

For immediate release

1 September 2020

Globaltrans Investment PLC**Interim 2020 Results and Approval of Interim
and Special Interim Dividends**

Globaltrans Investment PLC (the "Company" and together with its consolidated subsidiaries "Globaltrans" or the "Group"), (LSE ticker: GLTR) today announces its financial and operational results for the six months ended 30 June 2020 along with the approval of interim and special interim dividends.

In this announcement, the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as "non-GAAP measures") as supplemental measures of the Group's operating 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. The Company also reports certain operational information to illustrate the changes in the Group's operational and financial performance during the reporting periods. Certain financial information which is derived from the management accounts is marked in this announcement with an asterisk (). Information (non-GAAP financial and operating measures) requiring additional explanation or defining is marked with initial capital letters and the explanations or definitions are provided at the end of this announcement. Reconciliations of the non-GAAP measures to the closest EU IFRS measures are included in the body of this announcement. The presentational currency of the Group's financial results is the Russian rouble ("RUB").*

KEY HIGHLIGHTS

Industry outperformance, good Free Cash Flow generation and continued strong dividend payments against a backdrop of unprecedented economic conditions due to the COVID-19 pandemic.

- The Group's Freight Rail Turnover rose 4.9% year on year despite an overall market decline supported by a powerful operating model enabling swift switching between cargo groups.
- Efficient cost measures resulted in Total Operating Cash Costs being held relatively stable (up 1% year on year).
- Adjusted EBITDA was RUB 14.7 billion (down 27% year on year).
- Good Free Cash Flow generation supported by a high degree of discretionary CAPEX with Free Cash Flow¹ at RUB 6.9 billion, down 15% year on year.
- Low leverage maintained with Net Debt to LTM Adjusted EBITDA at 0.75x² with significant improvement in the average effective interest rate to 7.2% (31 December 2019: 8.1%).
- Robust interim and special interim dividends for 2020 approved in line with target announced in March 2020 for a total of RUB 8.3 billion or RUB 46.55 per share/GDR.
- Strong total combined 2020 dividend targeted of about RUB 13.3 billion (including the already approved interim dividends) subject to no significant adverse changes.
- Secondary listing of GDRs planned on Moscow Exchange for the second half of 2020.
- Execution of share buyback³ (of up to 5% of the share capital) is on track.

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

² Net Debt to Adjusted EBITDA for the twelve months ended 30 June 2020.

³ The share buyback is executed under the authority granted by shareholders at the Extraordinary General Meeting ("EGM") on 12 May 2020, which permits the Company to repurchase a total number of GDRs not to exceed 5% of the Company's share capital. This authority lasts for a period of twelve months following the approval of the buyback programme at the EGM.

Commenting on Globaltrans' Interim 2020 results, CEO Valery Shpakov said:

"We have all lived through unprecedented times in the first half of 2020, marked by the COVID-19 pandemic, widespread national lockdowns and a sharp decline in economic activity across the globe. Our first priority during this period was to protect the health and safety of our employees and ensure business continuity for our customers. I am pleased to report that we have successfully navigated these challenges, fulfilling our obligations to clients and staff and delivering on our promises.

Our powerful operating model and efficient logistics capabilities enabled us to respond quickly to market volatility, swiftly migrating between different cargoes and outperforming the overall rail industry. Balanced fleet composition and exposure to different markets enabled us to partially mitigate gondola segment headwinds. Our focus on cost optimisation meant operating cash costs were held steady despite cost pressures.

Our free cash flow generation, helped by the discretionary nature of our expansion CAPEX, remained strong and, together with our low leverage, made it possible for us to approve solid interim dividends fully in line with our target announced in March 2020. This builds on our already long track record of taking a consistent approach to shareholder remuneration and delivering on our dividend guidance. Our focus on dividends remains unchanged with robust final dividends targeted for the whole of 2020."

FINANCIAL AND OPERATIONAL PERFORMANCE

Solid financial performance given the challenging backdrop: good Free Cash Flow, efficient cost control and continued low leverage.

- Total revenue was down 25% year on year to RUB 35.4 billion. Adjusted Revenue declined 16% year on year to RUB 28.9 billion with lower revenues from the gondola segment partially compensated by relatively stable revenue from the tank car segment and growing revenues from specialised containers and railcar leasing businesses.
- Total Operating Cash Costs increased just 1% year on year supported by efficient cost optimisation measures.
- Operating profit decreased 37% year on year to RUB 10.5 billion.
- Adjusted EBITDA was 27% lower year on year at RUB 14.7 billion while the Adjusted EBITDA Margin narrowed to 51% (H1 2019: 59%).
- Profit for the period declined 41% year on year to RUB 7.0 billion.
- Strong Free Cash Flow⁴ at RUB 6.9 billion (down 15% year on year) reflected a decline in Net cash from operating activities that was partially offset by a targeted cut in expansion CAPEX.
- Total CAPEX (including maintenance)⁴ was down 53% to RUB 3.3 billion; about RUB 4 billion of Total CAPEX is expected for the second half of 2020.
- Leverage continued to be held at a low level with Net Debt to Adjusted EBITDA at 0.75x for the twelve months to 30 June 2020 (2019 end: 0.60x).

Continued robust dividend payments: strong interim dividend delivered as targeted; outlook is for a solid total 2020 dividend.

- As targeted, the Board approved interim and special interim dividends for the first half of 2020 for a combined RUB 8.3 billion or RUB 46.55 per share/GDR⁵ reflecting good Free Cash Flow and low leverage.
- The record date is set as 8 September 2020 with GDRs marked as ex-dividend on 4 September 2020.

⁴ Free Cash Flow and Total CAPEX are presented net of principal elements of lease payments for leases with financial institutions for both periods (H1 2019 and H1 2020). During the first half of 2020 the entire financial lease portfolio was refinanced to bilateral loans, therefore principal elements of lease payments were eliminated from both periods for comparison purposes.

⁵ Dividends will be paid in US dollars for the total amount of about 62.26525 US cents per one ordinary share/GDR not later than 20 September 2020 with conversion from Russian roubles executed at the average of the official exchange rates of the Central Bank of Russia for the five business days in Russia from 24 to 28 August 2020 inclusive (1 USD: 74.7608 RUB). Holders of GDRs will receive the dividend approximately three business days after the payment date.

- Total interim 2020 dividends equates to 135% of the Group's Attributable Free Cash Flow⁶ for the first six months of 2020.
- Total 2020 combined dividend targeted of about RUB 13.3 billion subject to no significant adverse changes, which includes:
 - RUB 8.3 billion of already approved total interim dividends for the first six months of 2020; and
 - About RUB 5.0 billion of targeted total final 2020 dividends in respect of the second half of 2020.

Powerful operating model supported industry outperformance, with efficient fleet management in a challenging environment.

- Continued industry outperformance.
 - Strong Freight Rail Turnover growth (up 4.9% year on year) despite overall market decline (down 5.3% year on year).
 - Transportation Volume decline limited to 3.4% year on year compared to an overall market decline of 4.5% year on year.
- Powerful gondola operating model provides for flexibility and responsiveness to market changes.
 - Freight Rail Turnover in bulk cargo segment rose 8% year on year due to efficient contracting and migration between freight segments.
 - The unprecedented COVID-19 lockdowns reduced fuel consumption in Russia which alongside crude oil production cuts agreed under the OPEC+ agreement drove the Group's Freight Rail Turnover down 12% year on year in the oil products and oil segment.
 - Changed client logistics and the diversification of the client base lead to a 9% year-on-year rise in Average Distance of Loaded Trip with the average Number of Loaded Trips per Railcar down 6% year on year.
 - Average Rolling Stock Operated was up 2% year on year.
- The oil products and oil segment and long-term service contracts underpinned the Group's Net Revenue from Operation of Rolling Stock.
 - Net Revenue from Operation of Rolling Stock from the oil products and oil segment was broadly stable (down 1% year on year) largely due to the value-added efficient service offering combining tank cars and locomotives.
 - In the bulk cargo segment Net Revenue from Operation of Rolling Stock declined 25% year on year mainly reflecting weaker pricing in the gondola segment.
 - Long-term service contracts contributed 64% of Net Revenue from Operation of Rolling Stock in the first six months of 2020⁷.
 - Average Price per Trip declined 14% year on year with continued weak pricing in the gondola segment partially offset by solid pricing in tank cars.
- Efficient fleet management in a challenging environment.
 - Powerful and sizeable operating model enabled the Group both to adapt to the substantial volatility in client cargo flows and routes stemming from the unprecedented COVID-19 lockdowns and to increase Freight Rail Turnover.
 - The Empty Run Ratio for gondola cars rose to 46% (H1 2019: 43%) yet remained one of the lowest on the Russian market.
 - Total Empty Run Ratio (for all types of rolling stock) remained relatively stable at 52% (H1 2019: 51%).
 - Share of Empty Run Kilometers paid by Globaltrans rose to 99% (H1 2019: 90%) due to the changed cargo mix and gondola segment headwinds.

⁶ Attributable Free Cash Flow is presented net of principal elements of lease payments for leases with financial institutions for both periods (H1 2019 and H1 2020). During the first half of 2020 the entire financial lease portfolio was refinanced to bilateral loans, therefore principal elements of lease payments were eliminated from both periods for comparison purposes.

⁷ Including service contracts with Rosneft, Metalloinvest, MMK, Gazprom Neft, TMK and ChelPipe Group.

- Total Fleet increased 2% to 72,361 units compared to the end of 2019 with the share of Owned Fleet at 94%.

MARKET UPDATE

H1 2020: Demand was under pressure from the unprecedented economic conditions and the spread of COVID-19.

- In the first six months of 2020 Russia's overall freight rail turnover and volumes were down 5.3% and 4.5% year on year respectively. A rise in export volumes in 2Q 2020 helped to partially mitigate volatility in domestic demand due to COVID-19 lockdowns.
- Overall non-oil (bulk) cargo volumes decreased 4% year on year.
 - Largely driven by sizeable decline in coal volumes.
 - Additions of new gondola cars fell about 45% year on year bringing net additions in the first six months of 2020 to about 1.8% (or 9.9k units)⁸ compared to the end of 2019.
 - Continued pricing pressure in the gondola segment, which was more pronounced in spot leasing rates.
- Oil products and oil segment was under significant pressure with COVID-19 lockdowns affecting fuel consumption and the OPEC+ agreement cutting crude oil production.
 - Overall freight rail volumes were down 7% year on year in the first six months of 2020, mostly due to the industry performance in Q2 2020.
 - Overall tank car capacity was stable compared to the end of 2019 with unit scrappages (about 1.3k units) offsetting new additions (about 1.3k units)⁹.
 - Operator pricing environment remained relatively stable with pressure on spot leasing rates.

Moderate uptick in July 2020, however market weakness is expected to continue in H2 2020; solid industry fundamentals despite weak markets.

- Russia's freight rail turnover in July 2020 was down 1.8% year on year compared to a 5.3% year-on-year decline in the first six months of 2020 as easing of COVID-19 lockdown and restrictions in Russia and abroad stimulated recovery in demand.
- Stabilisation in demand along with continued weak pricing conditions in the gondola segment are expected in the second half of 2020.
- In the tank car segment, operator rates are expected to stay relatively healthy with leasing rates likely to be under pressure due to lower volumes.
- The depreciation in the Russian rouble is expected to continue to support recovery in commodity exports.
- Ongoing expansion of the Russian rail network throughput capacity and optimisation measures towards Russia's Far East should enable an increase in the transportation of export volumes to Asian markets.
- Large national infrastructure projects are expected to support demand for rail transportation in 2020 and onwards.

DOWNLOADS

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

⁸ Estimated by the Company. Net change in Russia's overall fleet of gondola cars as of 30 June 2020 compared to the end of 2019.

⁹ Estimated by the Company. Net change in Russia's overall fleet of oil products and oil tank cars as of 30 June 2020 compared to the end of 2019. Including only additions of new oil products and oil tank cars and excluding units reregistered in Russia from other countries.

ANALYST AND INVESTOR CONFERENCE CALL

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

Date: Tuesday, 1 September 2020

Time: 14.00 Moscow / 12.00 London / 07.00 New York (EDT)

To participate in the conference call please dial one of the following numbers:

UK toll free: 0808 109 0701

International: +44 (0) 20 3003 2701

Russia: +7 (8) 495 249 9842

Please use the following pin numbers to select your preferred language for the call:

English: 0392886#

Russian: 9184505#

There will be a simultaneous translation for the first part of the call (slide presentation), with both English and Russian available using the pin numbers provided above. During the Q&A session, all participants will hear both languages.

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

ENQUIRIES

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NOTES TO EDITORS

Globaltrans (together with its consolidated subsidiaries "Globaltrans" or the "Group") is a leading freight rail transportation group with operations across Russia, the CIS and the Baltic countries. The Group operates one of the largest railcar fleets in the region, comprised mainly of universal gondola cars capable of carrying a wide range of bulk cargoes, and tank cars for oil products and oil. The Group's sophisticated logistics capabilities add value to more than 500 customers including leading industrial groups serviced under extensive outsourcing contracts.

The Group had a Total Fleet of 72.4 thousand units at 30 June 2020 of which about 94% were in ownership with an average age of 11.9 years. Globaltrans is an entrepreneur founded and led group with its Global Depository Receipts (ticker symbol: GLTR) listed on the Main Market of the London Stock Exchange since May 2008.

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

RESULTS IN DETAIL

The following tables provide the Group's key financial and operational information for the six months ended 30 June 2020 and 2019.

EU IFRS financial information

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Revenue	47,245	35,414	-25%
Total cost of sales, selling and marketing costs and administrative expenses	(30,542)	(24,955)	-18%
Operating profit	16,721	10,477	-37%
Finance costs - net	(1,164)	(1,079)	-7%
Profit before income tax	15,556	9,398	-40%
Income tax expense	(3,563)	(2,348)	-34%
Profit for the period	11,993	7,050	-41%
<i>Profit attributable to:</i>			
Owners of the Company	11,089	6,298	-43%
Non-controlling interests	904	752	-17%
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RUB per share)	62.04	35.23	-43%

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Cash generated from operations (after changes in working capital)	19,424	13,791	-29%
Tax paid	(3,155)	(1,848)	-41%
Net cash from operating activities	16,270	11,943	-27%
Net cash used in investing activities	(6,663)	(3,124)	-53%
Net cash used in financing activities	(6,741)	(11,121)	65%

Non-GAAP financial information

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Adjusted Revenue	34,370	28,896	-16%
<i>Including</i>			
Net Revenue from Operation of Rolling Stock	32,523*	26,735*	-18%
Net Revenue from Specialised Container Transportation	740*	994*	34%
Operating leasing of rolling stock	859	905	5%
Total Operating Cash Costs	14,231	14,389	1%
<i>Including</i>			
Empty Run Cost	7,194*	8,012*	11%
Repairs and maintenance	2,125	2,127	0%
Employee benefit expense	2,024	1,751	-13%
Fuel and spare parts - locomotives	897	875	-3%
Adjusted EBITDA	20,202	14,656	-27%
Adjusted EBITDA Margin, %	59%	51%	-
Total CAPEX (including maintenance CAPEX) ¹⁰	7,065	3,338	-53%
Free Cash Flow ¹⁰	8,107	6,927	-15%
Attributable Free Cash Flow ¹⁰	7,203	6,174	-14%

¹⁰ Total CAPEX, Free Cash Flow and Attributable Free Cash Flow are presented net of principal elements of lease payments for leases with financial institutions for both periods (H1 2019 and H1 2020). During the first half of 2020 the entire financial lease portfolio was refinanced to bilateral loans, therefore principal elements of lease payments were eliminated from both periods for comparison purposes.

Debt profile

	As of 31 December 2019 RUB mln	As of 30 June 2020 RUB mln	Change %
Total debt	30,095	29,869	-1%
Cash and cash equivalents	6,522	4,257	-35%
Net Debt	23,574	25,612	9%
Net Debt to LTM Adjusted EBITDA (x)	0.60	0.75¹¹	-

Operational information

	H1 2019	H1 2020	Change, %
Freight Rail Turnover, billion tonnes-km (excluding Engaged Fleet) ¹²	70.5	74.0	4.9%
Transportation Volume, million tonnes (excluding Engaged Fleet) ¹²	45.7	44.2	-3.4%
Average Price per Trip, RUB	45,951	39,340	-14%
Average Rolling Stock Operated, units	56,780	57,750	2%
Average Distance of Loaded Trip, km	1,531	1,666	9%
Average Number of Loaded Trips per Railcar	12.5	11.8	-6%
Total Empty Run Ratio (for all types of rolling stock), %	51%	52%	-
Empty Run Ratio for gondola cars, %	43%	46%	-
Share of Empty Run Kilometres paid by Globaltrans, %	90%	99%	-
Total Fleet, units (at period end), including:	70,137	72,361	3%
Owned Fleet, units (at period end)	66,304	67,844	2%
Leased-in Fleet, units (at period end)	3,833	4,517	18%
Leased-out Fleet, units (at period end)	7,360	6,890	-6%
Average age of Owned Fleet, years (at period end)	11.2	11.9	-
Total number of employees (at period end)	1,597	1,704	7%

Revenue

The Group's Total revenue decreased 25% year on year to RUB 35,414 million in the first six months of 2020, reflecting a 16% year-on-year decline in Adjusted Revenue and a 49% year-on-year decrease in the "pass through" cost items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations". Net Revenue from Operation of Rolling Stock (a key component of Adjusted Revenue) decreased 18% year on year which was partially offset by an increase in revenues from niche segments of rail transportation of specialised containers and leasing of rolling stock.

The following table provides details of Total revenue, broken down by revenue-generating activity, for the six months ended 30 June 2020 and 2019.

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Railway transportation – operators services (tariff borne by the Group) ¹³	24,990	13,627	-45%
Railway transportation – operators services (tariff borne by the client)	20,401	19,574	-4%
Revenue from specialised container transportation	829	1,127	36%
Operating leasing of rolling stock	859	905	5%
Other	167	181	9%
Total revenue	47,245	35,414	-25%

Adjusted Revenue

Adjusted Revenue is a non-GAAP financial measure defined as "Total revenue" adjusted for "pass through" items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations". "Infrastructure and locomotive tariffs: loaded trips" comprises revenue resulting from tariffs that customers pay to the Group and the Group pays on to RZD, which are reflected in equal amounts in both the

¹¹ Net Debt to Adjusted EBITDA for the twelve months ended 30 June 2020.

¹² The Group's Freight Rail Turnover (including Engaged Fleet) increased 4.3% year on year with Transportation Volume (including Engaged Fleet) declining 3.3% year on year.

¹³ Includes "Infrastructure and locomotive tariffs: loaded trips" for the first six months of 2020 of RUB 5,280 million (H1 2019: RUB 11,211 million) and "Services provided by other transportation organisations" of RUB 1,238 million (H1 2019: RUB 1,663 million).

Group's Total revenue and Cost of sales. "Services provided by other transportation organisations" is revenue resulting from the tariffs that customers pay to the Group and the Group pays on to third-party rail operators for subcontracting their rolling stock, which are reflected in equal amounts in both the Group's Total revenue and Cost of sales. The net result of Engaged Fleet operations is reflected as Net Revenue from Engaged Fleet and is included in Adjusted Revenue.

The Group's Adjusted Revenue decreased 16% year on year to RUB 28,896 million in the first six months of 2020, primarily due to the 18% year-on-year decline in Net Revenue from Operation of Rolling Stock which was partially offset by rises of 34% year on year and 5% year on year in Net Revenue from Specialised Container Transportation and Revenue from operating leasing of rolling stock respectively.

The following table provides details of Adjusted Revenue for the six months ended 30 June 2020 and 2019 and its reconciliation to Total revenue.

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Total revenue	47,245	35,414	-25%
Minus "pass through" items			
Infrastructure and locomotive tariffs: loaded trips	11,211	5,280	-53%
Services provided by other transportation organisations	1,663	1,238	-26%
Adjusted Revenue	34,370	28,896	-16%

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

The following table provides a breakdown of the components of Adjusted Revenue for the six months ended 30 June 2020 and 2019.

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Net Revenue from Operation of Rolling Stock	32,523 ^{*14}	26,735*	-18%
Net Revenue from Specialised Container Transportation	740*	994*	34%
Operating leasing of rolling stock	859	905	5%
Net Revenue from Engaged Fleet	82*	82*	0%
Other	167	181	9%
Adjusted Revenue	34,370	28,896	-16%

Net Revenue from Operation of Rolling Stock

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

The Group's Net Revenue from Operation of Rolling Stock, which contributed 93% of the Group's Adjusted Revenue in the first six months of 2020, decreased 18% year on year to RUB 26,735 million*, with a decline in the gondola segment net revenue partially compensated by relatively stable net revenue from tank cars.

- Average Price per Trip decreased 14% year on year to RUB 39,340 with continued weak pricing in the gondola segment partially compensated by solid pricing in tank cars.
- Average Rolling Stock Operated increased 2% year on year to 57,750 units.
- Average Number of Loaded Trips per Railcar was down 6% year on year primarily reflecting changed logistics and volatility in demand for rail transportation.

¹⁴ Data for the first six months of 2019 was restated due to the segregation of Net Revenue from Specialised Container Transportation.

Net Revenue from Specialised Container Transportation

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

Net Revenue from Specialised Container Transportation rose 34% year on year to RUB 994 million* in the first six months of 2020 benefitting from fleet expansion, solid demand, stable pricing and the launch of high grade steel transportation. This revenue contributed 3% of the Group's Adjusted Revenue in the reporting period. The Group's total fleet employed in this segment amounted to 5,081 units at 30 June 2020 including specialised containers and flat cars. This business segment is mostly focused on rail transportation of petrochemicals and high grade steel and has SayanskKhimPlast, EVRAZ, NLMK, KuibyshevAzot and Bashkir Soda Company among its key clients.

Revenue from operating leasing of rolling stock

Revenue from operating leasing of rolling stock, which contributed 3% of the Group's Adjusted Revenue in the first six months of 2020, rose 5% year on year to RUB 905 million due to more favourable pricing terms achieved in the tank car leasing segment compared the to the same period the previous year.

Net Revenue from Engaged Fleet

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

In the first six months of 2020, Net Revenue from Engaged Fleet, comprising less than 1% of the Group's Adjusted Revenue, was stable year on year at RUB 82 million*.

Other revenue

Other revenue (1% of the Group's Adjusted Revenue), which includes the revenues generated by the Group's auxiliary business activities, including freight forwarding, repair and maintenance services provided to third parties, and other, rose 9% year on year to RUB 181 million in the first six months of 2020.

Cost of sales, selling and marketing costs and administrative expenses

The following table provides a breakdown of Cost of sales, selling and marketing costs and administrative expenses for the six months ended 30 June 2020 and 2019.

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Cost of sales	28,670	23,454	-18%
Selling and marketing costs	101	85	-16%
Administrative expenses	1,771	1,416	-20%
Total cost of sales, selling and marketing costs and administrative expenses	30,542	24,955	-18%

In the first six months of 2020, the Group's Total cost of sales, selling and marketing costs and administrative expenses decreased 18% year on year to RUB 24,955 million, largely reflecting the factors described below.

- "Pass through" cost items (a combination of "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations") were down 49% year on year to RUB 6,518 million mainly due to changes in the proportion of clients that pay Infrastructure and locomotive tariffs: loaded trips through the Group.

- The Group's Total cost of sales, selling and marketing costs and administrative expenses adjusted for "pass-through" cost items rose 4% year on year to RUB 18,436 million in the first six months of 2020, which reflected:
 - A 1% year-on-year increase in the Group's Total Operating Cash Costs to RUB 14,389 million in the first six months of 2020.
 - Efficient cost optimisation measures that enabled the Group to achieve a 9% year-on-year cut in Total Operating Cash Costs excluding Empty Run Costs.
 - A rise in the regulated RZD infrastructure and locomotive traction tariffs for empty trips, an increase in the Group's Freight Rail Turnover and a higher level of Empty Runs on the back of the challenging industry environment drove an 11% year-on-year rise in Empty Run Costs.
 - An 18% year-on-year rise in Total Operating Non-Cash Costs to RUB 4,048 million, primarily due to an increase in the Depreciation of property, plant and equipment on the back of asset expansion principally during 2019.

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

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
"Pass through" cost items	12,874	6,518	-49%
Infrastructure and locomotive tariffs: loaded trips	11,211	5,280	-53%
Services provided by other transportation organisations	1,663	1,238	-26%
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for "pass through" cost items)	17,668	18,436	4%
Total Operating Cash Costs	14,231	14,389	1%
Empty Run Costs	7,194*	8,012*	11%
Repairs and maintenance	2,125	2,127	0%
Employee benefit expense	2,024	1,751	-13%
Fuel and spare parts – locomotives	897	875	-3%
Infrastructure and Locomotive Tariffs - Other Tariffs	479*	516*	8%
Expense relating to short-term leases - rolling stock	457	379	-17%
Engagement of locomotive crews	371	241	-35%
Other Operating Cash Costs	683	488	-29%
Total Operating Non-Cash Costs	3,436	4,048	18%
Depreciation of property, plant and equipment	2,754	3,325	21%
Amortisation of intangible assets	348	59	-83%
Loss on derecognition arising on capital repairs	189	290	53%
Depreciation of right-of-use assets	135	368	173%
Net impairment losses on trade and other receivables	4	1	-77%
Net loss on sale of property, plant and equipment	6	5	-23%
Total cost of sales, selling and marketing costs and administrative expenses	30,542	24,955	-18%

"Pass through" cost items

Infrastructure and locomotive tariffs: loaded trips

Infrastructure and locomotive tariffs: loaded trips is in principle a "pass through" cost item for the Group¹⁵ and is reflected in equal amounts in both the Group's Total revenue and Cost of sales. This cost item decreased 53% year on year to RUB 5,280 million in the first six months of 2020 largely reflecting the change in the proportion of clients that pay infrastructure and locomotive tariffs: loaded trips through the Group.

¹⁵ Under contracts where the RZD tariff is borne by the Group, the Group has a contractual relationship with the client. The Group sets the terms of the transactions, such as selling and payment terms and, in some cases, bears credit risk and controls the flow of receipts and payments.

Services provided by other transportation organisations

Services provided by other transportation organisations is in principle a “pass through” cost item for the Group and is reflected in equal amounts in both the Group’s Total revenue and Cost of sales and includes tariffs that the Group pays to third-party rail operators for subcontracting their rolling stock (Engaged Fleet).

Services provided by other transportation organisations were down 26% year on year to RUB 1,238 million in the first six months of 2020 principally due to decreased costs associated with the engagement of third-party fleet.

Total Operating Cash Costs

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

Efficient cost optimisation measures held the increase in the Group’s Total Operating Cash Costs to just 1% year on year rising to RUB 14,389 million in the first six months of 2020 due to a combination of factors described below.

The following table provides a breakdown of the Total Operating Cash Costs for the six months ended 30 June 2020 and 2019.

	H1 2020 % of total	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Empty Run Costs	56%	7,194*	8,012*	11%
Repairs and maintenance	15%	2,125	2,127	0%
Employee benefit expense	12%	2,024	1,751	-13%
Fuel and spare parts - locomotives	6%	897	875	-3%
Infrastructure and Locomotive Tariffs - Other Tariffs	4%	479*	516*	8%
Expense relating to short-term leases - rolling stock	3%	457	379	-17%
Engagement of locomotive crews	2%	371	241	-35%
Other Operating Cash Costs	3%	683	488	-29%
Total Operating Cash Costs	100%	14,231	14,389	1%

Empty Run Costs

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

Empty Run Costs accounted for 56% of the Group’s Total Operating Cash Costs in the first six months of 2020. This cost item increased 11% year on year to RUB 8,012 million* in the first six months of 2020 due to a combination of the following factors:

- A 4.9% year-on-year rise in the Group’s Freight Rail Turnover (excluding Engaged Fleet).
- A 3.5% increase in regulated RZD tariffs for the traction of empty railcars.
- An increase in Total Empty Run Ratio (for all types of rolling stock) to 52% (H1 2019: 51%) on the back of substantial volatility in client cargo flows and the routes due to the unprecedented COVID-19 lockdowns.
- A rise in Share of Empty Run Kilometers paid by Globaltrans to 99% (H1 2019: 90%) largely due to changes in the cargo mix and gondola segment headwinds.

Repairs and maintenance

Repairs and maintenance costs, which comprised 15% of the Group’s Total Operating Cash Costs in the first six months of 2020, remained stable year on year at RUB 2,127 million with a higher number of current repairs and associated costs along with increased prices for locomotive repairs offset by the decline in depo repair expenses and certain spare parts costs.

Employee benefit expense

Employee benefit expense, comprising 12% of the Group’s Total Operating Cash Costs, decreased 13% year on year to RUB 1,751 million in the first six months of 2020. An 8% year-on-year increase in average headcount

reflecting the move to having in-house locomotive crews and inflation driven growth in wages and salaries were more than offset by the reduction in bonuses.

Fuel and spare parts - locomotives

Fuel and spare parts - locomotives expenses, which accounted for 6% of the Group's Total Operating Cash Costs, were RUB 875 million in the first six months of 2020, 3% lower compared to the same period the previous year, reflecting lower fuel consumption on the back of volume volatility in the oil products and oil segment.

Infrastructure and Locomotive Tariffs - Other Tariffs

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

Infrastructure and Locomotive Tariffs - Other Tariffs, representing 4% of the Group's Total Operating Cash Costs, were RUB 516 million* in the first six months of 2020, up 8% year on year, impacted by the rise in regulated RZD tariffs and the increased costs of relocating rolling stock due to volatility in client demands and logistics.

Expense relating to short-term leases - rolling stock

In the first six months of 2020, the Expense relating to short-term leases - rolling stock was down 17% year on year to RUB 379 million, comprising 3% of the Group's Total Operating Cash Costs. The decrease in this cost item largely reflected the decline in the number of rolling stock leased over the period under short-term lease contracts.

Engagement of locomotive crews

Costs related to the engagement of locomotive crews from RZD (2% of the Group's Total Operating Cash Costs) were 35% lower year on year at RUB 241 million in the first six months of 2020 following the decline in outsourcing hours for locomotive crews as the Group increased its usage of in-house crews.

Other Operating Cash Costs

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

The following table provides a breakdown of the Other Operating Cash Costs for the six months ended 30 June 2020 and 2019.

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Expense relating to short-term leases - office	80	57	-29%
Auditors' remuneration	21	22	4%
Legal, consulting and other professional fees	25	22	-10%
Advertising and promotion	17	12	-26%
Communication costs	16	13	-20%
Information services	10	8	-17%
Expense relating to short-term leases - tank containers	-	9	NM
Taxes (other than on income and value added taxes)	12	9	-22%
Other expenses	502	335	-33%
Other Operating Cash Costs	683	488	-29%

Other Operating Cash Costs, which represented 3% of the Group's Total Operating Cash Costs, dropped 29% to RUB 488 million in the first six months of 2020 compared to the same period the previous year, largely reflecting cost optimisation measures.

Total Operating Non-Cash Costs

Total Operating Non-Cash Costs (a non-GAAP financial measure) include the following cost items: "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Loss on derecognition arising on capital repairs", "Depreciation of right-of-use assets", "Net impairment losses on trade and other receivables", "Impairment/(reversal of impairment) of property, plant and equipment" and "Net (gain)/loss on sale of property, plant and equipment".

The following table provides a breakdown of the Total Operating Non-Cash Costs for the six months ended 30 June 2020 and 2019.

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Depreciation of property, plant and equipment	2,754	3,325	21%
Amortisation of intangible assets	348	59	-83%
Loss on derecognition arising on capital repairs ¹⁶	189	290	53%
Depreciation of right-of-use assets	135	368	173%
Net loss on sale of property, plant and equipment	6	5	-23%
Net impairment losses on trade and other receivables	4	1	-77%
Total Operating Non-Cash Costs	3,436	4,048	18%

Total Operating Non-Cash Costs increased 18% year on year to RUB 4,048 million in the first six months of 2020, largely due to the following factors:

- A 21% year-on-year rise in Depreciation of property, plant and equipment on the back of asset expansion principally during 2019.
- A 53% year-on-year increase in Loss on derecognition arising on capital repairs due to a rise in the number of scheduled capital repairs.
- A 173% year-on-year rise in Depreciation of right-of-use assets on the back of a rise in the average number of rolling stock leased-in under contracts exceeding a twelve-month period.
- These were partially offset by an 83% year-on-year decline in Amortisation of intangible assets reflecting full amortisation of intangible assets linked to the service contract with MMK.

Adjusted EBITDA (non-GAAP financial measure)

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

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

The Group's Adjusted EBITDA in the first six months of 2020 was RUB 14,656 million, down 27% on the same period the previous year. The Adjusted EBITDA Margin narrowed to 51% in the first six months of 2020 from 59% in the same period the previous year following a 16% year-on-year decline in Adjusted Revenue and a 1% year-on-year increase in Total Operating Cash Costs.

The following table provides details on Adjusted EBITDA for the six months ended 30 June 2020 and 2019, and its reconciliation to EBITDA and Profit for the period.

¹⁶ The cost of each major periodic capital repair (including the replacement of significant components) is recognised in the carrying amount of the relevant item of rolling stock repaired and separately depreciated. Simultaneously, the carrying amount of the repaired rolling stock that is attributable to the previous periodic capital repair and/or significant component replacement, if any, is derecognised and debited in "Cost of sales" in the income statement as "Loss on derecognition arising on capital repairs" for the period during which the repair was carried out.

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Profit for the period	11,993	7,050	-41%
<i>Plus (Minus)</i>			
Income tax expense	3,563	2,348	-34%
Finance costs - net	1,164	1,079	-7%
Net foreign exchange transaction (losses)/gains on financing activities	(276)	54	NM
Amortisation of intangible assets	348	59	-83%
Depreciation of right-of-use assets	135	368	173%
Depreciation of property, plant and equipment	2,754	3,325	21%
EBITDA	19,681	14,282	-27%
<i>Minus (Plus)</i>			
Loss on derecognition arising on capital repairs	(189)	(290)	53%
Net foreign exchange transaction (losses)/gains on financing activities	(276)	54	NM
Other losses - net	(49)	(133)	172%
Net loss on sale of property, plant and equipment	(6)	(5)	-23%
Adjusted EBITDA	20,202	14,656	-27%

Finance income and costs

The following table provides a breakdown of Finance income and costs for the six months ended 30 June 2020 and 2019.

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
<i>Interest expense:</i>			
Bank borrowings	(692)	(737)	6%
Non-convertible bonds	(337)	(402)	19%
Loans to third parties	-	(5)	NM
Other interest expense	(6)	(2)	-69%
Total interest expense calculated using the effective interest rate method	(1,035)	(1,146)	11%
Leases with financial institutions	(87)	(74)	-14%
Other lease liabilities	(50)	(67)	32%
Total interest expense	(1,172)	(1,287)	10%
Other finance costs	(45)	(21)	-52%
Total finance costs	(1,217)	(1,308)	7%
<i>Interest income:</i>			
Bank balances	58	134	130%
Short term deposits	251	22	-91%
Loans to third parties	0.4	0.1	-78%
Total interest income calculated using the effective interest rate method	310	156	-50%
Finance leases	19	19	0%
Total finance income	329	175	-47%
Net foreign exchange transaction gains/(losses) on borrowings and other liabilities	43	(4)	NM
Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets	(320)	58	NM
Net foreign exchange transaction (losses)/gains on financing activities	(276)	54	NM
Net finance costs	(1,164)	(1,079)	-7%

Finance costs

Total finance costs grew 7% year on year to RUB 1,308 million in the first six months of 2020 following a rise in the Group's average level of total borrowings over the period.

Finance income

In the first six months of 2020, the Group's Total finance income decreased 47% year on year to RUB 175 million, mainly due to the decrease in the amount of short term deposits partially offset by an increase in the amount of bank balances.

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

In the first six months of 2020 the Group had Net foreign exchange transaction gains on financing activities of RUB 54 million compared to Net foreign exchange transaction losses on financing activities of RUB 276 million in the same period the previous year, primarily resulting from foreign exchange volatility on the available cash and cash equivalents denominated in foreign currency.

Profit before income tax

The Group reported Profit before income tax of RUB 9,398 million in the first six months of 2020, a decline of 40% compared to the same period the previous year, reflecting:

- A 37% year-on-year decrease in the Group's Operating profit to RUB 10,477 million, resulting primarily from the factors described above.
- Partially offset by a 7% year-on-year decrease in Net finance costs to RUB 1,079 million.

Income tax expense

Income tax expense decreased 34% year on year to RUB 2,348 million in the first six months of 2020 reflecting a 40% year-on-year decline in Profit before income tax.

The estimated average interim tax rate used for the first six months of 2020 is 24.98% (H1 2019: 22.90%). Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The increase in the weighted average annual income tax rate mainly reflects the increase in Estonian tax incurred due to a dividend payment by one of the Estonian subsidiaries of the Company during the first six months of 2020 and a higher provision for withholding tax for intra-group dividends.

Profit for the period

The Group's Profit for the period was 41% lower year on year at RUB 7,050 million reflecting the factors described above.

Profit for the period attributable to the owners of the Company was down 43% year on year to RUB 6,298 million.

LIQUIDITY AND CAPITAL RESOURCES

In the first six months of 2020, the Group's capital expenditure consisted primarily of maintenance CAPEX (including capital repairs) and the selective acquisition of rolling stock.

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

The Group manages its liquidity based on expected cash flows. As at 30 June 2020, the Group had Net Working Capital of RUB 6,132 million*. Given its anticipated operating cash flow and borrowings, the Group believes that it has sufficient working capital to operate successfully.

Cash flows

The following table sets out the principal components of the Group's condensed consolidated interim cash flow statement for the six months ended 30 June 2020 and 2019.

	H1 2019 RUB mln	H1 2020 RUB mln
Cash flows from operating activities	20,160	14,533
<i>Changes in working capital:</i>	(736)	(741)
<i>Inventories</i>	55	(53)
<i>Trade receivables</i>	(174)	(370)
<i>Other assets</i>	309	1,047
<i>Other receivables</i>	(20)	(185)
<i>Trade and other payables</i>	(299)	(623)
<i>Contract liabilities</i>	(607)	(557)
Cash generated from operations	19,424	13,791
Tax paid	(3,155)	(1,848)
Net cash from operating activities	16,270	11,943
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,065)	(3,338)
Proceeds from disposal of property plant and equipment	27	14
Loan repayments received from third parties	3	-
Interest received	322	173
Receipts from finance lease receivable	51	27
Net cash used in investing activities	(6,663)	(3,124)
Cash flows from financing activities		
Net cash inflows (outflows) from borrowings and financial leases:	3,453	(182)
<i>Proceeds from bank borrowings</i>	4,426	12,775
<i>Proceeds from issue of non-convertible unsecured bonds</i>	5,000	-
<i>Repayments of borrowings</i>	(5,728)	(11,242)
<i>Principal elements of lease payments for leases with financial institutions</i>	(244)	(1,716)
Principal elements of lease payments for other lease liabilities	(102)	(349)
Interest paid on bank borrowings and non-convertible unsecured bonds	(863)	(1,181)
Interest paid on leases with financial institutions	(88)	(81)
Interest paid on other lease liabilities	(44)	(68)
Dividends paid to non-controlling interests in subsidiaries	(680)	(773)
Dividends paid to owners of the Company	(8,311)	(8,320)
Payments from non-controlling interests fro share capital increase of subsidiary	200	-
Payments to non-controlling interest	(305)	(166)
Net cash used in financing activities	(6,741)	(11,121)
Net increase/(decrease) in cash and cash equivalents	2,866	(2,301)
Effect of exchange rate changes on cash and cash equivalents	(259)	36
Cash and cash equivalents at beginning of period	7,130	6,522
Cash and cash equivalents at end of period	9,737	4,257

Net cash from operating activities

Net cash from operating activities decreased 27% year on year to RUB 11,943 million, due to the following factors:

- Cash generated from operations (after “Changes in working capital”) decreased 29% year on year to RUB 13,791 million, largely reflecting a weak gondola segment pricing environment.
- Tax paid was 41% lower year on year at RUB 1,848 million mainly as a result of the year-on-year decrease in the taxable profits in the reporting period.

Net cash used in investing activities

Net cash used in investing activities decreased 53% year on year to RUB 3,124 million reflecting a targeted decline in the capital expenditure for expansion in the reporting period. Purchases of property, plant and equipment (on a cash basis; including maintenance CAPEX) were down 53% year on year to RUB 3,338 million resulting largely from a 78% year-on-year decline in expansion CAPEX.

Net cash used in financing activities

Net cash used in financing activities increased 65% year on year to RUB 11,121 million in the first six months of 2020. This was due to a combination of the following factors:

- In the first six months of 2020 the Group completed sizeable refinancing of its debt portfolio in order to improve the average weighted interest rate (brought down to 7.2% at 30 June 2020 compared to 8.1% as of 31 December 2019).
- The Group booked RUB 182 million of Net cash outflows from borrowings and finance leases¹⁷ in the first six months of 2020 compared to RUB 3,453 million of Net cash inflows in the same period the previous year.
- Interest paid (including “Interest paid on bank borrowings and non-convertible unsecured bonds” and “Interest paid on leases with financial institutions”) increased 33% year on year to RUB 1,262 million in the first six months of 2020 due to the rise in the average level of the Group’s total borrowings over the reporting period. At the same time, the Group’s Total Debt decreased 1% compared to the level at the end of 2019.
- The level of interim dividends paid to owners of the Company remained stable year on year and amounted to RUB 8,320 million in the first six months of 2020.
- Dividends paid to non-controlling interests in subsidiaries increased 14% year on year to RUB 773 million in the first six months of 2020.

Free Cash Flow

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

The Group’s Free Cash Flow¹⁸ remained strong in the first six months of 2020 at RUB 6,927 million (down 15% year on year) which mostly related to the combination of factors below.

- Cash generated from operations (after “Changes in working capital”) decreased 29% or RUB 5,633 million year on year to RUB 13,791 million, partially offset by:
- a 53% or RUB 3,728 million year-on-year targeted decrease in Total CAPEX (including maintenance CAPEX)¹⁸ to RUB 3,338 million; and a 41% or RUB 1,307 million year-on-year decrease in Tax paid to RUB 1,848 million as described above.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for the six months ended 30 June 2020 and 2019, and its reconciliation to Cash generated from operations.

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Cash generated from operations (after “Changes in working capital”)	19,424	13,791	-29%
Total CAPEX (including maintenance CAPEX) ¹⁸	(7,065)	(3,338)	-53%
Tax paid	(3,155)	(1,848)	-41%
Interest paid on bank borrowings and non-convertible unsecured bonds	(863)	(1,181)	37%
Principal elements of lease payments for other lease liabilities	(102)	(349)	243%
Interest paid on leases with financial institutions	(88)	(81)	-9%
Interest paid on other lease liabilities	(44)	(68)	53%
Free Cash Flow¹⁸	8,107	6,927	-15%
<i>Minus</i>			
Adjusted Profit Attributable to Non-controlling Interests	904	752	-17%
Attributable Free Cash Flow¹⁸	7,203	6,174	-14%

¹⁷ Net cash inflows (outflows) from borrowings and financial leases (a non-GAAP financial measure) defined as the balance between the following line items: “Proceeds from bank borrowings”, “Proceeds from issue of non-convertible unsecured bonds”, “Repayments of borrowings” and “Principal elements of lease payments for leases with financial institutions”.

¹⁸ Free Cash Flow, Attributable Free Cash Flow and Total CAPEX are presented net of principal elements of lease payments for leases with financial institutions for both periods (H1 2019 and H1 2020). During the first six months of 2020 the entire financial lease portfolio was refinanced to bilateral loans, therefore principal elements of lease payments were eliminated from both periods for comparison purposes.

Capital expenditure

Total CAPEX (a non-GAAP financial measure) calculated on a cash basis as the sum of "Purchases of property, plant and equipment" (which includes maintenance CAPEX), "Purchases of intangible assets", "Acquisition of subsidiary undertakings - net of cash acquired" and "Principal elements of lease payments for leases with financial institutions" (as part of the capital expenditures was financed with a finance lease).

The Group's Total CAPEX¹⁹ (on a cash basis, including maintenance CAPEX) decreased 53% to RUB 3,338 million²⁰ in the first six months of 2020, compared to the same period the previous year. The decrease in capital expenditures was primarily due to the following factors:

- Maintenance CAPEX was 16% lower year on year at RUB 2,396 million* as the stockpiling of wheel pairs in the second half of 2019 at an advantageous price more than offset the cost inflation in wheel pairs in the first six months of 2020.
- A 78% year-on-year targeted cut in expansion CAPEX to RUB 942 million* on a cash basis, including the purchase of 300 flat cars to support the growing niche business of freight rail transportation of specialised containers (petrochemicals and high grade steel)²¹.

The following table sets out the principal components of the Group's Total CAPEX for the six months ended 30 June 2020 and 2019.

	H1 2019 RUB mln	H1 2020 RUB mln	Change %
Purchase of property, plant and equipment	7,065	3,338	-53%
Purchase of intangible assets	-	-	-
Total CAPEX¹⁹	7,065	3,338	-53%
<i>Not included</i>			
<i>Principal elements of lease payments for leases with financial institutions¹⁹</i>	244	1,716	602%

Capital resources

As of 30 June 2020, the Group's financial indebtedness consisted of borrowings and non-convertible unsecured bonds for an aggregate principal amount of RUB 29,869 million (including accrued interest of RUB 355 million*).

Under IFRS 16, Other lease liabilities of RUB 1,442 million was recognised on the balance sheet as of 30 June 2020²² which primarily related to the long-term leasing of offices and certain rolling stock.

The Group's Net Debt was RUB 25,612 million as of 30 June 2020, 9% higher than at the end of 2019.

The following table sets out details on the Group's total debt, Net Debt and Net Debt to LTM Adjusted EBITDA at 30 June 2020 and 31 December 2019, and the reconciliation of Net Debt to Total debt.

	As of 31 December 2019 RUB mln	As of 30 June 2020 RUB mln	Change %
Total debt	30,095	29,869	-1%
<i>Minus</i>			
Cash and cash equivalents	6,522	4,257	-35%
Net Debt	23,574	25,612	9%
Net Debt to LTM Adjusted EBITDA	0.60	0.75²³	-

¹⁹ Total CAPEX is presented net of principal elements of lease payments for leases with financial institutions for both periods (H1 2019 and H1 2020). During the first six months of 2020 the entire financial lease portfolio was refinanced to bilateral loans, therefore principal elements of lease payments were eliminated from both periods for comparison purposes.

²⁰ The Group's capital expenditure (including maintenance CAPEX) on an accrual basis was RUB 5,183 million in the first six months of 2020 (H1 2019: RUB 6,843 million). The difference between capital expenditure given on a cash basis and on an accrual basis is principally because of a time lag between prepayments for and delivery of rolling stock.

²¹ In the first six months of 2019 the Group acquired on a cash basis 1,098 units (including 8 mainline diesel locomotives).

²² Not included in Total debt.

²³ Net Debt to Adjusted EBITDA for the twelve months ended 30 June 2020.

Rouble-denominated borrowings accounted for 100% of the Group's debt portfolio as of 30 June 2020. The Russian rouble is the functional currency of the Company.

The weighted average effective interest rate improved to 7.2% as of 30 June 2020 compared to 8.1% as of the end of 2019. The vast majority of the Group's debt had fixed interest rates as of the end of the reporting period.

The Group has a balanced maturity profile supported by the Group's robust cash flow generation, available cash and cash equivalents, as well as undrawn borrowing facilities of RUB 13,660 million as of 30 June 2020.

The following table gives the maturity profile of the Group's borrowings (including accrued interest of RUB 355 million*) as of 30 June 2020.

	As of 30 June 2020 RUB mln
Q3 2020	2,349*
Q4 2020	2,140*
Q1 2021	2,195*
Q2 2021	2,131*
H2 2021	4,381*
2022	9,773*
2023	5,157*
2024-25	1,741*
Total	29,869

PRESENTATION OF INFORMATION

The information in this announcement is subject to verification, completion and change. Accordingly, no representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its shareholders, directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this announcement. None of the Company nor any of its shareholders, directors, officers or any other person accepts any liability whatsoever for any loss howsoever arising from any use of the contents of this announcement or otherwise arising in connection therewith. This announcement does not constitute an offer or an advertisement of any securities in any jurisdiction.

The financial information contained in this announcement is derived from the condensed consolidated interim financial information (unaudited) of Globaltrans Investment PLC ("the Company" or, together with its consolidated subsidiaries, "Globaltrans" or "the Group") as at and for the six months ended 30 June 2020 and 2019 and prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the consolidated Management report and consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap. 113.

The Group's condensed consolidated interim financial information (unaudited), selected operational information as at and for the six months ended 30 June 2020 and 2019 along with historical financial and operational information are available at Globaltrans' corporate website (www.globaltrans.com).

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

In this announcement, the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as "non-GAAP measures") as supplemental measures of the Group's operating 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.

The Company also reports certain operational information to illustrate the changes in the Group's operational and financial performance during the reporting periods.

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

Information (non-GAAP financial and operating measures) requiring additional explanation or defining is marked with initial capital letters and the explanations or definitions are provided at the end of this announcement. Reconciliations of the non-GAAP measures to the closest EU IFRS measures are included in the body of this announcement.

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

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

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

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Freight Rail Turnover is a measure of freight carriage activity over a particular period calculated as the sum of tonnage of each loaded trip multiplied by the distance of each loaded trip, expressed in tonnes-km. It excludes volumes transported by Engaged Fleet (unless otherwise stated) and the performance of the specialised container transportation business.

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

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

Leased-out Fleet is defined as fleet leased out to third parties under operating leases (excluding flat cars and containers used in specialised container transportation).

Leverage Ratio or Net Debt to Adjusted EBITDA (a non-GAAP financial measure) is the ratio of Net Debt on the last day of a particular financial period to Adjusted EBITDA in respect of the twelve months to the end of that same period.

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

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

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

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

Net Working Capital (a non-GAAP financial measure) is calculated as the sum of the current portions of “Inventories”, “Current income tax assets”, “Trade receivables - net”, “Other receivables - net” (“Other

receivables - third parties” and “Other receivables - related parties” net of “Provision for impairment of other receivables”), “Prepayments - third parties”, “Prepayments - related parties” and “VAT recoverable”, less the sum of the current portions of “Trade payables - third parties”, “Trade payables - related parties”, “Other payables - third parties”, “Other payables - related parties”, “Accrued expenses”, “Accrued key management compensation, including share based payment”, “Contract liabilities” and “Current tax liabilities”.

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

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

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

Total CAPEX (a non-GAAP financial measure) calculated on a cash basis as the sum of “Purchases of property, plant and equipment” (which includes maintenance CAPEX), “Purchases of intangible assets”, “Acquisition of subsidiary undertakings - net of cash acquired” and “Principal elements of lease payments for leases with financial institutions” (as part of the capital expenditures was financed with a finance lease).

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

Total Operating Non-Cash Costs (a non-GAAP financial measure) include the following cost items: “Depreciation of property, plant and equipment”, “Amortisation of intangible assets”, “Depreciation of right-of-use assets”, “Loss on derecognition arising on capital repairs”, “Net impairment losses on trade and other receivables”, “Impairment/(reversal of impairment) of property, plant and equipment ” and “Net (gain)/loss on sale of property, plant and equipment”.

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

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

Transportation Volume is a measure of freight carriage activity over a particular period, measuring weight of cargo carried in million tonnes. It excludes volumes transported by Engaged Fleet (unless otherwise stated) and the performance of the specialised container transportation business.

LEGAL DISCLAIMER

This announcement may contain forward-looking statements regarding future events or the future financial performance of the Company. You can identify forward looking statements by terms such as “expect”, “believe”, “estimate”, “anticipate”, “intend”, “will”, “could”, “may”, or “might”, the negative of such terms or other similar expressions. These forward-looking statements include matters that are not historical facts and statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Company operates. By their nature, forward looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions you that forward-looking statements are not guarantees of future performance and that the Company’s actual results of operations, financial condition, liquidity, prospects, growth, strategies and the

development of the industry in which the Company operates may differ materially from those described in or suggested by the forward-looking statements contained in this announcement. In addition, even if the Company's results of operations, financial condition, liquidity, prospects, growth strategies and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in future periods. The Company does not intend to update this announcement or reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause actual results to differ materially from those contained in forward looking statements of the Company, including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, market changes in the Russian freight rail market, as well as many of the risks specifically related to the Company and its operations. No reliance may be placed for any purposes whatsoever on the information contained in this announcement or on its completeness, accuracy or fairness.