



Russia's Leading Private
Freight Rail Group

For immediate release

1 April 2019

Globaltrans Investment PLC

Full-Year 2018 Results, Final and Special Final Dividends proposed

Globaltrans Investment PLC (the "Company" and together with its consolidated subsidiaries "Globaltrans" or the "Group"), (LSE ticker: GLTR) today announces its financial and operational results for the year ended 31 December 2018 along with the proposed final and special final 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

- Significant rise in 2018 revenues and profits; better pricing and cost control supported margin expansion;
- Adjusted EBITDA up 28% year on year to RUB 33.1 billion, Adjusted EBITDA Margin improved to 54%;
- Owned Fleet increased 7% to support two new long-term contract wins; Total Fleet at a record 69,023 units, setting strong platform for 2019;
- Leverage held at a low level with Net Debt to Adjusted EBITDA at 0.56x reflecting strong cash generation and Free Cash Flow despite significant rise in CAPEX;
- Final and special final dividends of a combined RUB 8.3 billion (RUB 46.5 per share/GDR) proposed, for an above target total shareholder payment for 2018 of RUB 16.5 billion (RUB 92.4 per share/GDR¹);
- Total first-half 2019 interim dividend of RUB 8.3 billion targeted.

Commenting on Globaltrans' results for 2018, CEO Valery Shpakov said: "This has been an outstanding year for Globaltrans. These record results demonstrate that we can control costs, generate cash and deliver robust operational performance. It is this combination that allows us to invest into business development, provide shareholders with such attractive returns while keeping our leverage low. Long-term industry fundamentals remain strong which I believe will create further development opportunities for the Group. By expanding our fleet during 2018 to support our new contract wins, we have set a strong platform as we head into 2019."

Chairman and Chief Strategy Officer Sergey Maltsev added: "We are very proud that 2018 marks Globaltrans' 10th year as a London-listed company. Our ability to continuously deliver in terms of financial performance, operational success and rewards for shareholders is evident in these results and show that the strategy we have built over the decade is the right one. We have set industry standards, developed first-class services and created value for customers, shareholders and employees. By controlling costs and generating high levels of cash, we were again in a position to propose generous dividends for 2018. This year has begun well and, provided the current outlook for the sector remains broadly unchanged, the Board is targeting a total

¹ Global Depository Receipt ("GDR"); The total shareholder payments in respect of 2018 include the already paid interim and special interim dividends in the amount of RUB 8.2 billion and proposed final and special final dividends in the amount of RUB 8.3 billion.

interim dividend of RUB 8.3 billion for the first half of 2019 as we continue to focus on delivering strong shareholder returns alongside a robust overall performance.”

FINANCIAL AND OPERATIONAL PERFORMANCE

Strong financial performance, margin expansion achieved and low leverage maintained.

- Total revenue increased 11% year on year to RUB 86.8 billion;
- Adjusted Revenue rose 17% year on year to RUB 60.9 billion supported by strong market conditions;
- Cost discipline maintained despite inflationary pressures with the rise in Total Operating Cash Costs at 6% year on year;
- Operating profit was up 33% year on year to RUB 26.9 billion;
- Strict cost control alongside strong revenue growth drove an expansion in the Adjusted EBITDA Margin to 54% (2017: 50%) leading to a 28% year-on-year increase in Adjusted EBITDA to RUB 33.1 billion;
- Profit for the year rose 42% year on year to RUB 19.6 billion;
- Cash generated from operations increased 19% year on year to RUB 32.6 billion. Free Cash Flow remained robust at RUB 12.3 billion despite the substantial increase in Total CAPEX² (RUB 12.9 billion, up 165% year on year);
- Leverage held at a low level with Net Debt to Adjusted EBITDA at 0.56x (2017 end: 0.44x). Net Debt rose 64% year on year to RUB 18.6 billion mostly reflecting significantly increased CAPEX. Nearly 100% of debt is denominated in RUB, the Company’s functional currency.

Strong dividend payments proposed reflecting solid Attributable Free Cash Flow and low Leverage.

- The Board has proposed final and special final dividends to shareholders of a combined RUB 8.3 billion or RUB 46.5 per share/GDR³;
- The total shareholder payment in respect of 2018 will be ahead of target at RUB 16.5 billion or RUB 92.4 per share/GDR (including the already paid interim and special interim and proposed final and special final dividends), a 3% increase compared to the total payment in respect of 2017;
- Final dividend payments are subject to shareholders’ approval at the Annual General Meeting called for 22 April 2019;
- The shareholder dividend record date is set as 18 April 2019. The GDRs will be marked as ex-dividend on 17 April 2019.

Robust operational performance with extended portfolio of long-term contracts, increased average pricing and sizeable rise in Owned Fleet.

- New long-term contracts are already delivering benefits.
 - New five-year contracts signed with TMK⁴ and ChelPipe Group⁵, which are both leading manufacturers of pipe products;
 - Both contracts envisage significant increases in serviced volumes to 70% of client’s freight rail transportation needs and perfectly complement Globaltrans’ logistics patterns;

² 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 “Finance lease principal payments” (as a part of the capital expenditures was financed with a finance lease).

³ Subject to shareholders’ approval, final and special final dividends will be paid in USD with conversion from RUB to be executed at the official exchange rate for RUB of the Central Bank of Russia as of 19 April 2019. The respective Annual General Meeting was called for 22 April 2019.

⁴ TMK is a leading global manufacturer and supplier of steel pipes for the oil and gas industry, operating 27 production sites in the United States, Russia, Canada, Romania, Oman and Kazakhstan.

⁵ ChelPipe Group is a leading Russian manufacturer of pipe products and provides integrated solutions for fuel and energy companies.

- Operations with both clients sizeably expanded since start of contracts with combined volumes for both clients up 40% in the second half of 2018 compared to the first half of the same year;
 - 60% of Net Revenue from Operation of Rolling Stock was contributed by long-term contracts in 2018 (Rosneft, Metalloinvest, MMK, TMK and ChelPipe Group).
- Continued strong pricing.
 - Better pricing reflected in 20% year-on-year rise in Average Price per Trip to RUB 41,859 primarily due to the strong gondola market and slightly improved pricing in the rail tank car segment.
- Increased fleet underpins new contracts, setting strong platform for 2019.
 - Owned Fleet increased 7% compared to the end of 2017 to 65,405 units with Total Fleet at a record 69,023 units;
 - 4,747 units (mostly gondola cars)⁶ were acquired in 2018 compared to 1,332 units in the previous year with all additional units put into operation during 2018;
 - Fleet rebalancing successfully completed with purchases of gondola cars over 2018 more than offsetting a reduction in expensive leased-in gondola fleet. Share of Owned Fleet rose to 95% compared to 92% at the end of 2017.
- Operational excellence maintained.
 - Empty Run Ratio for gondola cars stood at 38% (2017: 37%) with Total Empty Run Ratio at 46% (2017: 45%);
 - Share of Empty Run Kilometers paid by Globaltrans rose to 89% (2017: 86%) due to changes in logistics patterns of some clients.
- Transportation Volumes and Freight Rail Turnover came under pressure (down 4% and 9% year on year respectively)⁷ impacted by the gondola fleet rebalancing, changed client logistics and a reduction in average speeds on the Russian Railways ("RZD") rail network.
 - Bulk cargo volumes affected by a temporary 2% year-on-year reduction in the average gondola fleet operated (due to intentional substitution of expensive leased-in gondola cars with newly acquired units commissioned in 2018);
 - Changed client logistics contributed to a 4% year-on-year reduction in Average Distance of Loaded Trip;
 - Average Number of Loaded Trips per Railcar decreased 4% year on year largely due to a reduction in average speeds on the RZD rail network over the course of 2018, caused by ongoing major rail infrastructure modernisation projects.
- Improved performance of oil products and oil segment.
 - The rail tank fleet in operation was increased by transferring some leased-out units into operation and increasing the number of leased-in rail tank cars;
 - Freight Rail Turnover⁷ and Net Revenue from operation of rail tank cars increased 3% and 12% year on year respectively.

MARKET OVERVIEW

Market backdrop remains positive with further rise in demand.

- The overall freight rail turnover in Russia rose 4% year on year in 2018 with transportation volumes up 2% year on year;
- Bulk cargoes again drove growth in 2018 largely on the back of increased transportation volumes of coal (up 4% year on year) and metallurgical cargoes (up 5% year on year)⁸. Rising demand absorbed the net

⁶ In 2018, the Group acquired 4,747 units (including 3,862 gondola cars, 481 flat cars and 404 containers) and disposed of 592 units, of which 334 were written off.

⁷ Excluding Engaged Fleet.

⁸ Coal including coke; Metallurgical cargoes including ferrous metals, scrap metal and ores.

increase in overall gondola capacity of about 7% or 33,000 units during 2018⁹. Strong customer demand and tight gondola availability supported continued favorable pricing conditions in the gondola segment;

- The segment for rail transportation of oil products and oil stabilised with volumes slightly higher compared to the previous year. The market continues to benefit from the scrappage of old capacity combined with a very low level of new additions (net capacity down about 2% or 6,000 units over 2018)⁹. The pricing environment in this segment improved slightly.

OUTLOOK

Management targeting moderate demand-based investments and attractive interim dividend in respect of first half 2019.

- Industry outlook generally positive.
 - Favorable market environment continued into 2019; market performance during the year will be dependent on economic conditions;
 - Long-term industry fundamentals remain strong supported by the ongoing modernisation of rail infrastructure and plans to increase production of key industrial commodities.
- Focus on cost management and operational efficiency.
 - Mitigating continued pressure on costs related to higher regulated RZD tariffs for the traction of empty rail cars¹⁰ and increased costs for certain spare parts;
 - Adapting fleet management to meet changed client logistics patterns and demand on more profitable routes. This is likely to result in an increased Empty Run Ratio for gondola cars to over 40% which is reflected in the commercial terms with clients.
- Moderate demand-based investments subject to strict return criteria.
 - Gondola car investment expected to be limited, demand-lead and subject to prices for new rolling stock;
 - Further development of niche projects with a combined acquisition of about 1,500 flat cars and specialised containers anticipated for 2019;
 - Up to 10 new diesel locomotives expected to be acquired in 2019 for fleet modernisation purposes;
 - Increased maintenance CAPEX expected in 2019 largely reflecting a scheduled rise in the number of changes of wheel pairs and an increase in the cost of certain spare parts.
- Attractive interim dividend targeted in respect of the first half of 2019.
 - Prudent capital allocation to be maintained providing attractive shareholder returns subject to leverage;
 - A total interim dividend (regular and special) of RUB 8.3 billion is targeted in respect of the first half of 2019 provided the current outlook for the sector remains broadly unchanged.

DOWNLOADS

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

⁹ Estimated by the Company.

¹⁰ RZD regulated infrastructure tariff for the traction of empty railcars increased 9.77% year on year for gondola cars and 3.56% year on year for all other types of railcars from the beginning of 2019.

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: Monday, 1 April 2019

Time: 11.30 London / 06.30 New York (EDT) / 13.30 Moscow

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

UK toll free: 0808 109 0700

International: +44 20 3003 2666

As there will be simultaneous translation for the first part of the call (slide presentation), you should state whether you prefer to listen in English or Russian. During the Q&A session, all participants will hear both languages. There will also be a webcast of the call available through the Globaltrans website (www.globaltrans.com). Please note that this will be a listen-only facility.

ENQUIRIES

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NOTES TO EDITORS

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

The Group had a Total Fleet of about 69 thousand units at the end of 2018. Universal gondola cars and rail tank cars constitute the backbone of the Group's fleet. About 95% of the Total Fleet is owned by the Group with an average age of 11 years.

In 2018, the Group's Freight Rail Turnover (including Engaged Fleet) was 158.9 billion tonnes-km with the total revenue amounting to RUB 86.8 billion.

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

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

RESULTS IN DETAIL

The following tables provide the Group's key financial and operational information for the years ended 31 December 2018 and 2017.

EU IFRS financial information

	2017 RUB mln	2018 RUB mln	Change %
Revenue	78,081	86,773	11%
Total cost of sales, selling and marketing costs and administrative expenses	(58,698)	(60,004)	2%
Operating profit	20,156	26,901	33%
Finance costs – net	(1,802)	(1,441)	-20%
Profit before income tax	18,354	25,460	39%
Income tax expense	(4,534)	(5,876)	30%
Profit for the year	13,820	19,583	42%
<i>Profit attributable to:</i>			
Owners of the Company	12,289	17,672	44%
Non-controlling interests	1,531	1,911	25%
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share)	68.75	98.87	44%

	2017 RUB mln	2018 RUB mln	Change %
Cash generated from operations	27,496	32,602	19%
Tax paid	(3,632)	(5,766)	59%
Net cash from operating activities	23,864	26,837	12%
Net cash used in investing activities	(4,028)	(10,645)	164%
Net cash used in financing activities	(19,171)	(14,003)	-27%

Non-GAAP financial information

	2017 RUB mln	2018 RUB mln	Change %
Adjusted Revenue	52,094	60,859	17%
<i>Including</i>			
Net Revenue from Operation of Rolling Stock	49,709*	57,474*	16%
Operating leasing from rolling stock	1,212	1,394	15%
Net Revenue from Engaged Fleet	173*	432*	149%
Other revenue	1,000	1,559	56%
Total Operating Cash Costs	26,303	27,894	6%
<i>Including</i>			
Empty Run Cost	12,154*	12,956*	7%
Employee benefit expense	3,426	4,367	27%
Repairs and maintenance	3,769	3,821	1%
Fuel and spare parts - locomotives	1,519	1,935	27%
Operating lease rentals - rolling stock	1,634	827	-49%
Adjusted EBITDA	25,789	33,070	28%
Adjusted EBITDA Margin, %	50%	54%	-
Total CAPEX	4,872	12,889	165%
Free Cash Flow	17,048	12,314	-28%
Attributable Free Cash Flow	15,517	10,403	-33%

Debt profile

	As of 31 December 2017	As of 31 December 2018	Change
	RUB mln	RUB mln	%
Total debt	16,331	25,729	58%
Cash and cash equivalents	4,966	7,130	44%
Net Debt	11,365	18,599	64%
Net Debt to Adjusted EBITDA (x)	0.44	0.56	-

Operational information

	2017	2018	Change, %
Freight Rail Turnover, billion tonnes-km (excl. Engaged Fleet)	160.1	146.2	-9%
Transportation Volume, million tonnes (excl. Engaged Fleet)	91.9	88.5	-4%
Freight Rail Turnover, billion tonnes-km (incl. Engaged Fleet)	178.2	158.9	-11%
Transportation Volume, million tonnes (incl. Engaged Fleet)	101.1	96.0	-5%
Average Price per Trip, RUB	34,790	41,859	20%
Average Rolling Stock Operated, units	53,584	53,562	0%
Average Distance of Loaded Trip, km	1,720	1,644	-4%
Average Number of Loaded Trips per Railcar	26.7	25.6	-4%
Total Empty Run Ratio (for all types of rolling stock), %	45%	46%	-
Empty Run Ratio for gondola cars, %	37%	38%	-
Share of Empty Run Kilometres paid by Globaltrans, %	86%	89%	-
Total Fleet, units (at year end), including:	66,692	69,023	3%
Owned Fleet, units (at year end)	61,250	65,405	7%
Leased-in Fleet, units (at year end)	5,442	3,618	-34%
Leased-out Fleet, units (at year end)	9,080	7,627	-16%
Average age of Owned Fleet, years (at year end)	11.1	11.0	-
Total number of employees (at year end)	1,594	1,549	-3%

Revenue

The Group's Total revenue rose 11% year on year to RUB 86,773 million in 2018, largely due to a 17% year-on-year increase in Adjusted Revenue. Net Revenue from Operation of Rolling Stock (a key component of Adjusted Revenue) rose 16% year on year reflecting the continued strong market environment.

The following table provides details of Total revenue, broken down by revenue-generating activity, for the years ended 31 December 2018 and 2017.

	2017 RUB mln	2018 RUB mln	Change %
Railway transportation – operators services (tariff borne by the Group) ¹¹	44,371	48,130	8%
Railway transportation – operators services (tariff borne by the client)	31,497	35,690	13%
Operating leasing of rolling stock	1,212	1,394	15%
Other	1,000	1,559	56%
Total revenue	78,081	86,773	11%

Adjusted Revenue

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

¹¹ Includes "Infrastructure and locomotive tariffs: loaded trips" for 2018 of RUB 22,682 million (2017: RUB 22,508 million) and "Services provided by other transportation organisations" of RUB 3,231 million (2017: RUB 3,478 million).

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.

In 2018, the Group's Adjusted Revenue grew 17% year on year to RUB 60,859 million, primarily due to a 16% year-on-year rise in Net Revenue from Operation of Rolling Stock along with an increase in revenues from the rail transportation of petrochemicals and from auxiliary leasing and Engaged Fleet operations.

The following table provides details of Adjusted Revenue for the years ended 31 December 2018 and 2017 and its reconciliation to Total revenue.

	2017 RUB mln	2018 RUB mln	Change %
Total revenue	78,081	86,773	11%
<i>Minus "pass through" items</i>			
Infrastructure and locomotive tariffs: loaded trips	22,508	22,682	1%
Services provided by other transportation organisations	3,478	3,231	-7%
Adjusted Revenue	52,094	60,859	17%

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

The following table provides a breakdown of the components of Adjusted Revenue for the years ended 31 December 2018 and 2017.

	2017 RUB mln	2018 RUB mln	Change %
Net Revenue from Operation of Rolling Stock	49,709*	57,474*	16%
Operating leasing of rolling stock	1,212	1,394	15%
Net Revenue from Engaged Fleet	173*	432*	149%
Other	1,000	1,559	56%
Adjusted Revenue	52,094	60,859	17%

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 and is defined as "Total revenue – operator's services"¹² less "Infrastructure and locomotive tariffs: loaded trips", "Services provided by other transportation organisations" and Net Revenue from Engaged Fleet.

Net Revenue from Operation of Rolling Stock contributed 94% of the Group's Adjusted Revenue in 2018.

The following table provides Net Revenue from Operation of Rolling Stock for the years ended 31 December 2018 and 2017, and its reconciliation to Total revenue – operator's services.

	2017 RUB mln	2018 RUB mln	Change %
Total revenue – operator's services ¹²	75,868	83,820	10%
<i>Minus</i>			
Infrastructure and locomotive tariffs: loaded trips	22,508	22,682	1%
Services provided by other transportation organisations	3,478	3,231	-7%
Net Revenue from Engaged Fleet	173*	432*	149%
Net Revenue from Operation of Rolling Stock	49,709*	57,474*	16%

The Group's Net Revenue from Operation of Rolling Stock increased 16% year on year to RUB 57,474 million* in 2018. This was a solid performance across key business segments, with a 17% year-on-year rise in Net Revenue from Operation of Rolling Stock in the non-oil segment complemented by a 12% year-on-year increase in the segment for rail transportation of oil products and oil.

¹² Defined as the sum of the following EU IFRS line items: "Railway transportation – operator's services (tariff borne by the Group)" and "Railway transportation – operator's services (tariff borne by the client)".

- The continued strong gondola market combined with slightly increased pricing in rail transportation for the oil products and oil segment drove a 20% year-on-year increase in Average Price per Trip to RUB 41,859;
- Average Rolling Stock Operated remained stable year on year at 53,562 units reflecting an average gondola fleet operated which was temporarily lower, down 2% year on year, due to the intentional substitution of expensive leased-in gondola cars with newly acquired units commissioned in 2018, while the average rail tank fleet operated increased 8% year on year benefitting from the transition of some leased-out units into operation as well as an increased number of leased-in rail tank cars;
- Average Number of Loaded Trips per Railcar decreased 4% year on year largely due to changed client logistics and a reduction in average speeds on the RZD rail network over the course of 2018, caused by ongoing major rail infrastructure modernisation projects.

Revenue from operating leasing of rolling stock

Revenue from operating leasing of rolling stock, which contributed 2% of the Group's Adjusted Revenue in 2018, increased 15% year on year to RUB 1,394 million, primarily reflecting the improved pricing environment in the rail tank car segment.

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 loaded railway tariff charged by RZD (included in the EU IFRS line item "Infrastructure and locomotive tariffs: loaded trips") and less the cost of engaging fleet from third-party rail operators (included in the EU IFRS line item "Services provided by other transportation organisations").

In 2018, Net Revenue from the Engaged Fleet, comprising about 1% of the Group's Adjusted Revenue, was up 149% year on year to RUB 432 million*. This was primarily driven by the improved pricing conditions and increased volumes of the Engaged Fleet operations in the oil products and oil segment.

Other revenue

Other revenue (3% of the Group's Adjusted Revenue), which includes revenues from auxiliary services, rose 56% year on year to RUB 1,559 million. This primarily reflected a rise in revenue from the transportation of petrochemicals in tank containers on the back of the gradual commissioning into operation of tank containers purchased in 2018 and the increase in revenue from maintenance services provided to third parties.

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 years ended 31 December 2018 and 2017.

	2017 RUB mln	2018 RUB mln	Change %
Cost of sales	54,609	55,154	1%
Selling and marketing costs	238	221	-7%
Administrative expenses	3,851	4,629	20%
Total cost of sales, selling and marketing costs and administrative expenses	58,698	60,004	2%

In 2018, the Group's Total cost of sales, selling and marketing costs and administrative expenses were RUB 60,004 million, an increase of 2% year on year, 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") remained stable year on year at RUB 25,913 million;
- The Group's Cost of sales, selling and marketing costs and administrative expenses adjusted for "pass-through" cost items rose 4% year on year to RUB 34,091 million in 2018, which reflected:

- Strict cost control enabling the Company to curb the impact of inflationary pressures with Total Operating Cash Costs up 6% year on year to RUB 27,894 million;
- Total Operating Non-Cash Costs reduced 3% year on year to RUB 6,197 million in 2018 with an asset-expansion driven increase in the Depreciation of property, plant and equipment more than offset by a decline in the Loss on derecognition arising on capital repairs and a reduction in the Amortisation of intangible assets.

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:

	2017 RUB mln	2018 RUB mln	Change %
“Pass through” cost items	25,986	25,913	0%
<i>Infrastructure and locomotive tariffs: loaded trips</i>	22,508	22,682	1%
<i>Services provided by other transportation organisations</i>	3,478	3,231	-7%
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for “pass through” cost items)	32,712	34,091	4%
Total Operating Cash Costs	26,303	27,894	6%
<i>Empty Run Costs</i>	12,154*	12,956*	7%
<i>Employee benefit expense</i>	3,426	4,367	27%
<i>Repairs and maintenance</i>	3,769	3,821	1%
<i>Fuel and spare parts - locomotives</i>	1,519	1,935	27%
<i>Operating lease rentals - rolling stock</i>	1,634	827	-49%
<i>Infrastructure and Locomotive Tariffs - Other Tariffs</i>	949*	892*	-6%
<i>Engagement of locomotive crews</i>	662	795	20%
<i>Other Operating Cash Costs</i>	2,189	2,300	5%
Total Operating Non-Cash Costs	6,409	6,197	-3%
<i>Depreciation of property, plant and equipment</i>	4,962	5,111	3%
<i>Amortisation of intangible assets</i>	718	697	-3%
<i>Loss on derecognition arising on capital repairs</i>	528	377	-29%
<i>Impairment of property, plant and equipment</i>	111	10	-91%
<i>Net impairment losses on trade receivables and prepayments</i>	61	30	-51%
<i>Net loss/(gain) on sale of property, plant and equipment</i>	29	(27)	NM
Total cost of sales, selling and marketing costs and administrative expenses	58,698	60,004	2%

“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 Group¹³ and is reflected in equal amounts in both the Group's Total revenue and Cost of sales. This cost item was up 1% year on year to RUB 22,682 million in 2018 primarily due to an increase in the regulated RZD tariffs which was partially offset by the year-on-year reduction of the Group's Freight Rail Turnover in the reporting year.

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 7% year on year to RUB 3,231 million in 2018 largely reflecting the decreased volumes of the Engaged Fleet operations in the bulk cargo segment.

¹³ 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.

Total Operating Cash Costs

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

The Group’s Total Operating Cash Costs increased 6% year on year to RUB 27,894 million in 2018 due to a combination of factors described below.

The following table provides a breakdown of the Total Operating Cash Costs for the years ended 31 December 2018 and 2017.

	2018 % of total	2017 RUB mln	2018 RUB mln	Change %
Empty Run Costs	46%	12,154*	12,956*	7%
Employee benefit expense	16%	3,426	4,367	27%
Repairs and maintenance	14%	3,769	3,821	1%
Fuel and spare parts - locomotives	7%	1,519	1,935	27%
Operating lease rentals - rolling stock	3%	1,634	827	-49%
Infrastructure and Locomotive Tariffs - Other Tariffs	3%	949*	892*	-6%
Engagement of locomotive crews	3%	662	795	20%
Other Operating Cash Costs	8%	2,189	2,300	5%
Total Operating Cash Costs	100%	26,303	27,894	6%

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 46% of the Group’s Total Operating Cash Costs in 2018. This cost item rose 7% year on year to RUB 12,956 million* in 2018. This resulted from a combination of the following factors:

- A 5.3% year-on-year increase in the regulated RZD tariff for the traction of empty railcars and an increase in Freight Rail Turnover in the rail tank car segment which has a higher Empty Run Ratio;
- A logically driven rise in Share of Empty Run Kilometres paid by Globaltrans to 89% (2017: 86%);
- An Empty Run Ratio for gondola cars of 38% (2017: 37%) with a Total Empty Run Ratio (for all types of rolling stock) of 46% (2017: 45%).

Employee benefit expense

Employee benefit expense, which accounted for 16% of the Group’s Total Operating Cash Costs, increased 27% year on year to RUB 4,367 million in 2018, reflecting a combination of the following factors:

- Higher than inflation growth in wages and salaries;
- Strong results and the appreciation in Globaltrans’ GDR price drove the rise in bonuses (including share based payment expense);
- An increase in related social insurance costs.

Repairs and maintenance

Repairs and maintenance costs, which comprised 14% of the Group’s Total Operating Cash Costs in 2018, increased 1% year on year to RUB 3,821 million mainly reflecting the following factors:

- Inflation growth in the cost of repair works, partially offset by a decline in the number of ad-hoc and depot repairs;
- Significant growth in the cost of certain spare parts;
- A decline in the number of higher cost locomotive repairs.

Fuel and spare parts - locomotives

Fuel and spare parts - locomotives expenses, comprising 7% of the Group's Total Operating Cash Costs, were RUB 1,935 million in 2018, 27% higher than in the previous year. The increase in this cost item primarily reflected the rise in Freight Rail Turnover in the rail tank car segment and the corresponding increased usage of locomotives which drove fuel consumption along with growth in fuel prices and inflation in the cost of spare parts.

Operating lease rentals - rolling stock

Operating lease rentals - rolling stock, which comprised 3% of the Group's Total Operating Cash Costs in 2018, was down 49% year on year to RUB 827 million, primarily reflecting an intentional reduction in the number of gondola cars leased-in over the reporting period (down 96% compared to the end of 2017).

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 container business segment.

Infrastructure and Locomotive Tariffs - Other Tariffs (3% of the Group's Total Operating Cash Costs) were RUB 892 million* in 2018, a decrease of 6% year on year, mainly reflecting a decline in the cost of relocating rolling stock into and from repair and maintenance.

Engagement of locomotive crews

Costs related to the engagement of locomotive crews from RZD (3% of the Group's Total Operating Cash Costs) increased 20% year on year to RUB 795 million in 2018, largely due to a rise in the amount of engagement hours reflecting higher Freight Rail Turnover in the rail tank car segment and the corresponding increased usage of locomotives.

Other Operating Cash Costs

Other Operating Cash Costs (a non-GAAP financial measure) 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".

The following table provides a breakdown of the Other Operating Cash Costs for the years ended 31 December 2018 and 2017.

	2017 RUB mln	2018 RUB mln	Change %
Advertising and promotion	31	38	21%
Auditors' remuneration	56	59	5%
Communication costs	37	33	-11%
Information services	19	27	40%
Legal, consulting and other professional fees	69	70	1%
Rental of tank-containers	64	44	-31%
Operating lease rentals - office	180	183	2%
Taxes (other than income tax and value added taxes)	746	681	-9%
Other expenses	987	1,165	18%
Other Operating Cash Costs	2,189	2,300	5%

Other Operating Cash Costs, which comprised 8% of the Group's Total Operating Cash Costs, were up 5% to RUB 2,300 million in 2018 compared to the previous year. The rise in this cost primarily reflected a decrease in

Taxes (other than income tax and value added taxes), predominantly property tax, which was more than offset by an increase in Other expenses.

Total Operating Non-Cash Costs

Total Operating Non-Cash Costs (a non-GAAP financial measure) include cost items such as “Depreciation of property, plant and equipment”, “Amortisation of intangible assets”, “Loss on derecognition arising on capital repairs”, “Net impairment losses on trade receivables and prepayments”, “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 years ended 31 December 2018 and 2017.

	2017 RUB mln	2018 RUB mln	Change %
Depreciation of property, plant and equipment	4,962	5,111	3%
Amortisation of intangible assets	718	697	-3%
Loss on derecognition arising on capital repairs	528	377	-29%
Impairment of property, plant and equipment	111	10	-91%
Net impairment losses on trade receivables and prepayments	61	30	-51%
Net loss/(gain) on sale of property, plant and equipment	29	(27)	NM
Total Operating Non-Cash Costs	6,409	6,197	-3%

Total Operating Non-Cash Costs were down 3% year on year to RUB 6,197 million in 2018. A 3% year-on-year rise in the Depreciation of property, plant and equipment on the back of an increase in the Group's Owned Fleet was more than offset by a 29% year-on-year decline in the Loss on the derecognition arising on capital repairs¹⁴ which reflected the lower number of capital repairs undertaken in the reporting year and the 3% year-on-year reduction in the Amortisation of intangible assets.

Adjusted EBITDA (non-GAAP financial measure)

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 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 2018 reached RUB 33,070 million, up 28% over the previous year.

The Adjusted EBITDA Margin expanded to 54% in 2018 from 50% in the previous year on the back of a 17% year-on-year increase in Adjusted Revenue and a 6% year-on-year rise in Total Operating Cash Costs.

The following table provides details on Adjusted EBITDA for the years ended 31 December 2018 and 2017, and its reconciliation to EBITDA and Profit for the year.

¹⁴ 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.

	2017 RUB mln	2018 RUB mln	Change %
Profit for the year	13,820	19,583	42%
<i>Plus (Minus)</i>			
Income tax expense	4,534	5,876	30%
Finance costs – net	1,802	1,441	-20%
Net foreign exchange transaction losses on financing activities	(237)	(40)	-83%
Amortisation of intangible assets	718	697	-3%
Depreciation of property, plant and equipment	4,962	5,111	3%
EBITDA	25,600	32,668	28%
<i>Minus (Plus)</i>			
Loss on derecognition arising on capital repairs	(528)	(377)	-29%
Net foreign exchange transaction losses on financing activities	(237)	(40)	-83%
Other gains/(losses) – net	85	(1)	NM
Net (loss)/gain on sale of property, plant and equipment	(29)	27	NM
Impairment of property, plant and equipment	(111)	(10)	-91%
Reversal of impairment of intangible assets	630	-	-100%
Adjusted EBITDA	25,789	33,070	28%

Finance income and costs

The following table provides a breakdown of Finance income and costs for the years ended 31 December 2018 and 2017.

	2017 RUB mln	2018 RUB mln	Change %
<i>Interest expense:</i>			
Bank borrowings	(1,992)	(1,344)	-33%
Non-convertible bond	-	(315)	NM
Total interest expense calculated using the effective interest rate method	(1,992)	(1,659)	-17%
Finance leases	-	(108)	NM
Total interest expense	(1,992)	(1,767)	-11%
Other finance costs	(55)	(11)	-80%
Total finance costs	(2,046)	(1,778)	-13%
<i>Interest income:</i>			
Bank balances	86	141	65%
Short term deposits	346	193	-44%
Loans to third parties	3	1	-50%
Total interest income calculated using the effective interest rate method	435	335	-23%
Finance leases – third parties	46	42	-8%
Total finance income	481	377	-21%
Net foreign exchange transaction gains on borrowings and other liabilities	272	36	-87%
Net foreign exchange transaction losses on cash and cash equivalents and other monetary assets	(508)	(76)	-85%
Net foreign exchange transaction losses on financing activities	(237)	(40)	-83%
Net finance costs	(1,802)	(1,441)	-20%

Finance costs

Total finance costs decreased 13% year on year to RUB 1,778 million in 2018 largely reflecting the decline in the Group's weighted average effective interest rate over the reporting year.

Finance income

In 2018, the Group's Total finance income was down 21% year on year to RUB 377 million, primarily due to a decrease in the interest rate on short-term bank deposits, which was partially offset by an increase in the amount of bank balances.

Net foreign exchange transaction losses on financing activities

In 2018 the Group had Net foreign exchange transaction losses on financing activities in the amount of RUB 40 million compared to RUB 237 million in the previous year which reflects the foreign exchange volatility on the available cash and cash equivalents denominated in foreign currency.

Profit before income tax

The Group reported Profit before income tax of RUB 25,460 million in 2018, an increase of 39% compared to the previous year. This was driven by the following factors:

- A 33% year-on-year rise in the Group's Operating profit to RUB 26,901 million, largely due to the factors described above;
- A 20% year-on-year reduction in Net finance costs to RUB 1,441 million.

Income tax expense

Income tax expense increased 30% year on year to RUB 5,876 million in 2018, reflecting the 39% year-on-year rise in the Group's Profit before income tax, which was partially offset by a decline in the weighted average annual income tax rate for 2018 to 23.1% compared to 24.7% in 2017. The decrease in the weighted average annual income tax rate was because dividends from the subsidiaries represented a smaller proportion of their net profit in 2018 compared to the previous year.

Profit for the year

The Group's Profit for the year grew 42% year on year to RUB 19,583 million reflecting the factors described above.

Profit for the year attributable to the owners of the Company increased 44% year on year to RUB 17,672 million primarily benefitting from the positive contribution from the wholly-owned gondola business which delivered a strong performance as described above.

LIQUIDITY AND CAPITAL RESOURCES

In 2018, the Group's capital expenditure consisted primarily of maintenance CAPEX (including capital repairs), and the selective acquisition of gondola cars, petrochemical tank containers and related flat cars. The Group was able to meet its liquidity and capital expenditure needs comfortably through operating cash flow, cash and cash equivalents available at 31 December 2017, and proceeds from borrowings, issue of bonds and finance leases.

The Group manages its liquidity based on expected cash flows. As at 31 December 2018, the Group had Net Working Capital of RUB 2,011 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 consolidated cash flow statement for the years ended 31 December 2018 and 2017.

	2017 RUB mln	2018 RUB mln
Cash flows from operating activities	25,877	33,087
<i>Changes in working capital:</i>		
Inventories	106	170
Trade receivables	(79)	(317)
Other assets	859	(1,042)
Other receivables	(17)	(66)
Trade and other payables	748	263
Contract liabilities	-	508
Cash generated from operations	27,496	32,602
Tax paid	(3,632)	(5,766)
Net cash from operating activities	23,864	26,837
<i>Cash flows from investing activities</i>		
Loan repayments received from third parties	11	6
Purchases of property, plant and equipment	(4,872)	(11,568)
Purchases of intangible assets	-	(0.1)
Proceeds from sale of property plant and equipment	268	410
Proceeds from sale of associates	61	-
Interest received	481	377
Receipts from finance lease receivable	24	129
Net cash used in investing activities	(4,028)	(10,645)
<i>Cash flows from financing activities</i>		
Net cash (outflows)/inflows from borrowings and financial leases:	(13)	5,748
Proceeds from bank borrowings	15,710	15,197
Proceeds from issue of non-convertible unsecured bonds	-	5,000
Repayments of borrowings	(15,723)	(13,128)
Finance lease principal payments	-	(1,321)
Interest paid	(1,944)	(1,633)
Dividends paid to owners of the Company	(15,014)	(16,221)
Dividends paid to non-controlling interests in subsidiaries	(2,200)	(1,723)
Acquisition of non-controlling interests	-	(6)
Payments to non-controlling interests	-	(169)
Net cash used in financing activities	(19,171)	(14,003)
Net increase in cash and cash equivalents	665	2,188
Exchange losses on cash and cash equivalents	(473)	(24)
Cash and cash equivalents at beginning of the year	4,773	4,966
Cash and cash equivalents at end of the year	4,966	7,130

Net cash from operating activities

Net cash from operating activities rose 12% year on year to RUB 26,837 million, reflecting a 19% year-on-year increase in Cash generated from operations (after "Changes in working capital"), primarily resulting from the factors described above, offset in part by a 59% year-on-year increase in Tax paid on the back of increased taxable profits.

Net cash used in investing activities

Net cash used in investing activities was RUB 10,645 million, 164% higher than the previous year primarily due to an increase in expansion CAPEX.

Purchases of property, plant and equipment (on a cash basis) rose 137% to RUB 11,568 million due to greater expansion CAPEX¹⁵. As a part of the Total CAPEX (RUB 12,889 million) in the reporting year was financed with

¹⁵ The Group acquired 4,747 units in 2018 compared to 1,332 units in the previous year.

a finance lease, the related Finance lease principal payments are reflected in Net cash used in financing activity and described below.

Net cash used in financing activities

Net cash used in financing activities was RUB 14,003 million in 2018, a decrease of 27% compared to the previous year. This was due to a combination of the following factors:

- Net cash inflows from borrowings and finance leases¹⁶ were RUB 5,748 million (compared to net cash outflows of RUB 13 million in the previous year) to finance the increased capital expenditures in the reporting year. As a part of capital expenditure was financed with a finance lease, the Finance lease principal payments of RUB 1,321 million were booked in 2018. The additional related Finance lease liabilities of RUB 2,213 million will be amortised over the next five years;
- 16% year-on-year decrease in Interest paid to RUB 1,633 million in 2018 due to the improvement in the Group's weighted average effective interest rate over the reporting year;
- The increase in Dividends paid to owners of the Company to RUB 16,221 million compared to RUB 15,014 million in the previous year reflecting the strong business performance;
- Dividends paid to non-controlling interests in subsidiaries declined to RUB 1,723 million in 2018 compared to RUB 2,200 million in the previous year.

Free Cash Flow

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

The business generated robust Free Cash Flow despite a significant increase in capital expenditure. The Group's Free Cash Flow amounted to RUB 12,314 million, down 28% compared to the previous year. This was mostly related to the following factors:

- Cash generated from operations (after "Changes in working capital") increased 19% or RUB 5,107 million to RUB 32,602 million primarily due to the factors described above; and was more than offset by the combination of:
 - a 165% or RUB 8,017 million year-on-year increase in Total CAPEX (including Purchase of property, plant and equipment, Purchases of Intangible assets and Finance lease principal payments) to RUB 12,889 million reflecting primarily greater expansion CAPEX; and
 - a 59% or RUB 2,134 million year-on-year increase in Tax paid to RUB 5,766 million.
- Interest paid reduced 16% or RUB 310 million year on year to RUB 1,633 million largely due to a decrease in the average weighted interest rate.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for the years ended 31 December 2018 and 2017, and its reconciliation to Cash generated from operations.

¹⁶ 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 "Finance lease principal payments".

	2017 RUB mln	2018 RUB mln	Change %
Cash generated from operations (after "Changes in working capital")	27,496	32,602	19%
Purchases of property, plant and equipment	(4,872)	(11,568)	137%
Purchases of intangible assets	-	(0.1)	NM
Finance lease principal payments	-	(1,321)	NM
Tax paid	(3,632)	(5,766)	59%
Interest paid	(1,944)	(1,633)	-16%
Free Cash Flow	17,048	12,314	-28%
<i>Minus</i>			
Adjusted Profit Attributable to Non-controlling Interests	1,531	1,911	25%
Attributable Free Cash Flow	15,517	10,403	-33%

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 "Finance lease principal payments" (as part of the capital expenditures was financed with a finance lease).

The Group's Total CAPEX was RUB 12,889 million¹⁷ in 2018 compared to RUB 4,872 million the previous year.

This higher capital expenditure primarily reflects larger expansion CAPEX in response to strong demand and in order to support the new long-term contracts and further development of niche projects. In 2018, the Group acquired 4,747 units (including 3,862 gondola cars, 481 flat cars and 404 containers) compared to 1,332 units (including 706 gondola cars, 70 flat cars and 556 containers) in the previous year.

The following table sets out the principal components of the Group's Total CAPEX for the years ended 31 December 2018 and 2017.

	2017 RUB mln	2018 RUB mln	Change %
Purchase of property, plant and equipment	4,872	11,568	137%
Finance lease principal payments	-	1,321	NM
Purchases of intangible assets	-	0.1	NM
Total CAPEX	4,872	12,889	165%

Capital resources

As of 31 December 2018, the Group's financial indebtedness consisted of bank borrowings, non-convertible unsecured bonds and finance lease liabilities for an aggregate principal amount of RUB 25,729 million (including accrued interest of RUB 225 million*).

The Group's leverage remained low with Net Debt to Adjusted EBITDA at 0.56x as of 31 December 2018 (31 December 2017: 0.44x).

The Group's Net Debt was RUB 18,599 million as of 31 December 2018, a 64% increase from the level of Net Debt at the end of 2017 primarily reflecting increased expansion CAPEX.

The following table sets out the details on the Group's total debt, Net Debt and Net Debt to Adjusted EBITDA at 31 December 2018 and 2017, and reconciliation of Net Debt to Total debt.

¹⁷ The Group's capital expenditure (including maintenance CAPEX) on an accrual basis was RUB 14,527 million in 2018 compared to RUB 4,848 million in the previous year. The difference between capital expenditure given on a cash basis versus on an accrual basis is principally because part of the capital expenditure was financed with a finance lease.

	As of 31 December 2017 RUB mln	As of 31 December 2018 RUB mln	Change %
Total debt	16,331	25,729	58%
<i>Minus</i>			
Cash and cash equivalents	4,966	7,130	44%
Net Debt	11,365	18,599	64%
Net Debt to Adjusted EBITDA	0.44x	0.56x	-

Rouble-denominated borrowings accounted for nearly 100% of the Group's debt portfolio as of the end of 2018. The Russian rouble is the functional currency of the Company.

The weighted average effective interest rate reduced to 7.9% as of 31 December 2018 compared to 9.4% as of the end of 2017. The vast majority of the Group's debt had fixed interest rates as of the end of 2018.

The Group has a balanced maturity profile, supported by the Group's strong cash flow generation, available cash and cash equivalents, as well as undrawn borrowing facilities in the amount of RUB 4,515 million as of the end of 2018.

The following table gives the maturity profile of the Group's borrowings (including accrued interest of RUB 225 million*) as of 31 December 2018.

	As of 31 December 2018 RUB mln
Q1 2019	2,088*
Q2 2019	1,690*
Q3 2019	2,710*
Q4 2019	1,971*
2020	5,676*
2021	6,193*
2022-2023	5,400*
Total	25,729

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 consolidated management report and consolidated financial statements (audited) of Globaltrans Investment PLC (the "Company" and, together with its subsidiaries, "Globaltrans" or the "Group") and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113 ("EU IFRS").

The Group' consolidated management report and consolidated financial statements, selected operational information as at and for the years ended 31 December 2018 and 2017 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 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 the container business segment).

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” and “Amortisation of intangible 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 the container business segment.

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 the container business segment).

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”, “Finance lease principal payments” and “Interest paid”.

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 and the performance of the container business segment, unless otherwise stated.

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 container business segment.

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

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

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 tariff charged by RZD (included in the EU IFRS line item “Infrastructure and locomotive tariffs: loaded trips”) less the cost of attracting fleet from third-party operators (included in the EU IFRS line item “Services provided by other transportation organisations”).

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

Net Working Capital (a non-GAAP financial measure) is calculated as the sum of the current portions of “Inventories”, “Current income tax assets”, “Trade receivables - net”, “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 to third parties", "Trade payables to related parties", "Other payables to third parties", "Other payables to related parties", "Accrued expenses", "Accrued key management compensation, including share based payment", "Contract liabilities", "Advances from customers for transportation services" and "Current tax liabilities".

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 "Finance lease principal payments" (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", "Net impairment losses on trade receivables and prepayments", "Impairment of property, plant and equipment", "Net (gain)/loss on sale of property, plant and equipment" and "Loss on derecognition arising on capital repairs".

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

Other Operating Cash Costs (a non-GAAP financial measure) 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".

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 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 the container business segment) in the relevant period.

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

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Some of the information in this announcement may contain projections or other forward-looking statements regarding future events or the future financial performance of Globaltrans. You can identify forward-looking statements by terms such as 'expect', 'believe', 'anticipate', 'estimate', 'intend', 'will', 'could', 'may' or 'might', the negative of such terms or other similar expressions. Globaltrans wishes to caution you that these statements are only predictions and that actual events or results may differ materially. Globaltrans does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of Globaltrans, including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, rapid technological and market change in the industries Globaltrans operates in, as well as many other risks specifically related to Globaltrans and its operations.