Globaltrans Investment PLC

Condensed consolidated interim financial information (unaudited)

for the six months ended 30 June 2018

Contents

Condensed consolidated interim financial information (unaudited) for the six months ended 30 June 2018

Consolidated interim income statement

for the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 RUB'000 Unaudited	2017 RUB'000 Unaudited
Revenue	10	**43,433,427**	38,207,574
Cost of sales	11	**(27,747,255)**	(27,398,970)
Gross profit		**15,686,172**	10,808,604
Selling and marketing costs	11	**(110,368)**	(86,122)
Administrative expenses	11	**(2,044,488)**	(1,798,359)
Reversal of impairment of intangible assets	9	**-**	630,223
Other gains – net		**23,888**	17,127
Operating profit		**13,555,204**	9,571,473
Finance income	13	**200,338**	233,350
Finance costs	13	**(782,684)**	(953,561)
Net foreign exchange transaction losses on financing activities	13	**(25,128)**	(141,995)
Finance costs – net		**(607,474)**	(862,206)
Profit before income tax		**12,947,730**	8,709,267
Income tax expense	19	**(3,117,033)**	(2,015,484)
Profit for the period		**9,830,697**	6,693,783
Profit attributable to:			
Owners of the Company		**8,811,897**	5,848,446
Non-controlling interests		**1,018,800**	845,337
		9,830,697	6,693,783
Weighted average number of ordinary shares in issue (thousand)	20	**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]	20	**49.30**	32.72

[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 29 are an integral part of this condensed consolidated interim financial information.

Consolidated interim statement of comprehensive income

for the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RUB'000	RUB'000
	Unaudited	Unaudited
Profit for the period	**9,830,697**	6,693,783
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**551,061**	415,460
Items that may not be reclassified subsequently to profit or loss		
Currency translation differences attributable to non-controlling interest	**244,184**	217,694
Other comprehensive income for the period, net of tax	**795,245**	633,154
Total comprehensive income for the period	**10,625,942**	7,326,937
Total comprehensive income for the period attributable to:		
- owners of the Company	**9,362,958**	6,263,906
- non-controlling interests	**1,262,984**	1,063,031
	10,625,942	7,326,937

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 29 are an integral part of this condensed consolidated interim financial information.

Consolidated interim balance sheet

at 30 June 2018

	Note	30-Jun-2018 RUB'000 Unaudited	31-Dec-2017 RUB'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	14	**68,182,214**	64,770,907
Intangible assets	9	**1,105,448**	1,453,801
Other assets	16	**858,947**	436,855
Trade receivables	15(a)	**221,519**	183,516
Loans and other receivables	15(b)	**14,776**	16,857
Total non-current assets		**70,382,904**	66,861,936
Current assets			
Inventories		**742,399**	776,341
Other assets	16	**2,303,401**	2,569,514
Loans and other receivables	15(b)	**47,150**	49,367
Trade receivables	15(a)	**2,082,637**	2,179,954
Current income tax assets		**58,554**	18,273
Cash and cash equivalents		**6,196,861**	4,966,171
Total current assets		**11,431,002**	10,559,620
TOTAL ASSETS		**81,813,906**	77,421,556
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	22	**516,957**	516,957
Share premium	22	**27,929,478**	27,929,478
Common control transaction reserve		**(10,429,876)**	(10,429,876)
Translation reserve		**3,586,187**	3,035,126
Capital contribution		**2,694,851**	2,694,851
Retained earnings		**21,941,562**	21,146,195
Total equity attributable to the owners of the Company		**46,239,159**	44,892,731
Non-controlling interests		**6,067,305**	5,724,899
TOTAL EQUITY		**52,306,464**	50,617,630
Non-current liabilities			
Borrowings	18	**14,058,775**	9,050,768
Trade and other payables	17	**55,221**	-
Deferred tax liabilities		**5,858,567**	5,908,319
Total non-current liabilities		**19,972,563**	14,959,087
Current liabilities			
Borrowings	18	**5,554,905**	7,280,588
Trade and other payables	17	**1,733,305**	4,413,656
Contract liabilities	10	**2,241,700**	-
Current tax liabilities		**4,969**	150,595
Total current liabilities		**9,534,879**	11,844,839
TOTAL LIABILITIES		**29,507,442**	26,803,926
TOTAL EQUITY AND LIABILITIES		**81,813,906**	77,421,556

By order of the Board

Sergey Tolmachev, Director
Limassol, 27 August 2018

Konstantin Shirokov, Director

The notes on pages 7 to 29 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 2018

		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	21	-	-	-	-	-	(7,006,644)	(7,006,644)	-	(7,006,644)
Dividends to non-controlling interests	21	-	-	-	-	-	-	-	(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 29 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 2018

	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
		Attributable to the owners of the Company								
Balance at 31 December 2017		516,957	27,929,478	(10,429,876)	3,035,126	2,694,851	21,146,195	44,892,731	5,724,899	50,617,630
Comprehensive income										
Profit for the period		-	-	-	-	-	8,811,897	8,811,897	1,018,800	9,830,697
Other comprehensive income										
Currency translation differences		-	-	-	551,061	-	-	551,061	244,184	795,245
Total comprehensive income for the period ended 30 June 2018		-	-	-	551,061	-	8,811,897	9,362,958	1,262,984	10,625,942
Transactions with owners										
Dividends to owners of the Company	21	-	-	-	-	-	(8,016,530)	(8,016,530)	-	(8,016,530)
Dividends to non-controlling interests	21	-	-	-	-	-	-	-	(920,578)	(920,578)
Total transactions with owners		-	-	-	-	-	(8,016,530)	(8,016,530)	(920,578)	(8,937,108)
Balance at 30 June 2018 (unaudited)		**516,957**	**27,929,478**	**(10,429,876)**	**3,586,187**	**2,694,851**	**21,941,562**	**46,239,159**	**6,067,305**	**52,306,464**

The notes on pages 7 to 29 are an integral part of this condensed consolidated interim financial information.

Consolidated interim cash flow statement

for the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 RUB'000 Unaudited	2017 RUB'000 Unaudited
Cash flows from operating activities			
Profit before tax		**12,947,730**	8,709,267
Adjustments for:			
Depreciation of property, plant and equipment	11	**2,437,947**	2,467,250
Amortisation of intangible assets	11	**348,353**	369,633
Net loss on sale of property, plant and equipment	11	**4,070**	24,980
Loss on derecognition arising on capital repairs	11	**194,692**	286,852
Reversal of impairment charge on intangible assets	9	**-**	(630,223)
Interest income	13	**(200,338)**	(233,350)
Interest expense and other finance costs	13	**782,684**	953,561
Foreign exchange losses on financing activities	13	**25,128**	141,995
Other gains		**(183)**	-
		16,540,083	12,089,965
Changes in working capital:			
Inventories		**187,490**	19,514
Trade receivables		**83,492**	291,175
Other assets		**292,654**	964,389
Other receivables		**(31.990)**	(70,463)
Trade and other payables		**(639,810)**	(321,377)
Contract liabilities		**(1,467)**	-
Cash generated from operations		**16,430,452**	12,973,203
Tax paid		**(3,340,295)**	(1,888,846)
Net cash from operating activities		**13,090,157**	11,084,357
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,992,119)**	(2,081,390)
Proceeds from disposal of property, plant and equipment		**38,302**	243,320
Loan repayments received from third parties		**2,926**	5,888
Interest received		**199,827**	232,337
Receipts from finance lease receivable		**15,153**	9,587
Net cash used in investing activities		**(2,735,911)**	(1,590,258)
Cash flows from financing activities			
Proceeds from bank borrowings		**5,010,500**	9,750,000
Proceeds from issue of non-convertible unsecured bonds		**5,000,000**	-
Repayments of borrowings		**(8,734,912)**	(5,554,614)
Finance lease principal payments		**(844,280)**	-
Interest paid		**(694,120)**	(951,280)
Dividends paid to non-controlling interests in subsidiaries	21	**(920,578)**	(1,600,000)
Dividends paid to owners of the Company	21	**(8,016,530)**	(7,006,644)
Net cash used in financing activities		**(9,199,920)**	(5,362,538)
Net increase in cash and cash equivalents		**1,154,326**	4,131,561
Effect of exchange rate changes on cash and cash equivalents		**76,364**	(132,391)
Cash and cash equivalents at beginning of period		**4,966,171**	4,773,414
Cash and cash equivalents at end of period		**6,196,861**	8,772,584

Principal non-cash investing transactions
The principal non-cash investing transactions consist of finance leases with the Group acting as the lessor (Note 16) and finance leases with the Group acting as a lessee (Note 18).

The notes on pages 7 to 29 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") are 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 24 August 2018, who authorized the Directors to sign on 27 August 2018.

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union. This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, the condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, 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 2017, as described in those annual consolidated financial statements, with the exception of the estimation of taxes and the adoption of new and amended standards, as set out below:

(a) Taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the 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 adjustments are 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 and amended standards adopted by the Group

A number of new or amended standards, as disclosed in the Company's consolidated financial statements for the year ended 31 December 2017, became effective for the Group from 1 January 2018. None of these has affected this consolidated condensed interim financial information with the exception of the following standards the adoption of which resulted in changes in the Group's accounting policies:

- IFRS 9 "Financial Instruments", and
- IFRS 15 "Revenue from contracts with customers".

The impact of adoption of these standards and the Group's new accounting policies are disclosed below.

(i) IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and those to be measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For assets measured at fair value, gains and losses are either recorded in profit or loss or in other comprehensive income.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debt based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedge ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Group's new accounting policies following adoption of IFRS 9 at 1 January 2018 are set out below.

Accounting policies applicable from 1 January 2018

Recognition and derecognition. Regular way purchases and sales of financial assets are recognised on trade-date; being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification. The Group classifies its financial assets at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets. Management determines the classification of financial assets at initial recognition.

Financial assets at amortised cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's financial assets at amortised cost comprise of trade receivables, loans and other receivables and cash and cash equivalents on the consolidated interim balance sheet.

Measurement. At initial recognition, the Group measures financial assets classified at amortised cost at their fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently, these are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising upon their derecognition is recognised directly in the consolidated interim income statement.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated interim income statement within ‘selling and marketing expenses’. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments. Subsequent recoveries of amounts previously written off are credited against ‘selling, marketing and administrative expenses’ in the consolidated interim income statement.

Classification as trade receivables. Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in a normal operating cycle of the business, if longer than one year) they are classified as current assets, if not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds its trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

***Classification as loans and other receivables*. These amounts generally arise from transactions outside the usual operating activities of the Group. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Loans and other receivables are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Classification as cash and cash equivalents. In the consolidated interim cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks or with original maturity of three months or less, less bank overdrafts, if any. Cash and cash equivalents are carried at amortised cost using the effective interest method, less provision for impairment. Bank overdrafts are shown within borrowings in the current liabilities on the consolidated interim balance sheet.

Leases where the Group is the lessor

Impairment: The Group assesses lease receivables for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires lifetime expected losses to be recognised from initial recognition of the lease receivable.

Impact of adoption

In accordance with the transition provisions in IFRS 9, the Group has elected the simplified transition method for adopting the new standard. Accordingly, the effect of transition to IFRS 9 was recognised as at 1 January 2018. In accordance with the transition method elected by the Group for implementation of IFRS 9 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 39.

On 1 January 2018, the Group’s management assessed which business models apply to the financial assets held by the Group that were classified as loans and receivables under IAS 39. Management concluded to classify all the financial assets held by the Group at the amortised cost measurement category under IFRS 9 as these are held with the objective to collect the contractual cash flows and their cash flows represent solely payments of principal and interest. As a result, the measurement basis for the Group’s financial assets remained unchanged by the adoption of IFRS 9. The adoption of IFRS 9 did not have an impact on the classification and measurement basis of the Group’s financial liabilities.

As a result of the adoption of IFRS 9 the Group revised its impairment methodology for each class of assets subject to the new impairment requirements. The Group has four types of assets that are subject to IFRS 9’s new expected credit loss model: trade receivables, loans and other receivables, finance lease receivables and cash and cash equivalents. Based on the assessment performed by management, the incremental impairment loss as of 1 January 2018 was immaterial. Accordingly, the impact of adoption of IFRS 9 on the Group’s retained earnings as of 1 January 2018 was immaterial.

The adoption the new standard resulted in changes in the presentation of amounts in the consolidated interim balance sheet, as discussed below. Further, the adoption of IFRS 9 will result in enhanced disclosures in the Company’s annual consolidated financial statements for the year ending 31 December 2018.

(ii) IFRS 15 “Revenue from contracts with customers”

IFRS 15 “Revenue from contracts with customers” and related amendments superseded IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations. The new standard replaces the separate models for recognition of revenue for the sale of goods, services and construction contracts under previous IFRS and establishes uniform requirements regarding the nature, amount and timing of revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised in such a way to depict the transfer of goods or services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those goods or services to the customer; the transaction price.

The new standard provides a principle-based five-step model that must be applied to all categories of contracts with customers. Any bundled goods or services must be assessed as to whether they contain one or more performance obligations (that is, distinct promises to provide a good or service). Individual performance obligations must be recognised and accounted for separately and any discounts or rebates in the contract price must generally be allocated to each of them. IFRS 15 provides further guidance on the measurement of revenue arising from contracts that have variable consideration due to discounts, rebates, consignment inventories etc. In accordance with the new standard, when the consideration varies, the revenue to be recognised shall be the maximum amount for which there is no significant risk of reversal. Further, costs incurred to secure contracts with customers and certain costs incurred to fulfil such contracts have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The amendments to IFRS 15 clarify how to identify a performance obligation in a contract, how to determine whether a company is a principal (that is, the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided) and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Group's new accounting policies following adoption of IFRS 15 at 1 January 2018 are set out below.

Accounting policies applicable from 1 January 2018

Recognition and measurement: Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Group includes in the transaction price an amount of variable consideration only to the extent that it is highly probable that a significant reversal of that amount will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers, as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

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

The Group organises transportation services for clients using its own, leased or engaged rolling stock.

There are three types of operator's services contracts:

- The Group has a contractual relationship with the client and sets the terms of the transactions, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is borne by the Group. Total proceeds from clients are included in the Group's revenue.

- The Group has a contractual relationship with the client and sets the terms of the transaction, excluding the OAO "Russian Railways" tariff, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is paid by the Group and recharged to the customer as a reimbursement. Under these arrangements the Group recognises revenue net of OAO "Russian Railways" tariff.

- The Group has a contractual relationship with the customer and sets the terms of the transaction, excluding the OAO "Russian Railways" tariff, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The tariff is paid directly by the customer to OAO "Russian Railways". Under these arrangements the Group recognises revenue net of OAO "Russian railways" tariff.

Revenue for all of the above types of contracts is recognised over time in accordance with the stage of completion of the transaction, determined based on the actual trip days lapsed against the total estimated number of trip days for the entire trip, since the customer receives and uses the benefits from the services simultaneously.

Identification of performance obligations: The Group assesses whether contracts that involve the provision of a range of services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A service that is promised to a customer is distinct if the customer can benefit from the service, either on its own or together with other resources that are readily available to the customer (that is, the service is capable of being distinct) and the Group's promise to transfer the service to the customer is separately identifiable from other promises in the contract (that is, the promise to transfer the service is distinct within the context of the contract).

In assessing whether two or more promises to transfer services to a customer are separate performance obligations, the Group considers, amongst others, whether it provides a significant service of integrating the services with other services promised in the contract into a bundle of services that represent the combined output or outputs for which the customer has contracted (that is, the Group is using the services as inputs to produce or deliver the combined output or outputs specified by the customer), whether one or more of the services significantly modifies or customises, or is significantly modified or customised by, one or more of the other services promised in the contract or whether the services are highly interdependent or highly interrelated. The Group considers that all of the above operator's services contracts contain a single performance obligation.

Financing component: In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing. In these circumstances, the contract contains a significant financing element.

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the effect of the financing component for the time value of money.

Contract assets and contract liabilities: In case the services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the services rendered a contract asset is recognised. The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires lifetime expected losses to be recognised from initial recognition of the contract asset. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9. If the payments made by a customer exceed the services rendered under the relevant contract, a contract liability is recognised. The Group recognises any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required before the payment is due.

Costs to obtain a contract: To the extent that these are recoverable, incremental costs incurred by the Group to acquire a contract are capitalised and amortised on a straight-line basis over the term of the specific contract – consistent with the pattern of the transfer of the services to which they relate to – and assessed for impairment. The Group does not have any contracts where the period of provision of the services (that is, the period between the start and completion of a trip) exceeds one year and, accordingly, such costs are expensed as incurred.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the consolidated interim income statement in the period in which the circumstances that give rise to the revision become known by management.

Impact of adoption

In accordance with the transition provisions of IFRS 15, the Group has elected the simplified transition method for adopting the new standard. Accordingly, the effect of transition to IFRS 15 was recognised as at 1 January 2018. In accordance with the transition method elected by the Group for implementation of IFRS 15 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 18 and related interpretations.

Based on detailed analysis of the Group's revenue streams and individual contracts' terms and on the basis of the facts and circumstances relating to the Group's revenue transactions, the management of the Group concluded that the adoption of the new standard on 1 January 2018 did not have an impact on the nature, amount or timing of revenue recognised by the Group. Accordingly, the adoption of IFRS 15 did not have an impact on the Group's retained earnings as of 1 January 2018.

The assessment of the impact of adoption of IFRS 15 on the Group's accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on management's conclusion are disclosed in Note 4.

The adoption the new standard resulted in changes in the presentation of amounts in the consolidated interim balance sheet, as per below. Further, the adoption of IFRS 15 introduced new disclosures in the Company's condensed consolidated interim financial information (refer to Note 10) and will result in enhanced disclosures in the Company's annual consolidated financial statements for the year ending 31 December 2018.

Changes in presentation following adoption of IFRS 9 and IFRS 15

The Group has voluntarily changed the presentation of certain amounts in the consolidated interim balance sheet to reflect the terminology of IFRS 15 and IFRS 9:

- Contract liabilities, which consist of advances from customers for railway transportation services, and were previously included in trade and other payables are now presented separately on the face of the consolidated interim balance sheet (RUB 2,229,306 thousand as at 1 January 2018);
- Loans receivable and other receivables, which were previously presented together with trade receivables are now presented as 'loans and other receivables' on the face of the consolidated interim balance sheet, to reflect their different nature (RUB 66,224 thousand as at 1 January 2018, net of impairment allowance); and

- Finance lease receivable, prepayments and other non-financial assets, which were previously presented together with trade receivables and loans and other receivables, are now presented as 'other assets' on the face of the consolidated interim balance sheet, to reflect their different nature (RUB 3,006,369 thousand as at 1 January 2018, net of impairment allowance).

Comparative figures have been adjusted to conform with the changes in the presentation for the current period.

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

Since the Company published its last annual financial statements, the following amendments to an existing standard have been issued that are mandatory for the Group's annual accounting periods beginning after 1 January 2019 and which are still subject to endorsement by the European Union and are not available for early adoption by the Group:

- **Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).** The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance (in particular the definition of a liability); and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known.

4. ESTIMATES AND JUDGEMENTS

The preparation of interim financial information 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 this condensed consolidated interim financial information, 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 2017, except as detailed below.

(a) Revenue recognition, including impact of adoption of IFRS 15 "Revenue from contracts with customers"

IFRS 15 "Revenue from contracts with customers" and its subsequent amendment were effective for the Group from 1 January 2018. The assessment of the impact of adoption of IFRS 15 on the Group's accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on management's conclusion are the following:

- Identification of performance obligations

Operator's services contracts involve the provision by the Group of a wide range of services. Management believes that, although some of these services can be obtained by the clients from the market separately and different combinations of services can be provided to different customers, in the context of each individual contract with a customer, the services provided by the Group are highly dependent and interrelated with each other and, therefore, are not distinct. In making this assessment, management noted that, despite the fact that the Group's contracts contain a promise to deliver multiple services, the nature of the promise within the context of the contracts and the economic substance of the transaction is that the customers are purchasing integrated operator's services to which the individual services promised are inputs rather than separate services and consequently this is considered to constitute a single performance obligation.

- Assessment as to whether the Group is acting as an agent or principal for certain operator's services contracts

Operator's services are rendered using own or leased rolling stock. In those cases when the Group's customers do not interact with OAO "Russian Railways", a full service is charged by the Group to its customers and the OAO "Russian Railways" tariff is borne by the Group without further recharge to its customers. There are certain characteristics indicating that the Group is acting as an agent in these arrangements, particularly the fact that OAO "Russian Railways" tariffs are available to the public and therefore are known to the customer. However, the services are rendered with the use of own or leased rolling stock and the Group bears the OAO "Russian Railways" tariff to bring the rolling stock back or to the next destination. The Group is independent in its pricing policy and considers its potential loss for empty run tariff.

Management historically took the position that the Group acts as a principal in these arrangements and the Group accounted for full receipts from customers as sales revenue and the OAO "Russian Railways" tariff was also included in cost of sales. Management re-assessed the accounting treatment followed historically by the Group by reference to the requirements of the new standard and concluded that this is still appropriate. Management believes that the Group is acting as a principal in these arrangements as it is the party that controls the services prior these are transferred to the customers and, through separate arrangements with OAO "Russian Railways", obtains the right to direct them to provide services on its behalf.

Had OAO "Russian Railways" tariff directly attributable to such services been excluded from revenues and cost of sales for the six months ended 30 June 2018 both would have decreased by RUB 11,332,757 thousand (for six months ended 30 June 2017: RUB 11,193,366 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 consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; it should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2017. 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 2018, Group current assets exceeded its current liabilities by RUB 1,896,123 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-2018 RUB'000	As at 31-Dec-2017 RUB'000	As at 30-Jun-2018 RUB'000	As at 31-Dec-2017 RUB'000
Bank borrowings	**12,565,640**	16,331,356	**12,582,638**	16,646,324
Non-convertible unsecured bonds	**5,112,855**	-	**4,997,000**	-
Finance lease liabilities	**1,935,185**	-	**1,951,381**	-
	19,613,680	16,331,356	**19,531,019**	16,646,324

The fair value as at 30 June 2018 and 31 December 2017 of fixed interest rate bank borrowings 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 8% p.a. (31 December 2017: 8% p.a.). The fair value measurement of the bank borrowings is within level 2 (31 December 2017: level 2) of the fair value hierarchy. The fair value as at 30 June 2018 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

The fair value of the following financial assets and liabilities as at 31 December 2017 approximates their carrying amount:

- Trade receivables
- Loans and other receivables
- Finance lease receivables
- Trade and other payables
- Cash and cash equivalents

The fair value of the following financial assets and liabilities as at 30 June 2018 approximates their carrying amount:

- Trade receivables
- Loans and other receivables
- Finance lease 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 charges for rolling stock and customer relationships, respectively, impairment charges/reversal of impairment in respect of rolling stock and customer relationships and loss on derecognition arising on capital repairs. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

The Board also reviews additions to segment assets. 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 2018				
Total revenue – operator's services	28,286,966	13,118,540	598,890	42,004,396
Total revenue – operating lease	88,159	574,346	19,831	682,336
Inter-segment revenue	-	-	-	-
Revenue (from external customers) – recognised over time	28,375,125	13,692,886	618,721	42,686,732
less Services provided by other transportation organisations	(1,748,030)	(226,076)	(18,401)	(1,992,507)
less Infrastructure and locomotive tariffs: loaded trips	(7,881,792)	(3,172,400)	(278,565)	(11,332,757)
Adjusted revenue for reportable segments	**18,745,303**	**10,294,410**	**321,755**	**29,361,468**

	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**

Adjusted revenue increased by RUB 4,454,578 thousand during the six month period ended as 30 June 2018 as compared to the corresponding period in 2017 reflecting the continued strong market environment.

	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 2018	3,988,687	443,130	696,833	5,128,650
Six months ended 30 June 2017	1,305,398	386,444	6,857	1,698,699
Depreciation and amortisation				
Six months ended 30 June 2018	(2,132,156)	(528,697)	(34,374)	(2,695,227)
Six months ended 30 June 2017	(2,202,279)	(500,920)	(56,022)	(2,759,221)
Loss on derecognition arising on capital repairs				
Six months ended 30 June 2018	(116,191)	(78,501)	-	(194,692)
Six months ended 30 June 2017	(81,264)	(205,588)	-	(286,852)
Reversal of Impairment charge for intangible assets				
Six months ended 30 June 2017	630,223	-	-	630,223
Reportable segment assets				
30 June 2018	45,828,629(1)	19,848,808	1,133,297	66,810,734
31 December 2017	44,100,083(2)	19,445,539	533,320	64,078,942

(1)Includes RUB 1,100,150 thousand of intangible assets representing customer relationships
(2)Includes RUB 1,447,559 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-2018	Six months ended 30-Jun-2017
	RUB'000	RUB'000
Adjusted revenue for reportable segments	29,361,468	24,906,890
Other revenues	746,695	489,900
Total adjusted revenue	30,108,163	25,396,790
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)	(11,465,140)	(11,489,905)
Selling, marketing and administrative expenses (excl. depreciation and impairments)	(2,110,351)	(1,858,841)
Depreciation and amortisation	(2,786,300)	(2,836,883)
Impairment charge for receivables	(20,364)	(186)
Loss on derecognition arising on capital repairs	(194,692)	(286,852)
Reversal of impairment of intangible assets	-	630,223
Other gains – net	23,888	17,127
Operating profit	13,555,204	9,571,473
Finance income	200,338	233,350
Finance costs	(782,684)	(953,561)
Net foreign exchange transaction losses on financing activities	(25,128)	(141,995)
Share of loss of associates	-	-
Profit before income tax	12,947,730	8,709,267

7. NON-GAAP FINANCIAL INFORMATION

In addition to financial information under IFRS, as adopted by the EU ("EU IFRS"), the Group also uses certain measures not recognised by EU IFRS (referred to as "non-GAAP measures") as supplemental measures of the Group's operating and financial performance. The management believes that these non-GAAP measures provide valuable information to readers, because they enable them to focus more directly on the underlying day-to-day performance of the Group's business.

Adjusted Revenue

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

The following table provides details of Adjusted revenue for the six months ended 30 June 2018 and 30 June 2017 and its reconciliation to Total revenue.

	Six months ended 30-Jun-2018 RUB'000	Six months ended 30-Jun-2017 RUB'000
Total revenue	43,433,427	38,207,574
Minus "pass through" items:		
Infrastructure and locomotive tariffs: loaded trips	(11,332,757)	(11,193,366)
Services provided by other transportation organisations	(1,992,507)	(1,617,418)
Adjusted Revenue	**30,108,163**	**25,396,790**

Total Operating Cash Costs and Non-cash Costs

In order to show the dynamics and nature of the Group's cost base, individual items of Total cost of sales, selling and marketing costs and administrative expenses have been regrouped into Operating cash costs and Operating non-cash costs.

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

Total Operating Non-cash Costs include cost items such as "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Loss on derecognition arising on capital repairs", "Impairment charge of receivables", "Impairment of property, plant and equipment", and "Net loss on sale of property, plant and equipment".

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

	Six months ended 30-Jun-2018 RUB'000	Six months ended 30-Jun-2017 RUB'000
"Pass through" cost items	**(13,325,264)**	**(12,810,784)**
Infrastructure and locomotive tariffs: loaded trips	(11,332,757)	(11,193,366)
Services provided by other transportation organisations	(1,992,507)	(1,617,418)
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for "pass through" cost items)	**(16,576,847)**	**(16,472,667)**
Total Operating Cash Costs	**(13,571,421)**	**(13,323,766)**
Infrastructure and locomotive tariffs - empty runs and other tariffs	(6,869,546)	(6,712,440)
Repairs and maintenance	(1,870,526)	(1,949,467)
Employee benefit expense	(1,917,684)	(1,574,411)
Operating lease rentals - rolling stock	(458,901)	(792,388)
Fuel and spare parts – locomotives	(967,084)	(855,165)
Engagement of locomotive crews	(403,821)	(372,840)
Other Operating Cash Costs	(1,083,859)	(1,067,055)
Advertising and promotion	*(18,352)*	*(18,075)*
Auditors' remuneration	*(24,515)*	*(22,497)*
Communication costs	*(16,336)*	*(18,750)*
Information services	*(12,232)*	*(9,794)*
Legal, consulting and other professional fees	*(35,036)*	*(36,933)*
Rental of tank-containers	*(24,129)*	*(32,730)*
Operating lease rentals - office	*(94,475)*	*(89,945)*
Taxes (other than on income and value added taxes)	*(348,604)*	*(381,619)*
Other expenses	*(510,180)*	*(456,712)*

Total Operating Non-Cash Costs	**(3,005,426)**	**(3,148,901)**
Depreciation of property, plant and equipment	(2,437,947)	(2,467,250)
Amortisation of intangible assets	(348,353)	(369,633)
Loss on derecognition arising on capital repairs	(194,692)	(286,852)
Impairment charge for receivables	(20,364)	(186)
Net loss on sale of property, plant and equipment	(4,070)	(24,980)
Total cost of sales, selling and marketing costs and administrative expenses	**(29,902,111)**	**(29,283,451)**

Adjusted EBITDA

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

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

The following table provides details on Adjusted EBITDA for the six months ended 30 June 2018 and 30 June 2017 and its reconciliation to EBITDA and Profit for the period:

	Six months ended 30-Jun-2018 RUB‘000	Six months ended 30-Jun-2017 RUB‘000
Profit for the period	**9,830,697**	**6,693,783**
Plus (Minus)		
Income tax expense	3,117,033	2,015,484
Finance costs – net	607,474	862,206
Net foreign exchange transaction losses on financing activities	(25,128)	(141,995)
Amortisation of intangible assets	348,353	369,633
Depreciation of property, plant and equipment	2,437,947	2,467,250
EBITDA	**16,316,376**	**12,266,361**
Minus (Plus)		
Loss on derecognition arising on capital repairs	(194,692)	(286,852)
Net foreign exchange transaction losses on financing activities	(25,128)	(141,995)
Other gains – net	23,888	17,127
Net loss on sale of property, plant and equipment	(4,070)	(24,980)
Reversal of impairment of intangible assets	-	630,223
Adjusted EBITDA	**16,516,378**	**12,072,838**

Free Cash Flow

Free Cash Flow is calculated as “Cash generated from operations” (after “Changes in working capital”) less “Tax paid”, “Interest paid”, “Purchases of property, plant and equipment”, “Purchases of intangible assets”, “Acquisition of subsidiary undertakings - net of cash acquired” and “Finance lease principal payments”.

The **Attributable Free Cash Flow** means Free Cash Flow less Adjusted profit attributable to non-controlling interests.

Adjusted Profit Attributable to Non-controlling Interests is calculated as “Profit attributable to non-controlling interests” less share of “Impairment of property, plant and equipment” and “Impairment of intangible assets” attributable to non-controlling interests.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for the six months ended 30 June 2018 and 30 June 2017, and its reconciliation to Cash generated from operations.

	Six months ended 30-Jun-2018	Six months ended 30-Jun-2017
	RUB'000	RUB'000
Cash generated from operations	16,430,452	12,973,203
Tax paid	(3,340,295)	(1,888,846)
Interest paid	(694,120)	(951,280)
Purchases of property, plant and equipment	(2,992,119)	(2,081,390)
Finance lease principal payments	(844,280)	-
Free Cash Flow	**8,559,638**	**8,051,687**
Minus		
Adjusted profit attributable to non-controlling interests	1,018,800	845,337
Attributable Free Cash Flow	**7,540,838**	**7,206,350**

Net Debt and Net Debt to Adjusted LTM EBITDA

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

Total Debt is defined as total borrowings (including interest accrued).

Adjusted LTM EBITDA represents Adjusted EBITDA for the last twelve months ended at the balance sheet date.

The following table sets out the details on the Group's Net Debt and Net Debt to Adjusted EBITDA at 30 June 2018 and 30 June 2017 and reconciliation of Net Debt to Total Debt.

	30 June 2018	31 December 2017
	RUB'000	RUB'000
Total debt	19,613,680	16,331,356
Minus		
Cash and cash equivalents	6,196,861	4,966,171
Net Debt	**13,416,819**	**11,365,185**
Net Debt to Adjusted LTM EBITDA	**0.44x**	**0.44x**

8. SHARE BASED PAYMENTS

On 1 January 2015, the Group introduced a remuneration program for some of the members of its management, including key management of the Group, which included amongst other things, a three year compensation scheme in accordance to which, members of management received a yearly cash compensation based on the weighted average market quotations of the GDRs of the Company. This compensation was set for a three year period and was divided in three instalments to be paid after the end of each assessment period which equaled to one year. The award was 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 reached the end of its vesting period on 31 December 2017 and on 1 January 2018 the Group introduced a new three year compensation scheme under similar major terms and conditions as the initial.

Both schemes fall within the scope of IFRS2 "Share-based payment" and have therefore been classified as a cash-settled share based payment arrangements.

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 USD/RUB exchange rate for each period.

The Group has recognised an employee benefit expense of RUB 113,845 thousand in this respect for the six months ended 30 June 2018 (RUB 39,605 thousand for the six months ended 30 June 2017) and share based payment liability as at 30 June 2018 RUB 134,448 thousand (31 December 2017: RUB 226,560 thousand).

9. 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 impairment charge on customer relationships	630,223	-	630,223
Amortisation charge (Note 11)	(368,690)	(943)	(369,633)
Closing amount on 30 June 2017	1,794,968	7,186	1,802,154

Six months ended 30 June 2018	Customer relationships RUB'000	Software RUB'000	Total RUB'000
Opening amount on 1 January 2018	1,447,559	6,242	1,453,801
Amortisation charge (Note 11)	(347,409)	(944)	(348,353)
Closing amount on 30 June 2018	1,100,150	5,298	1,105,448

Impairment of customer relationships

Management has assessed whether there are any impairment indicators for the Group's customer relationship as of 30 June 2018. No impairment indicators have been identified as of 30 June 2018.

10. REVENUE

(a) Disaggregation of revenue

	Six months ended	
	30-Jun-2018	30-Jun-2017
	RUB'000	RUB'000
Railway transportation – operators services (tariff borne by the Group)	**24,297,000**	22,606,488
Railway transportation – operators services (tariff borne by the client)	**17,707,396**	14,514,044
Other	**746,695**	489,900
Total revenue from contracts with customers recognised over time	**42,751,091**	37,610,432
Operating leasing of rolling stock	**682,336**	597,142
Total revenue	**43,433,427**	38,207,574

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 2018 amounting to RUB 11,332,757 thousand (for the six months ended 30 June 2017: RUB 11,193,366 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 1,992,507 thousand (for the six months ended 30 June 2017: RUB 1,617,418 thousand).

(b) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers as at 30 June 2018:

	RUB'000
Contract liabilities relating to railway transportation contracts	2,241,700
Total contract liabilities	**2,241,700**

Contract liabilities represent advances from customers for transportation services.

(c) Revenue recognised in relation to contract liabilities

The Group's revenue for the six-month period to 30 June 2018 includes the entire contract liability balance of RUB 2,229,306 thousand as of 1 January 2018.

The Group does not have any contracts where the period of provision of the services (that is, the period between the start and completion of a trip) exceeds one year. As permitted under IFRS 15, the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations as of the balance sheet date is not disclosed.

11. EXPENSES BY NATURE

	Six months ended	
	30-Jun-2018	30-Jun-2017
	RUB'000	RUB'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	**11,332,757**	11,193,366
Infrastructure and locomotive tariffs: empty run trips and other tariffs	**6,869,546**	6,712,440
Services provided by other transportation organisations	**1,992,507**	1,617,418
Operating lease rentals – rolling stock	**458,901**	792,388
Rental of tank containers	**24,129**	32,730
Employee benefit expense	**666,661**	544,286
Repairs and maintenance	**1,870,526**	1,949,467
Depreciation of property, plant and equipment	**2,413,816**	2,441,805
Loss on derecognition arising on capital repairs	**194,692**	286,852
Amortisation of intangible assets	**348,343**	369,624
Fuel and spare parts – locomotives	**967,084**	855,165
Engagement of locomotive crews	**403,821**	372,840
Loss on sale of property, plant and equipment	**6,490**	25,876
Other expenses	**197,982**	204,713
Total cost of sales	**27,747,255**	27,398,970

	Six months ended	
	30-Jun-2018	30-Jun-2017
	RUB'000	RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	**24,131**	25,445
Amortisation of intangible assets	**10**	9
Gain on sale of property, plant and equipment	**(2,420)**	(896)
Employee benefit expense	**1,251,023**	1,030,125
Impairment charge for receivables	**20,364**	186
Operating lease rental – office	**94,475**	89,945
Auditors' remuneration	**24,515**	22,497
Legal, consulting and other professional fees	**35,036**	36,933
Advertising and promotion	**18,352**	18,075
Communication costs	**16,336**	18,750
Information services	**12,232**	9,794
Taxes (other than income tax and value added taxes)	**348,604**	381,619
Other expenses	**312.198**	251,999
Total selling, marketing and administrative expenses	**2,154,856**	1,884,481

	Six months ended	
	30-Jun-2018	30-Jun-2017
	RUB'000	RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 14)	**2,437,947**	2,467,250
Loss on derecognition arising on capital repairs (Note 14)	**194,692**	286,852
Amortisation of intangible assets (Note 9)	**348,353**	369,633
Net loss on sale of property, plant and equipment	**4,070**	24,980
Rental of tank containers	**24,129**	32,730
Employee benefit expense (Note 12)	**1,917,684**	1,574,411
Impairment charge for receivables	**20,364**	186
Operating lease rentals – rolling stock	**458,901**	792,388
Operating lease rentals – office	**94,475**	89,945
Repairs and maintenance	**1,870,526**	1,949,467
Fuel and spare parts – locomotives	**967,084**	855,165
Engagement of locomotive crews	**403,821**	372,840
Infrastructure and locomotive tariffs: loaded trips	**11,332,757**	11,193,366
Infrastructure and locomotive tariffs: empty run trips, other tariffs	**6,869,546**	6,712,440
Services provided by other transportation organisations	**1,992,507**	1,617,418
Auditors' remuneration	**24,515**	22,497
Legal, consulting and other professional fees	**35,036**	36,933
Advertising and promotion	**18,352**	18,075
Communication costs	**16,336**	18,750
Information services	**12,232**	9,794
Taxes (other than income tax and value added taxes)	**348,604**	381,619
Other expenses	**510,180**	456,712
Total cost of sales, selling and marketing costs and administrative	**29,902,111**	29,283,451

12. EMPLOYEE BENEFIT EXPENSE

	Six months ended	
	30-Jun-2018	30-Jun-2017
	RUB'000	RUB'000
Wages and salaries	**1,005,229**	900,860
Bonus	**474,475**	350,176
Share based payment expense (Note 8)	**113,845**	39,605
Social insurance costs	**324,135**	283,770
Total employee benefit expense	**1,917,684**	1,574,411

Employee benefit expense increased by RUB 343,273 thousand during the six month period ended 30 June 2018 as compared to the corresponding period in 2017. The increase was the result of inflation driven rise in wages and salaries as well as higher bonus payments (including share based payment expenses) and associated increase in social insurance costs.

13. FINANCE INCOME AND COSTS

	Six months ended	
	30-Jun-2018	30-Jun-2017
	RUB'000	RUB'000
Included in finance costs:		
Bank borrowings	**(630,268)**	(948,429)
Finance leases	**(10,923)**	-
Non-convertible bond	**(130,355)**	-
Total interest expense	**(771,546)**	(948,429)
Other finance costs	**(11,138)**	(5,132)
Total finance costs	**(782,684)**	(953,561)
Included in finance income:		
Bank balances	**97,634**	51,416
Short term deposits	**77,183**	160,398
Finance leases – third parties	**24,609**	19,929
Loans to third parties	**912**	1,607
Total interest income calculated using the effective interest rate method	**200,338**	233,350
Total finance income	**200,338**	233,350
Net foreign exchange transaction (losses)/gains on borrowings and other liabilities	**(58,007)**	26,035
Net foreign exchange transaction gains/(losses) on cash and cash equivalents and other monetary assets	**32,879**	(168,030)
Net foreign exchange transaction losses on financing activities	**(25,128)**	(141,995)
Net finance costs	**(607,474)**	(862,206)

14. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
	30-Jun-2018	30-Jun-2017
	RUB'000	RUB'000
Opening net book amount on 1 January 2018 / 1 January 2017	**64,770,907**	65,653,581
Additions	**5,562,192**	2,025,356
Disposals	**(95,976)**	(554,666)
Transfer to inventories	**(150,913)**	(141,056)
Depreciation charge (Note 11)	**(2,437,947)**	(2,467,250)
Derecognition arising on capital repairs (Note 11)	**(194,692)**	(286,852)
Currency translation differences	**728,643**	595,241
Closing net book amount on 30 June 2018 / 30 June 2017	**68,182,214**	64,824,354

Additions during the period ended 30 June 2018 mainly related to purchases of gondola cars, petrochemical tank containers, flat cars 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 2017.

Disposals during the period ended 30 June 2018 mainly related to disposals of flat cars to 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 2017.

Impairment of property, plant and equipment

Management has assessed whether there are any impairment indicators for property, plant and equipment as of 30 June 2018. No impairment indicators have been identified as of 30 June 2018.

15. FINANCIAL ASSETS

(a) Trade receivables

	As at	
	30-Jun-2018	31-Dec-2017
	RUB'000	RUB'000
Trade receivables – third parties	**2,491,616**	2,504,806
Less: provision for impairment of trade receivables	**(187,460)**	(141,336)
Trade receivables – net	**2,304,156**	2,363,470
Less non-current portion:		
Trade receivables – third parties	**242,931**	203,153
Less: provision for impairment of trade receivables	**(21,412)**	(19,637)
Total non-current portion	**221,519**	183,516
Total current portion	**2,082,637**	2,179,954

(b) Loans and other receivables

	As at	
	30-Jun-2018	31-Dec-2017
	RUB'000	RUB'000
Loans receivables – third parties	**14,894**	16,857
Other receivables	**75,109**	89,153
Less: provision for impairment of other receivables	**(28,077)**	(39,786)
Loans and other receivables – net	**61,926**	66,224
Less non-current portion:		
Loans receivables – third parties	**14,776**	16,857
Total current portion	**47,150**	49,367

16. OTHER ASSETS

	As at	
	30-Jun-2018	31-Dec-2017
	RUB'000	RUB'000
Prepayments - third parties	**1,947,084**	1,949,999
VAT recoverable	**784,498**	610,451
Finance leases to third parties	**430,766**	445,919
Other assets	**3,162,348**	3,006,369
Less non-current portion:		
Prepayments for PPE - third parties	**460,823**	21,986
Finance leases to third parties	**398,124**	414,869
Total non-current portion	**858,947**	436,855
Total current portion	**2,303,401**	2,569,514

17. TRADE AND OTHER PAYABLES

	As at	
	30-Jun-2018	31-Dec-2017
	RUB'000	RUB'000
Current		
Trade payables - third parties	**659,771**	707,143
Other payables - third parties	**643,009**	867,985
Accrued expenses	**200,786**	85,336
Accrued key management compensation, including share based payment (Note 24)	**229,739**	523,886
Advances from customers for transportation services (1)	**-**	2,229,306
	1,733,305	4,413,656

	As at 30-Jun-2018 RUB'000	As at 31-Dec-2017 RUB'000
Non-current		
Accrued key management compensation, including share based payment (Note 24)	**55,221**	-
	55,221	-

(1) Following adoption of IFRS 15 as at 1 January 2018, advances from customers for transportation contracts are recognized within contract liabilities in Note 10. Refer to Note 3 for more details.

18. BORROWINGS

	As at 30-Jun-2018 RUB'000	As at 31-Dec-2017 RUB'000
Current		
Bank borrowings	**5,024,215**	7,280,588
Non-convertible unsecured bonds	**129,100**	-
Finance lease liabilities	**401,590**	-
Total current borrowings	**5,554,905**	7,280,588
Non-current		
Bank borrowings	**7,541,425**	9,050,768
Non-convertible unsecured bonds	**4,983,755**	-
Finance lease liabilities	**1,533,595**	-
Total non-current borrowings	**14,058,775**	9,050,768
Total borrowings	**19,613,680**	16,331,356

Movements in borrowings are analysed as follows:

	RUB'000
Six months ended 30 June 2018	
Opening amount as at 1 January 2018	16,331,356
Cash flows:	
Proceeds from bank borrowings	5,010,500
Proceeds from issue of non-convertible unsecured bonds (1)	5,000,000
Repayments of bank borrowings	(8,734,912)
Finance lease principal payments	(844,280)
Interest charged	771,546
Interest paid	(694,120)
Non-cash movement:	
Finance lease liabilities	2,773,590
Closing amount as at 30 June 2018	19,613,680

(1) In February 2018, the Group successfully placed a five-year Russian Rouble denominated exchange-traded bond for a total amount of RUB 5 billion, out of RUB 100 billion registered program, priced at a coupon rate of 7.25% p.a.. As a result, the previous underwritten bond program of RUB 15 billion was cancelled.

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	As at 30-Jun-2018 RUB'000	As at 31-Dec-2017 RUB'000
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 1 and 2 years	**3,195,970**	5,727,105
Between 2 and 5 years	**9,329,210**	3,323,663
	12,525,180	9,050,768

	As at 30-Jun-2018 RUB'000
The present value of finance lease liabilities is as follows:	
Not later than 1 year	401,590
Later than 1 year and not later than 5 years	1,533,595
	1,935,145

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

	As at	
	30-Jun-2018	31-Dec-2017
	RUB'000	RUB'000
Russian Rouble	**19,613,680**	16,331,356
	19,613,680	16,331,356

The Group has the following undrawn borrowing facilities:

	As at	
	30-Jun-2018	31-Dec-2017
	RUB'000	RUB'000
Fixed rate:		
- expiring within one year	**50,000**	2,640,000
- expiring beyond one year	**4,180,000**	16,500,000
Total undrawn borrowing facilities	**4,230,000**	19,140,000

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

	As at	
	30-Jun-2018	31-Dec-2017
	%	%
Total borrowings	**7.86**	9.4

19. 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 2018 is 24.07% (30 June 2017: 23.14%). The increase in the weighted average annual income tax rate reflects mainly Estonian tax incurred upon dividend payment by one of the Estonian subsidiaries of the Company during the six-month ended 30 June 2018.

20. 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-2018	30-Jun-2017
Profit for the period attributable to equity holders of the Company (RUB'000)	**8,811,897**	5,848,446
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)	**49.30**	32.72

21. DIVIDENDS

Dividends to Company shareholders

During the period ended 30 June 2018, the Group declared RUB 8,016,530 thousand and paid RUB 8,016,530 thousand (six months ended 30 June 2017: declared RUB 7,006,644 thousand and paid RUB 7,006,644 thousand) of dividends in favour of shareholders of the Company.

Dividends to non-controlling interests

During the period ended 30 June 2018, the Group declared RUB 920,578 thousand and paid RUB 920,578 thousand (six months ended 30 June 2017: declared RUB 1,600,000 thousand and paid RUB 1,600,000 thousand) of dividends in favour of non-controlling interests.

22. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital	Share premium	Total
		RUB'000	RUB'000	RUB'000
At 31 December 2017 / 1 January 2018/ 30 June 2018	**178,740,916**	**516,957**	**27,929,478**	**28,446,435**

23. CONTINGENCIES AND COMMITMENTS

Operating environment

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

Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy was growing in 2017 after overcoming the economic recession of 2015 and 2016. During 2018, the Russian economy continued to be negatively impacted by the ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation. Management believes that its pricing policy used in the first six months of 2018, in 2017 and preceding years is arm's length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

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

The Group includes companies incorporated in Cyprus, Russia, Ukraine, Estonia and Finland. The tax liabilities of the Group are determined on the assumption that these companies are tax residents in the countries where they are incorporated and are not subject to profits tax of other tax jurisdictions, because they do not have permanent establishments in other jurisdictions. The Company and the non-controlling shareholding companies holding interests in the Company's Russian subsidiaries are the only and full beneficial owners of the equity interests held directly and indirectly in these subsidiaries. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. There is currently an ongoing tax investigation in one of the Russian subsidiaries of the Group, which may give rise to the tax authorities challenging positions and interpretations applied by management. Management will vigorously defend the positions and interpretations applied in determining taxes recognised in this condensed consolidated interim financial information if these are challenged by the authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Estonia and Finland

Estonia and Finland represent well-developed markets and economies with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine

The ongoing political and economic instability in Ukraine which commenced at the end of 2013 and led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and depreciation of the national currency against major foreign currencies has continued during the first six months of 2018, though to a much lesser extent as compared to previous years.

The banking system remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other factors. Currency control restrictions were introduced is 2014-15 and remain in force, though less severe as compared to 2014-2015.

Despite certain improvements in 2017 and first half of 2018, 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 2018 the Group had an outstanding receivable amounting to EUR 2,750 thousand (RUB 200,730 thousand) from Georgian Railways relating to invoices issued for services rendered prior to 1 April 2015. The Georgian Railways disputed the tariffs applied in computing the outstanding balance and thus did not proceed with the repayment of the amount outstanding.

The Group initiated a claim to the Georgian Court demanding the repayment of the entire balance due as well as additional penalties and interest.

Whereas the Group did not recognised any penalties or interest income on this receivable balance, management considered that the Group will receive the amount outstanding. Based on assessment performed as at 30 June 2018, management recognised a provision for impairment of EUR 285 thousand in order to account for the expected time until receipt of the amount due.

The Group issued additional invoices of EUR 1,555 thousand (RUB 113,000, thousand) to Georgian Railways in the intervening period during 2015 that the rail cars remained in Georgia. The revenue arising from these invoices was not recognised as it was not assessed as probable at that time that future economic benefits would flow to the Group.

Furthermore, Georgian Railways initiated a claim of approximately GEL 16,122 thousand (approximately RUB 410,000 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.

In March 2018, the Georgian Court ruled in favour of the Group an amount of approximately US$ 10 million. The Group has not recognised a receivable for the amount awarded as this might not constitute a final decision on the matter since both parties have appealed this decision.

Claim in relation to sale of rolling of stock

In February 2018, the Group received a claim from a third party in relation to a sale of rolling stock. In March 2018, the third party initiated legal action claiming from the Group an amount of RUB 996 million. In June 2018, there was a court decision against the Group for an amount of RUB 684 million. Both parties have appealed this decision. No provision has been recognised in respect of this claim, as the Group has received an unconditional irrevocable guarantee for the entire amount of this claim.

There are no other legal proceedings or other claims outstanding as of 30 June 2018 which could have a material effect on the results of operations or financial position of the Group and which have not been accrued or disclosed in 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 was in compliance with covenants as of 30 June 2018 and 31 December 2017.

Commitments

(a) Capital commitments

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

	As at	
	30-Jun-2018	31-Dec-2017
	RUB'000	RUB'000
Property, plant and equipment	**684,723**	-

(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 consolidated interim income statement during the periods is disclosed in Note 11.

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

	As at	
	30-Jun-2018	31-Dec-2017
	RUB'000	RUB'000
Not later than 1 year	**155,194**	280,530
Later than 1 year and not later than 5 years	**-**	107,891
	155,194	388,421

(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-2018	31-Dec-2017
	RUB'000	RUB'000
Not later than 1 year	**187,428**	200,975
	187,428	200,975

24. RELATED PARTY TRANSACTIONS

Marigold Investments Ltd, Onyx Investments Ltd and Maple Valley Investments Ltd are shareholders of the Company with a direct shareholding as at 31 December 2017 and as at 30 June 2018 of 11.5%, 11.5% and 11.2%, respectively.

Litten Investments Ltd, controlled by member of key management of the Group, has a shareholding in the Company of 6.2% as at 30 June 2018 (31 December 2017: 6.3%).

From 7 March 2018 and as at 30 June 2018, Goldriver Resources Ltd, which has a shareholding in the Company of 4.6%, is controlled by a member of key management personnel of the Group.

As at 30 June 2018, 54.9% (31 December 2017: 59.4%) 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 0.1% of the shares of the Company as at 31 December 2017 and as at 30 June 2018 are controlled by Directors and key 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 services

	Six months ended	
	30-Jun-2018	30-Jun-2017
	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-2018	30-Jun-2017
	RUB'000	RUB'000
Purchases of services:		
Other related parties		
Associate	**-**	68,080
	-	68,080

(c) Key management compensation

	Six months ended	
	30-Jun-2018	30-Jun-2017
	RUB'000	RUB'000
Key management salaries and other short term employee benefits[(1)]	**600,463**	424,149
Share based compensation (Note 8)	**113,845**	39,605
	714,308	463,754

(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 143,490 thousand for the six months ended 30 June 2018 (six months ended 30 June 2017: RUB 47,644 thousand).

(d) Accrued key management remuneration

	As at	As at
	30-Jun-2018	31-Dec-2017
	RUB'000	RUB'000
Accrued key management remuneration:		
Accrued salaries and other short term employee benefits	**150,512**	297,326
Share based payment liability (Note 17)	**134,448**	226,560
	284,960	523,886

25. SUBSEQUENT EVENTS

On 24 August 2018, the Board of Directors of the Company approved payment of total dividend in the amount of 45.9 Russian Roubles per ordinary share, amounting to a total dividend of RUB 8,204,208 thousand (US Dollar equivalent of US$ 119,724 thousand), including interim dividend in the amount of RUB 3,771,433 thousand (US Dollar equivalent of US$ 55,037 thousand) or RUB 21.10 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,432,775 thousand (US Dollar equivalent of US$ 64,687 thousand) or RUB 24.80 per ordinary share/GDR.
The dividends will be paid in US Dollars at the rate of USD/RUB 68,5259 as at 24 August 2018 and will be paid out of retained earnings of the Company earned prior to 31 December 2017.

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

26. 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 2018 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

27 August 2018
Limassol
Cyprus

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