

For immediate release

30 March 2020

Globaltrans Investment PLC**Full-Year 2019 Results, Final Dividends proposed,
Targeted 2020 Interim Dividends re-affirmed**

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 2019 along with the proposal of final and special final dividends for 2019 and confirmation of the interim dividend targeted for 2020.

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

- Excellent financial results and market outperformance against a volatile industry backdrop underscores the strength of Globaltrans' operating model.
- New three-year service contract with Gazprom Neft signed bringing the share of Net Revenue from Operating of Rolling Stock derived from service contracts to 66%.
- Growth in Average Price per Trip with Market Share increasing to 7.8% (2018: 7.4%).
- Adjusted EBITDA Margin expanded to 57% (2018: 54%) with Adjusted EBITDA up 20% year on year outpacing Adjusted Revenue growth of 13%.
- Strong 2019 final dividends of RUB 8.3 billion or RUB 46.55 per share/Global Depositary Receipt ("GDR") proposed in line with objective to return excess capital to shareholders in order to maintain an efficient capital structure.
- Attractive interim dividends for 2020 of about RUB 8.3 billion targeted, reflecting Group's strong shareholder remuneration capacity due to its high cash generation, low leverage and discretionary expansion CAPEX needs.

Commenting on Globaltrans' Full-Year 2019 results, CEO Valery Shpakov said:

"Globaltrans delivered outstanding results in 2019, which is further proof of the strength of our operating model. We grew our market share and outperformed the industry while maintaining our track record of delivering profitable growth. This momentum enabled us to extend important service contracts, secure an additional new long-term partnership as well as to step up growth in our niche operations.

Our approach to capital allocation is unchanged and we will continue returning excess capital to shareholders, evidenced by the strong pay-out for 2019 and the level of interim dividend targeted for 2020. We recognise the importance to our shareholders of receiving a reliable dividend stream.

While the market environment has become more difficult, and COVID-19 is now an additional factor generating uncertainty, our proven business model and entrepreneurial 'can do' culture give me confidence that we are well placed to navigate the current volatility and deliver another year of progress on our plans."

FINANCIAL AND OPERATIONAL PERFORMANCE

Excellent financial results, continued strong cash generation and low leverage.

- Total revenue rose 9% year on year to RUB 95.0 billion.
- Operating profit rose 19% year on year to RUB 32.1 billion.
- Profit for the year climbed 16% year on year to RUB 22.7 billion.
- Cash flows from operating activities (before changes in working capital) up 19% year on year to RUB 39.5 billion.
- Adjusted Revenue up 13% year on year to RUB 68.8 billion supported by growth across all key business segments.
- Total Operating Cash Costs increased 5% year on year due to cost inflation and higher Empty Runs.
- Adjusted EBITDA Margin expanded to 57% (2018: 54%) with Adjusted EBITDA up 20% year on year to RUB 39.6 billion.
- Strong Free Cash Flow at RUB 12.8 billion (up 4% year on year) despite a RUB 4.1 billion build-up of working capital (of which RUB 1.9 billion* was one-off) and RUB 1.1 billion increase in Total CAPEX.
- Leverage continued to be held at a low level with Net Debt to Adjusted EBITDA at 0.60x at the end of 2019 (2018 end: 0.56x).

Strong final 2019 dividends proposed and targeted 2020 interim dividend re-affirmed as Group continues to pursue objective of maintaining an efficient capital structure.

- The Board has proposed 2019 final and special final dividends to shareholders of a combined RUB 8.3 billion or RUB 46.55 per share/GDR.
- As targeted, the total dividends in respect of 2019 will be slightly ahead of the previous year at RUB 16.6 billion or RUB 93.1 per share/GDR (including already paid interim and special interim dividends). This equates to 152% of the Group's Attributable Free Cash Flow for 2019.
- Final dividend payments are subject to shareholders' approval at the Annual General Meeting ("AGM") called for 30 April 2020.
- The shareholder dividend record date is set as 30 April 2020. The GDRs will be marked as ex-dividend on 29 April 2020.
- Subject to shareholders' approval, final and special final dividends will be paid in USD with conversion from RUB to be executed at the average of the official exchange rates of the Central Bank of Russia for the eight business days in Russia from 20 to 29 April 2020 inclusive. Holders of GDRs will receive the dividend approximately three business days after the payment date, which will be not later than 30 business days after the approval of the dividends by the AGM.

Market outperformance, market share gains, strong pricing and major service contracts extended.

- Market outperformance in Transportation Volumes¹ (up 3.5% year on year compared to the overall Russian market decline of 0.9% year on year).
 - Market Share increased to 7.8% (2018: 7.4%).
 - Volumes grew in the segments for bulk (up 3% year on year) and oil products and oil (up 6% year on year).
 - Freight Rail Turnover¹ increased 0.6% year on year mainly reflecting a 3% year-on-year decline in Average Distance of Loaded Trip on the back of changed client logistics.

¹ Excluding Engaged Fleet. The Group's Transportation Volumes and Freight Rail Turnover including Engaged Fleet were up 3.5% and 1.7% year on year respectively.

- Average Number of Loaded Trips per Railcar decreased 3% year on year primarily due to changed client logistics and a deterioration in average speeds on the Russian Railways (“RZD”) rail network, caused mainly by ongoing major rail infrastructure modernisation projects.
- Strong pricing maintained with Average Price per Trip up 9% year on year.
 - Broadly stable Average Price per Trip in the second half of 2019, despite headwinds in the gondola segment and supported by healthy pricing in tank cars.
- New long-term contract secured with Gazprom Neft, major service contracts extended. Service contracts contributed 66% of the Group’s Net Revenue from Operation of Rolling Stock.
 - New three-year service contract to the end of June 2022 signed with Gazprom Neft, a long-standing client that contributed 5% of the Group’s 2019 Net Revenue from Operation of Rolling Stock.
 - MMK service contract extended until the end of September 2022; Globaltrans will continue to transport at least 70% of MMK’s rail freight.
 - Metalloinvest service contract extended until the end of 2020; Globaltrans will transport at least 70% of Metalloinvest’s rail freight, providing both parties with flexibility and aligning the contract with general market practice.
 - Volumes serviced under the contract with TMK increased to a minimum of 75%.
 - Net Revenue from Operation of Rolling Stock from new five-year contracts signed with TMK and ChelPipe Group in 2018 was up 60% year on year.
- Operational excellence maintained despite volatility in clients’ logistics.
 - Substantial shift in clients’ logistics patterns drove anticipated increase in Empty Run Ratio for gondola cars in the first half of 2019, which remained stable thereafter.
 - As anticipated, the Empty Run Ratio for gondola cars increased to 42% (2018: 38%) yet remained one of the lowest on the Russian market.
 - Total Empty Run Ratio (for all types of rolling stock) rose to 49% (2018: 46%).
 - Share of Empty Run Kilometers paid by Globaltrans remained stable year on year at 89%.
- Total Fleet increased 2% to 70,720 units with the share of Owned Fleet at 96%.
 - Limited acquisitions in 2019 with 2,502 units delivered in the year, driving Owned Fleet to 67,669 units².
 - Leased-in Fleet reduced 16% compared to the end of 2018 to 3,051 units (mostly tank cars).
 - Average Rolling Stock Operated was up 6% year on year to 56,845 units.

MARKET OVERVIEW

Overall demand in 2019 remained solid despite monthly volume volatility.

- Overall Russia’s freight rail turnover was up 0.2% year on year while volumes decreased 0.9% year on year.
- Non-oil (bulk) cargo volumes were relatively stable, down 0.7% year on year.
 - Net increase in overall gondola capacity was about 6% or 31.7 thousand units³ compared to the end of 2018.
 - Pressure on spot market pricing increased during the second half of 2019.
- Broadly balanced supply and demand in oil products and oil segment.
 - Volumes in oil products and oil segment were down 1.9% year on year reflecting scheduled repair and maintenance works at some refineries, a decrease in heavy fuel oil volumes combined with the launch of new pipelines.

² In 2019 the Group took delivery of 2,502 units (including 1,154 specialised containers, 700 flat cars, 638 gondola cars and 10 locomotives) and disposed of 238 units (mostly tank and flat cars).

³ Estimated by the Company. Net change in Russia’s overall fleet of gondola cars as of 31 December 2019 compared to the end of 2018.

- Healthy pricing environment supported by ongoing fleet scrappage with a net decrease in overall oil products and oil tank capacity of about 2% or 3.7 thousand units⁴.
- Average speeds on the RZD rail network remained under pressure, caused by ongoing major rail infrastructure modernisation projects.

RECENT DEVELOPMENTS, MARKET UPDATE AND MANAGEMENT PRIORITIES

Market update: mixed start to 2020.

- RZD regulated infrastructure and locomotive tariffs increased 3.5% year on year in 2020.
- Overall Russia's freight rail turnover in January - February 2020 was down 3% mainly affected by weak coal and oil products and oil volumes due to abnormal weather conditions and weak export markets.
- The recent RUB depreciation is expected to stimulate commodity exports.
- Ongoing expansion of Russian rail network throughput capacity and optimisation measures towards the Eastern Russia set to drive export volumes to Asian markets.
- Large "national" infrastructure projects are expected to support demand for rail transportation in 2020 and onwards.
- Pricing pressure in the gondola segment is expected to increase in the second quarter of 2020.
- Pricing conditions in the tank segment remain healthy.
- Average network speeds deteriorated due to temporary infrastructure constraints on the back of the ongoing expansion of the rail network in Russia's Far East and overall transportation volumes volatility.
- The freight rail market may experience reduced demand stemming from the effects of COVID-19. The Company cannot predict the full impact of COVID-19 on its markets, business or prospects although there may be a material adverse impact from the rapidly evolving situation.

Globaltrans is well positioned to navigate current market volatility; strong interim 2020 dividend re-affirmed.

- Powerful operating model, large service contracts with solid blue-chip clients.
 - Continued solid operational performance with a slight year-on-year increase in the Group's Freight Rail Turnover in January - February 2020 in a declining market overall.
 - Net Revenue from Operation of Rolling Stock declined about 10% year on year in January - February 2020 with the healthy tank car segment partially mitigating the impact of weaker gondola segment.
 - Service contracts contributed 66% of the Group's Net Revenue from Operation of Rolling Stock in 2019.
- Decrease in Total CAPEX targeted in 2020.
 - Total CAPEX (on cash basis; including maintenance CAPEX) is expected to decrease about 40% to about RUB 9 billion (2019: 14.0 billion).
 - Expansion CAPEX is fully discretionary (intention to purchase fewer than 1,000 units in 2020 - specialised containers and flat cars).
 - Maintenance CAPEX level will depend largely on the price of wheel pairs.
- Attractive interim 2020 dividend outlook re-affirmed.
 - Strong interim 2020 dividend outlook re-affirmed in amount of about RUB 8.3 billion payable in September 2020.
 - Robust cash generation, discretionary expansion CAPEX and low leverage support Globaltrans' ability to pay strong dividends.

⁴ *Estimated by the Company. Net change in Russia's overall fleet of tank cars for oil products and oil as of 31 December 2019 compared to the end of 2018. This includes only additions of new tank cars and excludes units reregistered in Russia from other countries.*

DOWNLOADS

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

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, 30 March 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: 8188226#

Russian: 2448853#

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. 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 70.7 thousand units at the end of 2019 of which about 96% were in ownership with an average age of 11.5 years. In 2019, the Group's Freight Rail Turnover (including Engaged Fleet) was 161.5 billion tonnes-km with the total revenue amounting to RUB 95.0 billion.

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 years ended 31 December 2019 and 2018.

EU IFRS financial information

	2018 RUB mln	2019 RUB mln	Change %
Revenue	86,773	94,994	9%
Total cost of sales, selling and marketing costs and administrative expenses	(60,004)	(62,908)	5%
Operating profit	26,901	32,120	19%
Finance costs - net	(1,441)	(2,375)	65%
Profit before income tax	25,460	29,745	17%
Income tax expense	(5,876)	(7,091)	21%
Profit for the year	19,583	22,653	16%
<i>Profit attributable to:</i>			
Owners of the Company	17,672	20,808	18%
Non-controlling interests	1,911	1,846	-3%
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share)	98.87	116.41	18%

	2018 RUB mln	2019 RUB mln	Change %
Cash flows from operating activities (before changes in working capital)	33,087	39,506	19%
Cash generated from operations (after changes in working capital)	32,602	35,422	9%
Tax paid	(5,766)	(6,018)	4%
Net cash from operating activities	26,837	29,404	10%
Net cash used in investing activities	(10,645)	(12,765)	20%
Net cash used in financing activities	(14,003)	(16,939)	21%

Non-GAAP financial information

	2018 RUB mln	2019 RUB mln	Change %
Adjusted Revenue	60,859	68,840	13%
<i>Including</i>			
Net Revenue from Operation of Rolling Stock	57,600*	64,994*	13%
Net Revenue from Specialised Container Transportation	1,122*	1,623*	45%
Operating lease of rolling stock	1,394	1,634	17%
Total Operating Cash Costs	27,894	29,409	5%
<i>Including</i>			
Empty Run Cost	12,956*	14,752*	14%
Employee benefit expense	4,367	4,483	3%
Repairs and maintenance	3,821	4,403	15%
Fuel and spare parts - locomotives	1,935	1,914	-1%
Adjusted EBITDA	33,070	39,552	20%
Adjusted EBITDA Margin, %	54%	57%	-
Total CAPEX (including maintenance CAPEX)	12,889	14,006	9%
Free Cash Flow	12,314	12,762	4%
Attributable Free Cash Flow	10,403	10,916	5%

Debt profile

	As of 31 December 2018 RUB mln	As of 31 December 2019 RUB mln	Change %
Total debt	25,729	30,095	17%
Cash and cash equivalents	7,130	6,522	-9%
Net Debt	18,599	23,574	27%
Net Debt to Adjusted EBITDA (x)	0.56	0.60	-

Operational information

	2018	2019	Change, %
Freight Rail Turnover, billion tonnes-km (excluding Engaged Fleet)	146.2	147.1	0.6%
Transportation Volume, million tonnes (excluding Engaged Fleet)	88.5	91.6	3.5%
Average Price per Trip, RUB	41,950	45,807	9%
Average Rolling Stock Operated, units	53,562	56,845	6%
Average Distance of Loaded Trip, km	1,644	1,591	-3%
Average Number of Loaded Trips per Railcar	25.6	25.0	-3%
Total Empty Run Ratio (for all types of rolling stock), %	46%	49%	-
Empty Run Ratio for gondola cars, %	38%	42%	-
Share of Empty Run Kilometres paid by Globaltrans, %	89%	89%	-
Total Fleet, units (at year end), including:	69,023	70,720	2%
Owned Fleet, units (at year end)	65,405	67,669	3%
Leased-in Fleet, units (at year end)	3,618	3,051	-16%
Leased-out Fleet, units (at year end)	7,627	6,842	-10%
Average age of Owned Fleet, years (at year end)	11.0	11.5	-
Total number of employees (at year end)	1,549	1,640	6%

Revenue

The Group's Total revenue increased 9% year on year to RUB 94,994 million in 2019, resulting primarily from the 13% year-on-year rise in Adjusted Revenue. Net Revenue from Operation of Rolling Stock (a key component of Adjusted Revenue) increased 13% year on year with a strong performance from the Group's freight rail transportation business.

The following table provides details of Total revenue, broken down by revenue-generating activity, for the years ended 31 December 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Railway transportation – operators services (tariff borne by the Group) ⁵	48,130	49,141	2%
Railway transportation – operators services (tariff borne by the client)	35,690	42,018	18%
Revenue from specialised container transportation	1,247	1,815	45%
Operating leasing of rolling stock	1,394	1,634	17%
Other	311	386	24%
Total revenue	86,773	94,994	9%

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 subcontracting their rolling stock, which are reflected in equal amounts in both the Group's Total revenue and

⁵ Includes "Infrastructure and locomotive tariffs: loaded trips" for 2019 of RUB 22,020 million (2018: RUB 22,682 million) and "Services provided by other transportation organisations" of RUB 4,134 million (2018: RUB 3,231 million).

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 rose 13% year on year to RUB 68,840 million, primarily due to the 13% year-on-year increase in Net Revenue from Operation of Rolling Stock and supported by a strong performance in both the gondola and tank car segments.

The following table provides details of Adjusted Revenue for the years ended 31 December 2019 and 2018 and its reconciliation to Total revenue.

	2018 RUB mln	2019 RUB mln	Change %
Total revenue	86,773	94,994	9%
<i>Minus "pass through" items</i>			
Infrastructure and locomotive tariffs: loaded trips	22,682	22,020	-3%
Services provided by other transportation organisations	3,231	4,134	28%
Adjusted Revenue	60,859	68,840	13%

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 lease 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 years ended 31 December 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Net Revenue from Operation of Rolling Stock	57,600* ⁶	64,994*	13%
Net Revenue from Specialised Container Transportation	1,122*	1,623*	45%
Operating lease of rolling stock	1,394	1,634	17%
Net Revenue from Engaged Fleet	432*	202*	-53%
Other	311	386	24%
Adjusted Revenue	60,859	68,840	13%

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 94% of the Group's Adjusted Revenue in 2019, climbed 13% year on year to RUB 64,994 million*, with a strong performance across the key business segments of rail transportation in gondola and tank cars.

- Average Price per Trip rose 9% year on year to RUB 45,807 on the back of solid pricing in both gondola and tank car segments.
- Average Rolling Stock Operated increased 6% year on year to 56,845 units due to fleet acquisition along with the transition of some leased-out tank cars into operation.
- Average Number of Loaded Trips per Railcar was down 3% year on year primarily due to changed client logistics and a deterioration in average speeds on the RZD rail network, caused principally by ongoing major rail infrastructure modernisation projects.

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

⁶ Data for 2018 was restated due to segregation of Net Revenue from Specialised Container Transportation.

“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 45% year on year to RUB 1,623 million* in 2019 benefitting from the sizable fleet expansion. This revenue contributed 2% of the Group’s Adjusted Revenue in the reporting year. The Group’s total fleet employed in this segment amounted to 4,879 units at the end of 2019 including specialised containers and flat cars. This business segment is mostly focused on rail transportation of petrochemicals and high grade steel and has EVRAZ, SayanskKhimPlast, KuibyshevAzot, Bashkir Soda Company and NLMK among its key clients.

Revenue from operating leasing of rolling stock

Revenue from operating leasing of rolling stock, which contributed 2% of the Group’s Adjusted Revenue in 2019, rose 17% year on year to RUB 1,634 million, reflecting the favourable tank car leasing market conditions.

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 2019, Net Revenue from the Engaged Fleet, comprising less than 1% of the Group’s Adjusted Revenue, fell 53% year on year to RUB 202 million* largely reflecting a decline in the number of Engaged Fleet operations in the tank car segment due to substitution by owned units.

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 24% year on year to RUB 386 million in 2019.

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 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Cost of sales	55,154	58,833	7%
Selling and marketing costs	221	216	-2%
Administrative expenses	4,629	3,859	-17%
Total cost of sales, selling and marketing costs and administrative expenses	60,004	62,908	5%

In 2019, the Group’s Total cost of sales, selling and marketing costs and administrative expenses was RUB 62,908 million, up 5% year on year, due to the factors described below.

- “Pass through” cost items (a combination of “Infrastructure and locomotive tariffs: loaded trips” and “Services provided by other transportation organisations”) increased 1% year on year to RUB 26,154 million.
- The Group’s Total cost of sales, selling and marketing costs and administrative expenses adjusted for “pass-through” cost items rose 8% year on year to RUB 36,754 million in 2019, which reflected:
 - Ongoing efficient cost management with Total Operating Cash Costs rising just 5% year on year to RUB 29,409 million despite continued cost pressures (related primarily to the rise in the regulated RZD infrastructure and locomotive traction tariffs for empty trips, a higher level of Empty Runs stemming from changes to client logistics and increased repairs and maintenance costs), which were mitigated by lower-than-inflation growth in Employee benefit expense, a decline in costs related to the usage of own

locomotives and a decline in Other Operating Cash Costs in large part due to the cancellation of property tax on movable assets in Russia.

- Total Operating Non-Cash Costs climbed 19% year on year to RUB 7,345 million for the most part due to an asset-expansion driven increase in the Depreciation of property, plant and equipment and the application of the IFRS 16 “Leases”.

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:

	2018 RUB mln	2019 RUB mln	Change %
“Pass through” cost items	25,913	26,154	1%
<i>Infrastructure and locomotive tariffs: loaded trips</i>	22,682	22,020	-3%
<i>Services provided by other transportation organisations</i>	3,231	4,134	28%
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for “pass through” cost items)	34,091	36,754	8%
Total Operating Cash Costs	27,894	29,409	5%
<i>Empty Run Costs</i>	12,956*	14,752*	14%
<i>Employee benefit expense</i>	4,367	4,483	3%
<i>Repairs and maintenance</i>	3,821	4,403	15%
<i>Fuel and spare parts - locomotives</i>	1,935	1,914	-1%
<i>Infrastructure and Locomotive Tariffs - Other Tariffs</i>	892*	987*	11%
<i>Engagement of locomotive crews</i>	795	775	-3%
<i>Expense relating to short-term leases (rolling stock)</i>	-	722	NM
<i>Operating lease rentals - rolling stock</i>	827	-	-100%
<i>Other Operating Cash Costs</i>	2,300	1,372	-40%
Total Operating Non-Cash Costs	6,197	7,345	19%
<i>Depreciation of property, plant and equipment</i>	5,111	5,795	13%
<i>Amortisation of intangible assets</i>	697	697	0%
<i>Loss on derecognition arising on capital repairs</i>	377	472	25%
<i>Depreciation of right-of-use assets (IFRS 16)</i>	-	424	NM
<i>Net impairment losses on trade and other receivables</i>	30	13	-57%
<i>Net (gain)/loss on sale of property, plant and equipment</i>	(27)	10	NM
<i>Impairment/(reversal of impairment) of property, plant and equipment</i>	10	(65)	NM
Total cost of sales, selling and marketing costs and administrative expenses	60,004	62,908	5%

“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 Group⁷ and is reflected in equal amounts in both the Group’s Total revenue and Cost of sales. This cost item decreased 3% year on year to RUB 22,020 million in 2019 reflecting largely changes in clients’ logistics.

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 rose 28% year on year to RUB 4,134 million in 2019 principally due to increase in Engaged Fleet operations in the gondola segment.

⁷ 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 rose 5% year on year to RUB 29,409 million in 2019 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 2019 and 2018.

	2019 % of total	2018 RUB mln	2019 RUB mln	Change %
Empty Run Costs	50%	12,956*	14,752*	14%
Employee benefit expense	15%	4,367	4,483	3%
Repairs and maintenance	15%	3,821	4,403	15%
Fuel and spare parts - locomotives	7%	1,935	1,914	-1%
Infrastructure and Locomotive Tariffs - Other Tariffs	3%	892*	987*	11%
Engagement of locomotive crews	3%	795	775	-3%
Expense relating to short-term leases (rolling stock)	2%	-	722	NM
Operating lease rentals - rolling stock	0%	827	-	-100%
Other Operating Cash Costs	5%	2,300	1,372	-40%
Total Operating Cash Costs	100%	27,894	29,409	5%

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 50% of the Group's Total Operating Cash Costs in 2019. This cost item increased 14% year on year to RUB 14,752 million* in 2019 due to a combination of the following factors:

- Higher regulated RZD tariffs for the traction of empty railcars (up 9.8% year on year for gondola cars and 3.6% year on year for all other types of rolling stock).
- As anticipated, the Empty Run Ratio for gondola cars rose to 42% (2018: 38%) contributing to a Total Empty Run Ratio (for all types of rolling stock) of 49% (2018: 46%).
- Share of Empty Run Kilometres paid by Globaltrans continued to be stable at 89% compared to the previous year.

Employee benefit expense

Employee benefit expense, comprising 15% of the Group's Total Operating Cash Costs, rose 3% year on year to RUB 4,483 million in 2019, due to a combination of inflation driven growth in wages and salaries and a related increase in social insurance costs, as well as a 2% year-on-year rise in average headcount due to the move to have in-house locomotive crews, which were partially offset by a reduction in bonuses.

Repairs and maintenance

Repairs and maintenance costs, which comprised 15% of the Group's Total Operating Cash Costs in 2019, grew 15% year on year to RUB 4,403 million primarily due to the increase in the cost of both certain spare parts and repair works along with an increase in the number of mileage-based depot repairs.

Fuel and spare parts - locomotives

Fuel and spare parts - locomotives expenses, which accounted for 7% of the Group's Total Operating Cash Costs, were RUB 1,914 million in 2019, 1% lower compared to the previous year as inflationary growth in the cost of fuel was more than offset by changed client logistics driving lower fuel consumption.

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 3% of the Group's Total Operating Cash Costs, were RUB 987 million* in 2019, up 11% year on year, impacted by the rise in regulated RZD tariffs and the higher costs of relocating rolling stock to and from maintenance due to an increase in the number of mileage-based depot repairs.

Engagement of locomotive crews

Costs related to the engagement of locomotive crews from RZD (3% of the Group's Total Operating Cash Costs) were 3% lower year on year at RUB 775 million in 2019 following changes to client logistics.

Expense relating to short-term leases (rolling stock) / Operating lease rentals - rolling stock

From 1 January 2019 the Group adopted IFRS 16 "Leases", which resulted in changes in the Group's accounting for leases.

Under IFRS 16, the Group accounts for short-term leases (with a term of twelve months or less) and leases of low value assets by recognising the lease payments as an expense on a straight-line basis. In 2019, the Expense relating to short-term leases (rolling stock), mainly for leased-in tank cars, was RUB 722 million, comprising 2% of the Group's Total Operating Cash Costs. In 2018, costs related to the short-term leases of rolling stock were included in Operating lease rentals - rolling stock and were RUB 827 million.

The Group's non-cancellable lease contracts with terms exceeding twelve months (primarily related to the leasing of offices and certain specialised rolling stock) are recognised as both right-of-use-assets and corresponding lease liabilities on the balance sheet and depreciated over the term of lease period. Please refer to the Group's management report and consolidated financial statements for the year ended 31 December 2019 for more details on the adoption of IFRS 16.

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", "Rental of tank-containers", "Operating lease rentals - office", Expense relating to short-term leases – office (IFRS 16)", "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 2019 and 2018.

	2018	2019	Change
	RUB mln	RUB mln	%
Expense relating to short-term leases - office (IFRS 16)	-	139	NM
Auditors' remuneration	59	55	-7%
Legal, consulting and other professional fees	70	48	-31%
Advertising and promotion	38	39	3%
Communication costs	33	35	4%
Information services	27	19	-30%
Rental of tank-containers	44	-	-100%
Operating lease rentals - office	183	-	-100%
Taxes (other than on income and value added taxes)	681	(9)	NM
Other expenses	1,165	1,046	-10%
Other Operating Cash Costs	2,300	1,372	-40%

Other Operating Cash Costs, which represented 5% of the Group's Total Operating Cash Costs, dropped 40% to RUB 1,372 million in 2019 compared to the previous year. The decline was mainly due to a decrease in Taxes (other than income tax and value added taxes) resulting from the cancellation of property tax on movable assets in Russia.

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 (IFRS 16)", "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 years ended 31 December 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Depreciation of property, plant and equipment	5,111	5,795	13%
Amortisation of intangible assets	697	697	0%
Loss on derecognition arising on capital repairs ⁸	377	472	25%
Depreciation of right-of-use assets (IFRS 16)	-	424	NM
Net impairment losses on trade and other receivables	30	13	-57%
Net (gain)/loss on sale of property, plant and equipment	(27)	10	NM
Impairment/(reversal of impairment) of property, plant and equipment	10	(65)	NM
Total Operating Non-Cash Costs	6,197	7,345	19%

Total Operating Non-Cash Costs increased 19% year on year to RUB 7,345 million in 2019, largely due to the 13% year-on-year rise in Depreciation of property, plant and equipment (reflecting the growth in the Group's Owned Fleet) and the application of the IFRS 16 "Leases".

Adjusted EBITDA (non-GAAP financial measure)

EBITDA (a non-GAAP financial measure) represents "Profit for the year" 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 (IFRS 16)".

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 2019 was RUB 39,552 million, up 20% on the previous year. The Adjusted EBITDA Margin expanded to 57% in 2019 from 54% in 2018 following 13% year-on-year growth in Adjusted Revenue and a 5% year-on-year increase in Total Operating Cash Costs.

The following table provides details on Adjusted EBITDA for the years ended 31 December 2019 and 2018, and its reconciliation to EBITDA and Profit for the year.

⁸ 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.

	2018 RUB mln	2019 RUB mln	Change %
Profit for the year	19,583	22,653	16%
<i>Plus (Minus)</i>			
Income tax expense	5,876	7,091	21%
Finance costs – net	1,441	2,375	65%
Net foreign exchange transaction losses on financing activities	(40)	(380)	844%
Amortisation of intangible assets	697	697	0%
Depreciation of right-of-use assets (IFRS 16)	-	424	NM
Depreciation of property, plant and equipment	5,111	5,795	13%
EBITDA	32,668	38,656	18%
<i>Plus (Minus)</i>			
Loss on derecognition arising on capital repairs	377	472	25%
Net foreign exchange transaction losses on financing activities	40	380	844%
Other losses – net	1	99	NM
Impairment/(reversal of impairment) of property, plant and equipment	10	(65)	NM
Net (gain)/loss on sale of property, plant and equipment	(27)	10	NM
Adjusted EBITDA	33,070	39,552	20%

Finance income and costs

The following table provides a breakdown of Finance income and costs for the years ended 31 December 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
<i>Interest expense:</i>			
Bank borrowings	(1,344)	(1,456)	8%
Non-convertible bonds	(315)	(743)	136%
Interest expense on loans	-	(5)	NM
Other interest expense	-	(9)	NM
Total interest expense calculated using the effective interest rate method	(1,659)	(2,214)	33%
Leases with financial institutions (2018: Finance leases)	(108)	(165)	53%
Lease liabilities (IFRS 16)	-	(118)	NM
Total interest expense	(1,767)	(2,497)	41%
Other finance costs	(11)	(32)	191%
Total finance costs	(1,778)	(2,529)	42%
<i>Interest income:</i>			
Bank balances	141	122	-13%
Short term deposits	193	374	94%
Loans to third parties	1.4	0.6	-57%
Total interest income calculated using the effective interest rate method	335	497	48%
Finance leases – third parties	42	37	-13%
Total finance income	377	534	41%
Net foreign exchange transaction gains on borrowings and other liabilities	36	207	481%
Net foreign exchange transaction losses on cash and cash equivalents and other monetary assets	(76)	(587)	674%
Net foreign exchange transaction losses on financing activities	(40)	(380)	844%
Net finance costs	(1,441)	(2,375)	65%

Finance costs

Total finance costs grew 42% year on year to RUB 2,529 million in 2019 following a rise in the Group's total borrowings, a slight year-on-year increase in the weighted average effective interest rate and the application of the IFRS 16 "Leases".

Finance income

In 2019, the Group's Total finance income rose 41% year on year to RUB 534 million, mainly due to the higher amount of short-term deposits.

Net foreign exchange transaction losses on financing activities

In 2019 the Group had Net foreign exchange transaction losses on financing activities of RUB 380 million compared to RUB 40 million in 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 29,745 million in 2019, up 17% compared to the previous year, reflecting:

- A 19% year-on-year increase in the Group's Operating profit to RUB 32,120 million, resulting primarily from the factors described above.
- Partially offset by a 65% year-on-year increase in Net finance costs to RUB 2,375 million.

Income tax expense

Income tax expense grew 21% year on year to RUB 7,091 million in 2019 reflecting a 17% year-on-year rise in Profit before income tax and a slight increase in the weighted average annual income tax rate for 2019 to 23.8% compared to 23.1% in 2018.

Profit for the year

The Group's Profit for the year was 16% higher year on year at RUB 22,653 million reflecting the factors described above.

Profit for the year attributable to the owners of the Company climbed 18% year on year to RUB 20,808 million due to the strong business performance.

LIQUIDITY AND CAPITAL RESOURCES

In 2019, the Group's capital expenditure consisted primarily of maintenance CAPEX (including capital repairs) and the selective acquisition of rolling stock, specialised containers and locomotives.

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 and bond issues.

The Group manages its liquidity based on expected cash flows. As at 31 December 2019, the Group had Net Working Capital of RUB 6,710 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 2019 and 2018.

	2018 RUB mln	2019 RUB mln
<i>Cash flows from operating activities</i>	33,087	39,506
<i>Changes in working capital:</i>	(485)	(4,084)
<i>Inventories</i>	170	(394)
<i>Trade receivables</i>	(317)	(713)
<i>Other assets</i>	(1,042)	(1,299)
<i>Other receivables</i>	(66)	10
<i>Trade and other payables</i>	263	(270)
<i>Contract liabilities</i>	508	(1,418)
Cash generated from operations	32,602	35,422
Tax paid	(5,766)	(6,018)
Net cash from operating activities	26,837	29,404
<i>Cash flows from investing activities</i>		
Purchases of property, plant and equipment	(11,568)	(13,516)
Purchases of intangible assets	(0.1)	(0.8)
Proceeds from sale of property plant and equipment	410	92
Interest received	377	534
Receipts from finance lease receivable	129	124
Loan repayments received from third parties	6	3
Net cash used in investing activities	(10,645)	(12,765)
<i>Cash flows from financing activities</i>		
Net cash inflows from borrowings and financial leases:	5,748	4,183
<i>Proceeds from bank borrowings</i>	15,197	10,408
<i>Proceeds from issue of non-convertible unsecured bonds</i>	5,000	5,000
<i>Repayments of borrowings</i>	(13,128)	(10,737)
<i>Principal elements of lease payments for leases with financial institutions (2018: Finance lease principal payments)</i>	(1,321)	(489)
Interest paid on bank borrowings and non-convertible unsecured bonds	(1,533)	(2,018)
Interest paid on leases with financial institutions (2018: Interest paid on finance leases)	(100)	(167)
Interest paid on lease liabilities (IFRS 16)	-	(112)
Principal elements of lease payments (IFRS 16)	-	(340)
Dividends paid to owners of the Company	(16,221)	(16,632)
Dividends paid to non-controlling interests in subsidiaries	(1,723)	(1,602)
Payments from non-controlling interests for share capital increase of subsidiary	-	200
Acquisition of non-controlling interest	(6)	-
Payments to non-controlling interests	(169)	(451)
Net cash used in financing activities	(14,003)	(16,939)
Net increase/(decrease) in cash and cash equivalents	2,188	(300)
Exchange losses on cash and cash equivalents	(24)	(308)
Cash and cash equivalents at beginning of the year	4,966	7,130
Cash and cash equivalents at end of the year	7,130	6,522

Net cash from operating activities

Net cash from operating activities increased 10% year on year to RUB 29,404 million, reflecting the combination of the following factors:

- Cash flows from operating activities increased 19% year on year to RUB 39,506 million.
- RUB 4,084 million increase in working capital with RUB 1,890 million* due to one-off prepayments for wheels to be used during 2020.
- Tax paid was 4% higher year on year at RUB 6,018 million mainly as a result of the increase in the taxable profits in the reporting year.

Net cash used in investing activities

Net cash used in investing activities rose 20% year on year to RUB 12,765 million. This resulted from increased capital expenditure in the reporting year. Purchases of property, plant and equipment (on a cash basis; including maintenance CAPEX) were up 17% to RUB 13,516 million resulting primarily from a higher-than-expected rise in maintenance CAPEX from RUB 3,520 million* in 2018 to RUB 6,908 million* in 2019 largely due to the speculative increase in the cost of wheel pairs.

Net cash used in financing activities

Net cash used in financing activities was RUB 16,939 million in 2019, 21% higher compared to the previous year. This was due to a combination of the following factors:

- Net cash inflows from borrowings and finance leases⁹ were RUB 4,183 million compared to RUB 5,748 million in 2018.
- Interest paid (including “Interest paid on bank borrowings and non-convertible unsecured bonds” and “Interest paid on leases with financial institutions”) increased 34% year on year to RUB 2,185 million in 2019 due to the rise in the Group’s total borrowings along with the slightly higher weighted average effective interest rate.
- The increase in Dividends paid to owners of the Company to RUB 16,632 million compared to RUB 16,221 million in 2019 on the back of the continued strong business performance.
- Dividends paid to non-controlling interests in subsidiaries fell to RUB 1,602 million in 2019 compared to RUB 1,723 million in 2018.

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 (IFRS 16)”, “Interest paid on lease liabilities (IFRS 16)”, “Interest paid on bank borrowings and non-convertible unsecured bonds” and “Interest paid on leases with financial institutions”.

The Group’s Free Cash Flow was RUB 12,762 million in 2019, up 4% compared to the previous year. This was mostly related to the factors below.

- Cash generated from operations (after “Changes in working capital”) rose 9% or RUB 2,820 million to RUB 35,422 million despite a RUB 4,084 million build-up of working capital (of which RUB 1,890 million* was one-off), partially offset by the combination of:
- a 9% or RUB 1,117 million year-on-year increase in Total CAPEX (including “Purchase of property, plant and equipment”, “Principal elements of lease payments for leases with financial institutions” and “Purchases of intangible assets”) to RUB 14,006 million.
- a 4% or RUB 253 million year-on-year increase in Tax paid to RUB 6,018 million as described above.
- a 34% or RUB 552 million year-on-year increase in Interest paid (including “Interest paid on bank borrowings and non-convertible unsecured bonds” and “Interest paid on leases with financial institutions”) to RUB 2,185 million.
- RUB 340 million of Principal elements of lease payments (IFRS 16) and RUB 112 million of Interest paid on lease liabilities (IFRS 16) booked in 2019 due to the application of IFRS 16 “Leases”.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for the years ended 31 December 2019 and 2018, and its reconciliation to Cash generated from operations.

⁹ 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”.

	2018 RUB mln	2019 RUB mln	Change %
Cash generated from operations (after "Changes in working capital")	32,602	35,422	9%
Total CAPEX (including maintenance CAPEX)	(12,889)	(14,006)	9%
<i>Purchases of property, plant and equipment</i>	(11,568)	(13,516)	17%
<i>Principal elements of lease payments for leases with financial institutions (2018: Finance lease principal payments)</i>	(1,321)	(489)	-63%
<i>Purchases of intangible assets</i>	(0.1)	(0.8)	656%
Tax paid	(5,766)	(6,018)	4%
Interest paid on bank borrowings and non-convertible unsecured bonds	(1,533)	(2,018)	32%
Interest paid on leases with financial institutions (2018: Interest paid on finance leases)	(100)	(167)	67%
Principal elements of lease payments (IFRS 16)	-	(340)	NM
Interest paid on lease liabilities (IFRS 16)	-	(112)	NM
Free Cash Flow	12,314	12,762	4%
<i>Minus</i>			
Adjusted Profit Attributable to Non-controlling Interests	1,911	1,846	-3%
Attributable Free Cash Flow	10,403	10,916	5%

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 CAPEX (on cash basis, including maintenance CAPEX) rose 9% to RUB 14,006 million¹⁰ in 2019, compared to the previous year. The increase in capital expenditures was primarily due to the following factors:

- A higher-than-expected rise in maintenance CAPEX from RUB 3,520 million* in 2018 to RUB 6,908 million* in 2019 largely due to the speculative increase in the cost of wheel pairs.
- A decrease in expansion CAPEX from RUB 9,369 million* in 2018 to RUB 7,098 million* in 2019, reflecting moderate investments.

In 2019 the Group took delivery of 2,502 units (including 1,154 specialised containers, 700 flat cars, 638 gondola cars and 10 locomotives) compared to 4,747 units in the previous year.

The following table sets out the principal components of the Group's Total CAPEX for the years ended 31 December 2019 and 2018.

	2018 RUB mln	2019 RUB mln	Change %
Purchase of property, plant and equipment	11,568	13,516	17%
Principal elements of lease payments for leases with financial institutions	1,321	489	-63%
Purchased of intangible assets	0.1	0.8	656%
Total CAPEX	12,889	14,006	9%

Capital resources

As of 31 December 2019, the Group's financial indebtedness consisted of borrowings, non-convertible unsecured bonds and finance lease liabilities for an aggregate principal amount of RUB 30,095 million (including accrued interest of RUB 396 million*).

¹⁰ The Group's capital expenditure (including maintenance CAPEX) on an accrual basis was RUB 14,136 million in 2019 compared to RUB 14,527 million in the previous year. 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 and due to a part of the capital expenditure being financed with a finance lease.

Under IFRS 16, Lease liabilities of RUB 1,531 million were recognised on the balance sheet as of 31 December 2019¹¹ which primarily related to the long-term leasing of offices and certain specialised fleet.

The Group's Net Debt was RUB 23,574 million as of 31 December 2019, 27% higher than at the end of 2018.

The following table sets out details on the Group's total debt, Net Debt and Net Debt to Adjusted EBITDA at 31 December 2019 and 2018, and the reconciliation of Net Debt to Total debt.

	As of 31 December 2018 RUB mln	As of 31 December 2019 RUB mln	Change %
Total debt	25,729	30,095	17%
<i>Minus</i>			
Cash and cash equivalents	7,130	6,522	-9%
Net Debt	18,599	23,574	27%
Net Debt to Adjusted EBITDA	0.56	0.60	-

Rouble-denominated borrowings accounted for 100% of the Group's debt portfolio as of 31 December 2019. The Russian rouble is the functional currency of the Company.

The weighted average effective interest rate rose to 8.1% as of 31 December 2019 compared to 7.9% as of the end of 2018. The vast majority of the Group's debt had fixed interest rates as of the end of the reporting year.

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 of RUB 4,665 million as of 31 December 2019.

The following table gives the maturity profile of the Group's borrowings (including accrued interest of RUB 396 million*) as of 31 December 2019.

	As of 31 December 2019 RUB mln
Q1 2020	1,848*
Q2 2020	2,074*
Q3 2020	1,821*
Q4 2020	2,058*
2021	9,019*
2022	6,708*
2023	4,980*
2024	1,588*
Total	30,095

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").

¹¹ Not included in Total debt.

The Group' consolidated management report and consolidated financial statements, selected operational information as at and for the years ended 31 December 2019 and 2018 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 (IFRS 16)”, “Interest paid on lease liabilities (IFRS 16)”, “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.

Market Share is calculated using the Group's own information as the numerator and information published by the Federal State Statistics Service of Russia (Rosstat) as the denominator. It is defined as a percentage of the overall Russian freight rail transportation volume and includes volumes transported by Engaged Fleet, unless otherwise stated.

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 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" 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", "Rental of tank-containers", "Operating lease rentals - office", "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

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.