15. TRADE AND OTHER PAYABLES

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
Current		
Trade payables - third parties	**602,892**	609,153
Trade payables - related parties (Note 22)	**12,067**	-
Other payables - third parties	**735,677**	715,863
Accrued expenses	**86,803**	97,163
Accrued key management compensation, including share based payment (Note 22)	**245,720**	267,354
Advances from customers for transportation services	**1,524,247**	1,729,928
	3,207,406	3,419,461

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
Non-current		
Accrued key management compensation, including share based payment (Note 22)	**-**	117,890
	-	117,890

The decrease in advances from customers as at 30 June 2017 as compared to those as at 31 December 2016 mainly arose as a result of timing of advances from customers close to the year end.

16. BORROWINGS

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
Current		
Bank borrowings	**7,386,429**	6,598,226
Total current borrowings	**7,386,429**	6,598,226
Non-current		
Bank borrowings	**13,098,573**	9,694,243
Total non-current borrowings	**13,098,573**	9,694,243
Total borrowings	**20,485,002**	16,292,469

Movements in borrowings are analysed as follows:

	RUB'000
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	16,292,469
Proceeds from bank borrowings	9,750,000
Repayments of bank borrowings	(5,554,614)
Interest charged	948,429
Interest paid	(951,280)
Net foreign exchange difference	(2)
Closing amount as at 30 June 2017	20,485,002

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
Maturity of non-current borrowings		
Between 1 and 2 years	**7,441,318**	5,499,808
Between 2 and 5 years	**5,657,255**	4,194,435
	13,098,573	9,694,243

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

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
US Dollar	**-**	22
Russian Rouble	**20,485,002**	16,292,447
	20,485,002	16,292,469

The Group has the following undrawn borrowing facilities:

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
Fixed rate:		
- expiring within one year	**200,000**	4,320,000
- expiring beyond one year	**16,500,000**	16,500,000
Total undrawn borrowing facilities	**16,700,000**	20,820,000

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

	As at	
	30-Jun-2017	31-Dec-2016
	%	%
Bank borrowings	**10.0**	11.0

17. 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 interim tax rate used for the six months to 30 June 2017 is 23.14% (30 June 2016: 24.60%). The decrease in the weighted average annual income tax rate reflects mainly the reduction in Estonian tax charge during 6 months 2017.

18. 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-2017	30-Jun-2016
Profit for the period attributable to equity holders of the Company (RUB'000)	**5,848,446**	1,582,713
Weighted average number of ordinary shares in issue (thousand)	**178,741**	178,741
Earnings per share for profit attributable to the equity holders of the Company:		
- basic and diluted (expressed in RUB per share)	**32.72**	8.85

19. DIVIDENDS PER SHARE

Dividends to Company shareholders

During the period ended 30 June 2017, the Group declared RUB 7,006,644 thousand and paid RUB 7,006,644 thousand (six months ended 30 June 2016: declared RUB 2,218,175 thousand and paid RUB 2,218,175 thousand) of dividends in favour of shareholders of the Company.

Dividends to non-controlling interests

During the period ended 30 June 2017, the Group declared RUB 1,600,000 thousand and paid RUB 1,600,000 thousand (six months ended 30 June 2016: declared RUB 2,010,784 thousand and paid RUB 2,025,532 thousand) of dividends in favour of non-controlling interests.

20. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital	Share premium	Total
		RUB'000	RUB'000	RUB'000
At 31 December 2016 / 1 January 2017/ 30 June 2017	**178,740,916**	**516,957**	**27,929,478**	**28,446,435**

21. CONTINGENCIES AND COMMITMENTS

Operating environment

The Group and its subsidiaries operate in the Russian Federation, Estonia and Ukraine.

Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Following high volatility in natural resources prices, the Rouble exchange rate and interest rates in 2016 and 2017 to date have been relatively stable. The Russian economy continued to be negatively impacted by ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals. However, 2016 and 2017 to date have seen lower interest rates and lower inflation. This operating environment can have a significant impact on the Group's operations and financial position. Management is taking all necessary measures to ensure the sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to accurately predict and management's current expectations and estimates could differ from actual results.

Tax contingencies. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management believes that its pricing policy used in the six-month period to 30 June 2017, in 2016 and preceding years is arm's length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Estonia

Estonia represents a well-developed market economy with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine

The ongoing political and economic instability in Ukraine has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies has continued in 2016, though to lesser extent as compared to 2014–2015.

The inflation rate in Ukraine during 2017 reduced to 12% (as compared to 43% in 2015), while GDP returned to growth of 1% (after 10% decline in 2015).

Devaluation during the six-month period to 30 June 2017 has been moderate. As at 30 June 2017 the official exchange rate of Hryvnia against US dollar was UAH 26.09 per USD 1, compared to UAH 27.19 per USD 1 as at 31 December 2016. In 2016 the National Bank of Ukraine ("NBU") has made certain steps to ease the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency for mandatory sale was decreased from 75% to 65% starting from 9 June 2016 and the settlement period for export-import transactions in foreign currency was increased from 90 to 120 days starting from 28 July 2016. Also starting from 13 June 2016, NBU allowed Ukrainian companies to pay dividends to non-residents with a limit of USD 5 million per month.

IMF continued to support Ukrainian government under four-year Extended Fund Facility ("EFF") Program approved in March 2015 by providing third tranche of approximately USD 1 billion in September 2016 and a fourth tranche of approximately USD 1 billion in April 2017. Further disbursements of IMF tranches depend on the implementation of Ukrainian government reforms, and other economic, legal and political factors.

The banking system remains fragile due to its: weak level of capital; its weakening asset quality caused by the economic situation; currency depreciation; and other factors. NBU has also agreed with the owners of top 40 commercial banks the three-year plans for their recapitalisation, first stage of which has been completed in 2016.

Despite certain improvements in 2016 and the six-month period to 30 June 2017, the final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Group's business.

Legal proceedings

Georgian Railways case

As at 30 June 2017 the Group has outstanding receivables amounting to EUR 2,481 thousand (RUB 167,466) thousand from Georgian Railway relating to invoices issued prior to 1 April 2015. The Georgian Railways dispute the tariffs applied in computing the outstanding balance and thus have not proceeded with the repayment of the amount which remains outstanding. The Group has initiated a claim to the Georgian Court demanding the repayment of the entire amount as well as additional penalties and interest.

Whereas the Group has not recognised any penalties or interest income on this receivable balance, management considers that the Group will receive the amount outstanding. Nevertheless, management recognised a provision of EUR 617 thousand in order to account for the expected time until receipt of the amount due.

In February 2016, the first court hearing took place during which the facts of the claim were presented. No decisions were taken.

The Group issued additional invoices of EUR 1,555 thousand (approximately RUB 97,490 thousand) to Georgian Railways in the intervening period during 2015 that the rail cars remained in Georgia. The revenue arising from these invoices has not been recognised as it is not probable that future economic benefits will flow to the Group. Furthermore, Georgian Railways have initiated a claim of approximately GEL 16,122 thousand (approximately RUB 520,000 thousand) claiming compensation for storage costs incurred during the period the wagons remain in Georgia plus interest. Management considers that there is no legal basis for the issuance of these invoices from Georgian Railways. Management cannot estimate with sufficient certainty what the outcome of the above cases will be since the court case is still in its early stages.

There are no other legal proceedings or other claims outstanding, as of 30 June 2017 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 this condensed consolidated interim financial information.

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including claims for early repayment. The Group is in compliance with covenants as of 30 June 2017 and 31 December 2016.

Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
Property, plant and equipment	**272,046**	120,671

(b) Operating lease commitments – Group as lessee

The Group leases offices under non-cancellable operating lease agreements.

The Group also leases various types of rolling stock under cancellable and non-cancellable operating lease agreements. The lease expenditure charged to the income statement during the periods is disclosed in Note 10.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
Not later than 1 year	373,896	268,231
Later than 1 year and not later than 5 years	127,292	139,625
	501,188	407,856

(c) Operating lease commitments – Group as lessor

The Group leases out rolling stock and locomotives under cancellable and non-cancellable operating lease agreements. The future aggregate minimum lease payments receivable under non-cancellable operating leases in which the Group is acting as the lessor are as follows:

	As at	
	30-Jun-2017	31-Dec-2016
	RUB'000	RUB'000
Not later than 1 year	188,764	172,454
	188,764	172,454

22. RELATED PARTY TRANSACTIONS

Marigold Investments, Onyx Investments and Maple Valley Investments, are the Company's shareholders with a direct shareholding as at 31 December 2016 and as at 30 June 2017 of 11.5% each.

Litten Investments Limited, controlled by member of key management of the Group, has a shareholding in the Company of 6.3% as at 31 December 2016 and as at 30 June 2017.

59% of the shares of the Company represent the free market-float and are held by external investors through the Global Depositary Receipts and ordinary shares held by investors not affiliated or associated with the Company. The remaining 0.2% of the shares of the Company are controlled by Directors and management of the Group.

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

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Six months ended	
	30-Jun-2017	30-Jun-2016
	RUB'000	RUB'000
Sales of services:		
Other related parties		
Associate	**271,520**	-
	271,520	-

(b) Purchases of goods and services

	Six months ended	
	30-Jun-2017	30-Jun-2016
	RUB'000	RUB'000
Purchases of services:		
Other related parties		
Associate	**68,080**	-
	68,080	-

(c) Key management compensation

	Six months ended	
	30-Jun-2017	30-Jun-2016
	RUB'000	RUB'000
Key management salaries and other short term employee benefits[(1)]	**424,149**	242,259
Share based compensation (Note 7)	**39,605**	26,343
	463,754	268,602

(1) Includes directors' remuneration paid to the directors of the Company both by the Company and subsidiaries of the Group in respect of services provided to such subsidiaries amounting to RUB 47,644 thousand for the six months ended 30 June 2017 (six months ended 30 June 2016: RUB 34,429 thousand).

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

	As at 30-Jun-2017 RUB'000	As at 31-Dec-2016 RUB'000
Trade receivables from related parties:		
Associate	**82,683**	1,449
	82,683	1,449

	As at 30-Jun-2017 RUB'000	As at 31-Dec-2016 RUB'000
Trade payables to related parties:		
Associate	**12,067**	-
	12,067	-
Accrued key management remuneration:		
Accrued salaries and other short term employee benefits	**84,403**	239,499
Share based payment liability (Note 15)	**161,317**	145,745
	245,720	385,244

(e) Operating lease commitments – Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases with Associate are as follows:

	As at **30-Jun-2017 RUB'000**	31-Dec-2016 RUB'000
Not later than 1 year	**31,471**	31,126
	31,471	31,126

(f) Operating lease commitments – Group as lessor

The future aggregate minimum lease payments receivable under non-cancellable operating leases with Associate are as follows:

	As at **30-Jun-2017 RUB'000**	31-Dec-2016 RUB'000
Not later than 1 year	**89,444**	99,196
	89,444	99,196

23. SUBSEQUENT EVENTS

On 25 August 2017, the Board of Directors of the Company approved payment of total dividend in the amount of 44.8 Russian Roubles per ordinary share, amounting to a total dividend of RUB 8,007,593 thousand, including interim dividend in the amount of RUB 3,603,417 thousand or RUB 20.16 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,404,176 thousand or RUB 24.64 per ordinary share/GDR.

Such dividends to be paid in US Dollars at the rate as at 25 August 2017 and will be paid out of retained earnings of the Company earned prior to 31 December 2016.

There were no other material events after the balance sheet date, which have a bearing on the understanding of condensed consolidated interim financial information.

24. SEASONALITY

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

Report on review of condensed consolidated interim financial information
To Globaltrans Investment Plc

Introduction

We have reviewed the accompanying consolidated interim balance sheet of Globaltrans Investment Plc and its subsidiaries (the 'Group') as of 30 June 2017 and the related consolidated interim statements of income, comprehensive income, changes in equity and cash flow for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

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'. A review of interim financial information consists of making inquiries, 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

28 August 2017
Limassol
Cyprus

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