

For immediate release

29 March 2021

Globaltrans Investment PLC**Full-Year 2020 Results, Final 2020 Dividends recommended,
Interim 2021 Dividend target announced**

Globaltrans Investment PLC (the “Company” and together with its consolidated subsidiaries “Globaltrans” or the “Group”), (LSE/MOEX ticker: GLTR) today announces its financial and operational results for the year ended 31 December 2020 along with the proposal on total 2020 final dividends.

In this announcement, the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as “non-IFRS measures”) as supplemental measures of the Group’s operating performance. The management believes that these non-IFRS 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-IFRS 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-IFRS measures to the closest EU IFRS measures are included in the body of this announcement. The presentational currency of the Group’s financial results is the Russian rouble (“RUB”).*

KEY HIGHLIGHTS

Industry outperformance, increased Free Cash Flow, strong FY2020 dividends as anticipated, interim 2021 dividend target established, AGM approval sought to renew share buyback programme.

- Freight Rail Turnover increased 2.2% year on year in a falling market, as Globaltrans’ powerful operating model enabled efficient switching between cargo groups to capture business.
- Long-term contracts successfully extended (MMK, Metalloinvest), new contract concluded with EVRAZ.
- 14% year-on-year increase in Free Cash Flow¹ to RUB 15.1 billion supported by flexible expansion CAPEX.
- Strong total combined FY2020 dividend to be delivered as targeted of RUB 13.3 billion or RUB 74.55 per share/Global Depositary Receipt (“GDR”) (including already paid interim and recommended final 2020 dividends) corresponding to 99% of Attributable Free Cash Flow¹ for 2020.
- Continued focus on dividends with minimum interim 2021 dividends of RUB 3.0 billion (about RUB 16.78 per share/GDR) targeted reflecting conservative financial policies along with ongoing pricing pressure in gondola segment.
- Secondary listing on Moscow Exchange undertaken in October 2020 driving almost three-fold rise in combined liquidity on London Stock Exchange and Moscow Exchange².
- Share buyback is on track providing ongoing support during market volatility – the Board is seeking approval at the Annual General Meeting of shareholders (“AGM”) to renew its buyback programme (for up to 5% of the share capital) for twelve months from the date of the respective AGM and to authorise the means of disposition of the resulting treasury shares³.

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

² Calculated as combined Average Daily Traded Volumes in USD terms (ADTV) on MOEX and LSE) since secondary listing at MOEX comparing to ADTV at LSE for six months prior to secondary listing.

³ Corresponding AGM is scheduled for 29 April 2021. Details to be published at www.globaltrans.com in due course.

Commenting on Globaltrans' Full-Year 2020 results, CEO Valery Shpakov said: "It was clear that no company in our sector would be immune to the unprecedented trading conditions of 2020. Although our financial results were impacted by the weak markets, we kept a tight grip on costs, increased free cash flow and delivered solid dividends for shareholders as planned. By ensuring safe working conditions for our employees, we were able to maintain business continuity and provide a superior client service. Overall, we produced a performance to be proud of.

We have many strengths that set us apart from our peers. Our logistics systems and core clients are world class. Along with our entrepreneurial culture, this gives us the flexibility to meet our clients' needs by responding quickly to the changing market. Our large and modern fleet means that our investment requirements are manageable, supporting strong free cash flow and underpinning our commitment to providing solid dividends throughout the cycle.

In a year that demanded resilience, we delivered. We remain well positioned to benefit as industry volumes recover as we move into 2021."

FINANCIAL RESULTS

Efficient cost control, increased Free Cash Flow and continued low leverage.

- Total revenue was down 28% year on year to RUB 68.4 billion. Adjusted Revenue declined 20% year on year to RUB 54.9 billion with lower gondola segment net revenues partially offset by a less volatile tank car segment and growing revenues from specialised containers and railcar leasing businesses.
- Total Operating Cash Costs were reduced 1% year on year due to cost optimisation measures.
- Operating profit decreased 41% year on year to RUB 18.8 billion largely due to gondola segment pricing weakness.
- Adjusted EBITDA was 32% lower year on year at 26.8 billion while the Adjusted EBITDA Margin narrowed to 49% (2019: 57%).
- Profit for the year declined 46% year on year to RUB 12.2 billion.
- Free Cash Flow increased 14% year on year to RUB 15.1 billion with the decline in Net cash from operating activities more than offset by an 83% year-on-year targeted cut in expansion CAPEX, release of working capital and lower Tax paid.
- Total CAPEX⁴ was down 49% to RUB 6.9 billion and largely included maintenance expenses. The Group currently expects its Total CAPEX (including maintenance) to remain low in 2021 in the range of RUB 6-7 billion.
- Leverage continued to be held at a low level with a Net Debt to Adjusted EBITDA ratio of 1.01x at year end 2020 (year end 2019: 0.60x).

DIVIDENDS

Continued robust dividend payments as targeted and previously announced.

- Strong total FY2020 dividends of 13.3 billion or RUB 74.55 per share/GDR to be delivered (including already paid interim and recommended final 2020 dividends), reflecting strong Free Cash Flow generation and low leverage. Total FY2020 dividends equates to 99% of the Group's Attributable Free Cash Flow for 2020.
- Final and special final 2020 dividends of RUB 5.0 billion combined (RUB 28.00 per share/GDR)⁵ recommended by the Board, subject to shareholders' approval at the AGM called for 29 April 2021. The record date is set as 29 April 2021 with GDRs marked as ex-dividend on 28 April 2021⁶.

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

⁵ 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 five business days in Russia from 22 to 28 April 2021 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 Annual General Meeting of shareholders.

⁶ As set by London Stock Exchange.

Minimum Interim 2021 dividends target established.

- Interim 2021 dividends of a minimum of RUB 3.0 billion (about RUB 16.78 per share/GDR) targeted payable in September 2021 reflecting conservative financial policies along with ongoing pricing pressure in gondola segment.
- Robust business model, efficient operations, low leverage and discretionary expansion CAPEX are solid base for ongoing dividend payments.

OPERATIONAL PERFORMANCE

Globaltrans outperformed the industry despite weak markets.

- Solid Freight Rail Turnover growth achieved in 2020 of 2.2% year on year even as the overall market declined 2.2% year on year.
- Gondola operating model provides for flexibility and responsiveness to market changes enabling a 5% year-on-year rise in bulk cargoes Freight Rail Turnover due to efficient contracting and migration between freight segments.
- Tank car segment business volumes under pressure from unprecedented COVID-19 lockdowns reducing fuel consumption in Russia along with impact of crude oil production cuts agreed under OPEC+. Against this backdrop, the Group's Freight Rail Turnover in the oil products and oil segment declined 13% year on year.
- Challenging operational conditions in the tank car segment drove Average Number of Loaded Trips per Railcar down 5% year on year along with a 6% year-on-year rise in Average Distance of Loaded Trip.

Robust client retention, key service contracts extended.

- Strong portfolio of service contracts with superior clients in metallurgical and oil products and oil segments, which contributed 64% of Net Revenue from Operation of Rolling Stock in 2020.
- Long-term service contracts provide for better volume visibility and lower pricing volatility and enable logistical efficiencies.
- Key service contracts successfully extended.
 - MMK – service contract extended for further 2 years until the end of September 2024.
 - Metalloinvest – service contract extended for one year until the end of 2021.
- Deepened relationships with other high profile clients. Significant increase in business volumes with EVRAZ accompanied by parties entering into a one-year contract. Expanded relationships with clients in coal and construction segments including Kuzbasskaya Toplivnaya Company and National Non-Metallic Company.

Mixed pricing across segments.

- Balanced fleet composition helped partially offset weak pricing in the gondola segment with solid pricing in tank cars. Average Price per Trip declined 19% year on year.

Flexible operating model enabled Group to maintain one of the sector's best Empty Run Ratios.

- Gondola Empty Run Ratio remained one of the lowest in the Russian market despite the substantial volatility in client cargo flows and routes driven by unprecedented COVID-19 lockdowns. Empty Run Ratio for gondola cars rose to 45%, compared to 42% in 2019.
- Total Empty Run Ratio (for all types of rolling stock) increased to 51%, compared to 49% in 2019.
- Share of Empty Run Kilometers paid by Globaltrans rose to 99% (2019: 89%) due to changed cargo mix and gondola segment headwinds.

Large diversified fleet with minimum scrappage requirements.

- Balanced fleet of 71,688 units⁷, primarily universal gondola cars and tank cars strengthened by owned fleet of mainline locomotives.

⁷ Total Fleet as of 31 December 2020.

- Moderate average age of 12.4 years as of the end of 2020 with limited need for scrappage in the mid-term.
- The Group's Average Rolling Stock Operated was up 1% year on year.

MARKET OVERVIEW

Market rebound in the second half of 2020 after spread of COVID-19 affected demand in the first half of the year.

- Overall freight rail turnover and volumes in Russia decreased 2.2% and 2.7% year on year in 2020 respectively.
- Noticeable split in freight rail turnover performance between the two halves with a first-half decline of 5.3% year on year followed by an export-driven recovery with second-half turnover rising 1% year on year.

Non-oil (bulk) cargo volumes fared better than the overall market.

- Non-oil (bulk) cargo volumes fell 1.1% year on year in 2020 compared to an overall market decline of 2.7% year on year. Decline in coal and metallurgical cargo volumes were partially mitigated by a rise in construction cargo volumes.
- Net additions of gondolas declined about 40% year on year to about 19 thousand units in 2020 (addition of about 3% compared to the end of 2019)⁸.
- Gondola segment rates remained under pressure throughout 2020.

Oil products and oil segment under significant pressure due to COVID-19 and OPEC+.

- Overall freight rail volumes declined 10% year on year in 2020 as lockdowns due to COVID-19 affected fuel consumption while OPEC+ agreement cut crude oil production.
- Net additions of oil products and oil tank cars were 900 units or 0.4% compared to the end of 2019⁸.
- Relatively stable railcar operator rates in the tank car segment.

Market recovery has continued so far in 2021; pricing remains mixed across segments.

- Recovery continued in 2021 with average daily overall freight rail turnover up 1.7% year on year in January-February 2021⁹ mostly reflecting growth in export demand for bulks.
 - Recovery in domestic demand and seasonal resumption of construction activity expected to drive gondola demand.
 - Post-COVID recovery of oil products and oil volumes from unprecedented low levels expected to support demand for tanks.
- Market pricing remains mixed across segments, cost pressure remains moderate.
 - Some further weakness in gondola segment rates in the beginning of 2021 compared to the second half of 2020; growth in demand along with decline in new capacity additions required for recovery.
 - In the tank car segment, operator rates remain relatively stable with some continued volatility in leasing rates.
 - Regulated RZD tariffs for the traction of empty railcars were increased 3.7% year on year in January 2021, moderate inflation expected in the prices for spare parts and repairs.
- Promising demand momentum.
 - Favourable economic backdrop with strong demand and high prices for key bulk commodities supporting export volumes; ongoing vaccination efforts in Russia expected to encourage recovery of domestic demand.
 - Far East rail infrastructure is a focus of the government and RZD with 17% more throughput capacity delivered in 2018-2020 and an additional expansion of about 26% targeted by the end of 2024.

⁸ Estimated by the Company. Net change in Russia's overall fleet of respective rolling stock as of 31 December 2020 compared to the end of 2019.

⁹ Estimated by the Company. Average daily overall freight rail turnover better illustrates the market trends taking into account higher base in February 2020 due to a leap year.

- Large national infrastructure projects continue to support demand for rail transportation.

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 / WEBCAST

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, 29 March 2021

Time: 12.00 London / 14.00 Moscow / 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) 33 0551 0211

Russia: +7 (8) 495 249 9842

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

English: 0139644#

Russian: 0782813#

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.

VIRTUAL NON-DEAL ROADSHOW

The results announcement will be followed by a virtual non-deal roadshow. We are offering conference calls in lieu of face-to-face meetings from 30 March to 14 April 2021. If you are interested in talking to the Group's management team, please contact the IR department; details are below.

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NOTES TO EDITORS

Globaltrans Investment PLC (“Company”, together with its consolidated subsidiaries “Globaltrans” or the “Group”) is a leading freight rail transportation group with subsidiary operations across Russia, the CIS and the Baltic countries.

The Company was founded in 2004 by a group of entrepreneurs who combined their freight rail businesses under the single brand Globaltrans. These founders remain key shareholders of the Group.

Throughout its years of operation, the Company has pursued a prudent approach to investment, expanding its fleet both by means of organic growth and through the acquisition of other rail operators. Globaltrans’ total fleet is currently almost three times larger than it was at the time of the Company’s IPO in 2008.

The Group’s dividend policy establishes a transparent and straightforward approach to the payment of dividends and is supported by a long history of delivering attractive shareholder remuneration.

Globaltrans global depositary receipts have been traded on the Main Market of the London Stock Exchange (ticker symbol: GLTR) since May 2008 and on the Level One quotation list of the Moscow Exchange since October 2020 (ticker symbol: GLTR).

Due to its vast logistics capabilities, the Group is able to efficiently manage industrial cargo flows, transporting metallurgical cargoes, oil products and oil, coal, construction materials and petrochemicals. The Group serves a broad range of clients in Russia and the CIS including some of Russia’s leading companies.

Globaltrans has a total fleet (including owned and leased in under finance and operating leases of about 72 thousand units as of the end of 2020, of which about 95% are owned by the Company. The core of the fleet is universal gondola cars used for a broad range of bulk cargoes (64% of total fleet) and tank cars for transporting oil products and oil (28% of total fleet). In addition, the Group operates specialised containers and the flat cars to transport them. Globaltrans also manages its own fleet of mainline locomotives with 74 units that provide traction for its block trains.

The Group’s logistics management principally aims to provide reliable services, responding promptly and flexibly to customer needs, while achieving a good level of profitability for the business. The main component of the Group’s centralised logistics system is its single dispatching centre that monitors every aspect of Globaltrans’ fleet operation. By effectively managing shipments and routes, Globaltrans ensures high utilisation of its fleet and achieves maximum productivity and quality of service.

Additional information on Globaltrans is available at www.globaltrans.com.

RESULTS IN DETAIL

The following tables provide the Group’s key financial and operational information for the years ended 31 December 2020 and 2019.

EU IFRS financial information

	2019 RUB mln	2020 RUB mln	Change %
Revenue	94,994	68,367	-28%
Total cost of sales, selling and marketing costs and administrative expenses	(62,908)	(50,664)	-19%
Operating profit	32,120	18,811	-41%
Finance costs - net	(2,375)	(2,100)	-12%
Profit before income tax	29,745	16,712	-44%
Income tax expense	(7,091)	(4,525)	-36%
Profit for the year	22,653	12,187	-46%
<i>Profit attributable to:</i>			
Owners of the Company	20,808	10,587	-49%
Non-controlling interests	1,846	1,600	-13%
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share)	116.41	59.24	-49%

	2019 RUB mln	2020 RUB mln	Change %
Cash generated from operations (after changes in working capital)	35,422	28,278	-20%
Tax paid	(6,018)	(3,052)	-49%
Net cash from operating activities	29,404	25,226	-14%
Net cash used in investing activities	(12,765)	(6,528)	-49%
Net cash used in financing activities	(16,939)	(20,357)	20%

Non-IFRS financial information

	2019 RUB mln	2020 RUB mln	Change %
Adjusted Revenue	68,840	54,934	-20%
<i>Including</i>			
Net Revenue from Operation of Rolling Stock	64,994*	50,527*	-22%
Operating lease of rolling stock	1,634	1,932	18%
Net Revenue from Specialised Container Transportation	1,623*	1,923*	18%
Total Operating Cash Costs	29,409	29,121	-1%
<i>Including</i>			
Empty Run Cost	14,752*	15,799*	7%
Repairs and maintenance	4,403	4,261	-3%
Employee benefit expense	4,483	4,154	-7%
Fuel and spare parts - locomotives	1,914	1,630	-15%
Adjusted EBITDA	39,552	26,807	-32%
Adjusted EBITDA Margin, %	57%	49%	-
Total CAPEX (including maintenance CAPEX)	13,517	6,941	-49%
Free Cash Flow	13,251	15,103	14%
Attributable Free Cash Flow	11,405	13,503	18%

Debt profile

	As of 31 December 2019 RUB mln	As of 31 December 2020 RUB mln	Change %
Total debt	30,095	32,015	6%
Cash and cash equivalents	6,522	4,978	-24%
Net Debt	23,574	27,037	15%
Net Debt to Adjusted EBITDA (x)	0.60	1.01	-

Operational information

	2019	2020	Change, %
Freight Rail Turnover, billion tonnes-km (excluding Engaged Fleet)	147.1	150.3	2.2%
Transportation Volume, million tonnes (excluding Engaged Fleet)	91.6	88.9	-3.0%
Average Price per Trip, RUB	45,807	36,909	-19%
Average Rolling Stock Operated, units	56,845	57,484	1%
Average Distance of Loaded Trip, km	1,591	1,681	6%
Average Number of Loaded Trips per Railcar	25.0	23.8	-5%
Total Empty Run Ratio (for all types of rolling stock), %	49%	51%	-
Empty Run Ratio for gondola cars, %	42%	45%	-
Share of Empty Run Kilometres paid by Globaltrans, %	89%	99%	-
Total Fleet, units (at year end), including:	70,720	71,688	1%
Owned Fleet, units (at year end)	67,669	67,762	0%
Leased-in Fleet, units (at year end)	3,051	3,926	29%
Leased-out Fleet, units (at year end)	6,842	7,032	3%
Average age of Owned Fleet, years (at year end)	11.5	12.4	-
Total number of employees (at year end)	1,640	1,697	3%

Revenue

The Group's Total revenue was 28% lower year on year at RUB 68,367 million in 2020 reflecting a 20% year-on-year decline in Adjusted Revenue and a 49% year-on-year decrease in the "pass through" cost items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation

organisations”. Net Revenue from Operation of Rolling Stock (a key component of Adjusted Revenue) declined 22% year on year and was partially offset by higher revenues from niche segments for the rail transportation of specialised containers and leasing of rolling stock.

The following table provides details of Total revenue, broken down by revenue-generating activity, for the years ended 31 December 2020 and 2019.

	2019 RUB mln	2020 RUB mln	Change %
Railway transportation – operators services (tariff borne by the Group) ¹⁰	49,141	27,197	-45%
Railway transportation – operators services (tariff borne by the client)	42,018	36,671	-13%
Revenue from specialised container transportation	1,815	2,168	19%
Operating lease of rolling stock	1,634	1,932	18%
Other	386	400	4%
Total revenue	94,994	68,367	-28%

Adjusted Revenue

Adjusted Revenue is a non-IFRS 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 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 20% year-on-year decline in the Group’s Adjusted Revenue to RUB 54,934 million in 2020 was primarily due to the decrease in Net Revenue from Operation of Rolling Stock, down 22%, which was partially offset by an 18% year-on-year increase in both Net Revenue from Specialised Container Transportation and Revenue from operating leasing of rolling stock.

The following table provides details of Adjusted Revenue for the years ended 31 December 2020 and 2019 and its reconciliation to Total revenue.

	2019 RUB mln	2020 RUB mln	Change %
Total revenue	94,994	68,367	-28%
<i>Minus “pass through” items</i>			
Infrastructure and locomotive tariffs: loaded trips	22,020	10,957	-50%
Services provided by other transportation organisations	4,134	2,476	-40%
Adjusted Revenue	68,840	54,934	-20%

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

The following table provides a breakdown of the components of Adjusted Revenue for the years ended 31 December 2020 and 2019.

	2019 RUB mln	2020 RUB mln	Change %
Net Revenue from Operation of Rolling Stock	64,994*	50,527*	-22%
Operating leasing of rolling stock	1,634	1,932	18%
Net Revenue from Specialised Container Transportation	1,623*	1,923*	18%
Net Revenue from Engaged Fleet	202*	152*	-25%
Other	386	400	4%
Adjusted Revenue	68,840	54,934	-20%

¹⁰ Includes “Infrastructure and locomotive tariffs: loaded trips” for 2020 of RUB 10,957 million (2019: RUB 22,020 million) and “Services provided by other transportation organisations” of RUB 2,476 million (2019: RUB 4,134 million).

Net Revenue from Operation of Rolling Stock

Net Revenue from Operation of Rolling Stock is a non-IFRS 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 contributed 92% of the Group’s Adjusted Revenue in 2020 and was 22% lower year on year at RUB 50,527 million* primarily reflecting weak pricing conditions in the gondola segment.

- Average Price per Trip declined 19% year on year to RUB 36,909 with solid pricing in tank cars partially compensating for continued weak pricing in the gondola segment.
- Average Rolling Stock Operated increased 1% year on year to 57,484 units.
- Average Number of Loaded Trips per Railcar decreased 5% year on year mainly reflecting changed logistics and volatility in demand for rail transportation specifically in the tank car segment.

Revenue from operating leasing of rolling stock

Revenue from operating leasing of rolling stock, which contributed 4% of the Group’s Adjusted Revenue in 2020, increased 18% year on year to RUB 1,932 million as a result of the more favourable pricing terms achieved in the tank car leasing segment compared to the previous year.

Net Revenue from Specialised Container Transportation

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

Net Revenue from Specialised Container Transportation increased 18% year on year to RUB 1,923 million* in 2020 benefitting from fleet expansion, solid demand, stable pricing and the launch of high grade steel transportation. This revenue contributed 4% of the Group’s Adjusted Revenue in the reporting year. The Group’s total fleet employed in this segment was 5,046 units at 31 December 2020 including specialised containers and flat cars. This business segment is mostly focused on the rail transportation of petrochemicals and high grade steel and has SayanskKhimPlast, NLMK, EVRAZ, Bashkir Soda Company and KuibyshevAzot among its key clients.

Net Revenue from Engaged Fleet

Net Revenue from Engaged Fleet is a non-IFRS 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”).

Net Revenue from Engaged Fleet, which comprised less than 1% of the Group’s Adjusted Revenue, declined 25% year on year in 2020 to RUB 152 million*, largely reflecting a decline in the number of Engaged Fleet operations.

Other revenue

Other revenue (1% of the Group’s Adjusted Revenue), which includes the revenues generated by the Group’s auxiliary business activities such as freight forwarding, repair and maintenance services provided to third parties, and other, increased 4% year on year to RUB 400 million in 2020.

Cost of sales, selling and marketing costs and administrative expenses

The following table provides a breakdown of Cost of sales, selling and marketing costs and administrative expenses for the years ended 31 December 2020 and 2019.

	2019 RUB mln	2020 RUB mln	Change %
Cost of sales	58,833	47,066	-20%
Selling and marketing costs	216	205	-5%
Administrative expenses	3,859	3,394	-12%
Total cost of sales, selling and marketing costs and administrative expenses	62,908	50,664	-19%

In 2020, the Group's Total cost of sales, selling and marketing costs and administrative expenses were reduced 19% year on year to RUB 50,664 million, primarily 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”) were 49% lower year on year at RUB 13,434 million mainly as a result of changes in the proportion of clients that pay Infrastructure and locomotive tariffs: loaded trips through the Group.
- The Group's Total cost of sales, selling and marketing costs and administrative expenses adjusted for “pass-through” cost items increased 1% year on year to RUB 37,231 million in 2020, which reflected:
 - A 1% year-on-year decline in the Group's Total Operating Cash Costs to RUB 29,121 million in 2020.
 - Efficient cost optimisation measures that enabled the Group to achieve a 9% year-on-year reduction in Total Operating Cash Costs excluding Empty Run Costs.
 - An increase in the regulated RZD infrastructure and locomotive traction tariffs for empty trips, higher Group's Freight Rail Turnover and a rise in Empty Runs on the back of the challenging industry environment drove a 7% year-on-year increase in Empty Run Costs.
 - A 10% year-on-year rise in Total Operating Non-Cash Costs to RUB 8,109 million, due in large part to an increase in the Depreciation of property, plant and equipment on the back of asset expansion, principally in 2019.

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

	2019 RUB mln	2020 RUB mln	Change %
“Pass through” cost items	26,154	13,434	-49%
Infrastructure and locomotive tariffs: loaded trips	22,020	10,957	-50%
Services provided by other transportation organisations	4,134	2,476	-40%
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for “pass through” cost items)	36,754	37,231	1%
Total Operating Cash Costs	29,409	29,121	-1%
Empty Run Costs	14,752*	15,799*	7%
Repairs and maintenance	4,403	4,261	-3%
Employee benefit expense	4,483	4,154	-7%
Fuel and spare parts – locomotives	1,914	1,630	-15%
Infrastructure and Locomotive Tariffs - Other Tariffs	987*	998*	1%
Expense relating to short-term leases - rolling stock	722	824	14%
Engagement of locomotive crews	775	421	-46%
Other Operating Cash Costs	1,372	1,034	-25%
Total Operating Non-Cash Costs	7,345	8,109	10%
Depreciation of property, plant and equipment	5,795	6,969	20%
Depreciation of right-of-use assets	424	655	54%
Loss on derecognition arising on capital repairs	472	420	-11%
Amortisation of intangible assets	697	60	-91%
Net impairment losses on trade and other receivables	13	6	-57%
Net loss on sale of property, plant and equipment	10	0.3	-97%
Reversal of impairment of property, plant and equipment	(65)	-	NM
Total cost of sales, selling and marketing costs and administrative expenses	62,908	50,664	-19%

“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 Group¹¹ and is reflected in equal amounts in both the Group’s Total revenue and Cost of sales. In 2020, this cost item fell 50% year on year to RUB 10,957 million primarily reflecting the change in the proportion of clients that pay infrastructure and locomotive tariffs: loaded trips through the Group.

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 fell 40% year on year to RUB 2,476 million in 2020 principally due to the decreased costs associated with the engagement of third-party fleet.

Total Operating Cash Costs

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

Efficient cost optimisation measures facilitated a 1% year-on-year reduction in the Group’s Total Operating Cash Costs to RUB 29,121 million in 2020 due to a combination of the factors described below.

The following table provides a breakdown of the Total Operating Cash Costs for the year ended 31 December 2020 and 2019.

	2020	2019	2020	Change
	% of total	RUB mln	RUB mln	%
Empty Run Costs	54%	14,752*	15,799*	7%
Repairs and maintenance	15%	4,403	4,261	-3%
Employee benefit expense	14%	4,483	4,154	-7%
Fuel and spare parts - locomotives	6%	1,914	1,630	-15%
Infrastructure and Locomotive Tariffs - Other Tariffs	3%	987*	998*	1%
Expense relating to short-term leases - rolling stock	3%	722	824	14%
Engagement of locomotive crews	1%	775	421	-46%
Other Operating Cash Costs	4%	1,372	1,034	-25%
Total Operating Cash Costs	100%	29,409	29,121	-1%

Empty Run Costs

Empty Run Costs (a non-IFRS 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 54% of the Group’s Total Operating Cash Costs in 2020. This cost item rose 7% year on year to RUB 15,799 million* in 2020 due to a combination of the following factors:

- A 2.2% year-on-year increase in the Group’s Freight Rail Turnover.
- A 3.5% year-on-year rise in regulated RZD tariffs for the traction of empty railcars.
- A higher Total Empty Run Ratio (for all types of rolling stock) at 51% (2019: 49%) on the back of substantial volatility in client cargo flows and routes due to the unprecedented COVID-19 lockdowns.
- A rise in Share of Empty Run Kilometers paid by Globaltrans to 99% (2019: 89%) largely due to changes in the cargo mix and gondola segment headwinds.

¹¹ 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.

Repairs and maintenance

Repairs and maintenance costs, which comprised 15% of the Group's Total Operating Cash Costs in 2020, decreased 3% year on year to RUB 4,261 million largely reflecting the decrease in the number of depot, wheel pairs and locomotive repairs and prices for certain spare parts and repair works.

Employee benefit expense

Employee benefit expense, comprising 14% of the Group's Total Operating Cash Costs, fell 7% year on year to RUB 4,154 million in 2020. A 6% year-on-year increase in average headcount due to the move to utilising in-house locomotive crews and inflation-driven growth in wages and salaries were more than offset by a reduction in bonuses.

Fuel and spare parts - locomotives

Fuel and spare parts - locomotives expenses, which accounted for 6% of the Group's Total Operating Cash Costs, were down 15% year on year at RUB 1,630 million in 2020 reflecting lower fuel consumption as a result of volume volatility in the oil products and oil segment.

Infrastructure and Locomotive Tariffs - Other Tariffs

Infrastructure and Locomotive Tariffs - Other Tariffs (a non-IFRS 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 998 million* in 2020, up 1% year on year, impacted by the increase in regulated RZD tariffs and the higher costs of relocating rolling stock due to volatility in client demands and logistics.

Expense relating to short-term leases - rolling stock

In 2020, Expense relating to short-term leases - rolling stock, representing 3% of the Group's Total Operating Cash Costs, increased 14% year on year to RUB 824 million, largely reflecting the rise in the tank car leasing rates.

Engagement of locomotive crews

Costs related to the engagement of locomotive crews from RZD in 2020 (1% of the Group's Total Operating Cash Costs) were 46% lower year on year at RUB 421 million following the decline in outsourcing hours for locomotive crews as the Group increased its usage of in-house crews.

Other Operating Cash Costs

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

The following table provides a breakdown of the Other Operating Cash Costs for the years ended 31 December 2020 and 2019.

	2019 RUB mln	2020 RUB mln	Change %
Expense relating to short-term leases - office	139	109	-21%
Legal, consulting and other professional fees	48	69	42%
Auditors' remuneration	55	55	1%
Advertising and promotion	39	35	-11%
Communication costs	35	26	-24%
Taxes (other than on income and value added taxes)	(9)	25	NM
Expense relating to short-term leases - tank containers	-	24	NM
Information services	19	16	-17%
Other expenses	1,046	675	-35%
Other Operating Cash Costs	1,372	1,034	-25%

Other Operating Cash Costs, which comprised 4% of the Group's Total Operating Cash Costs, dropped 25% to RUB 1,034 million in 2020 compared to the previous year, primarily as a result of cost optimisation measures.

Total Operating Non-Cash Costs

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

The following table provides a breakdown of the Total Operating Non-Cash Costs for the year ended 31 December 2020 and 2019.

	2019 RUB mln	2020 RUB mln	Change %
Depreciation of property, plant and equipment	5,795	6,969	20%
Depreciation of right-of-use assets	424	655	54%
Loss on derecognition arising on capital repairs ¹²	472	420	-11%
Amortisation of intangible assets	697	60	-91%
Net impairment losses on trade and other receivables	13	6	-57%
Net loss on sale of property, plant and equipment	10	0.3	-97%
Reversal of impairment of property, plant and equipment	(65)	-	NM
Total Operating Non-Cash Costs	7,345	8,109	10%

Total Operating Non-Cash Costs increased 10% year on year to RUB 8,109 million in 2020, largely due to the following factors:

- A 20% year-on-year rise in Depreciation of property, plant and equipment on the back of asset expansion primarily during 2019.
- A 54% year-on-year rise in Depreciation of right-of-use assets on the back of a rise in the average number of rolling stock leased-in under contracts exceeding a twelve-month period.
- These were partially offset by a 91% year-on-year decline in Amortisation of intangible assets reflecting full amortisation of intangible assets linked to the service contract with MMK.

Adjusted EBITDA (non-IFRS financial measure)

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

Adjusted EBITDA (a non-IFRS financial measure) represents EBITDA excluding "Net foreign exchange transaction (gains)/losses on financing activities", "Share of profit/(loss) of associate", "Other losses/(gains) -

¹² 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.

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 fell 32% in 2020 to RUB 26,807 million from the previous year. The Adjusted EBITDA Margin narrowed to 49% in 2020 from 57% in 2019 following a 20% year-on-year decline in Adjusted Revenue partially offset by a 1% year-on-year decline in Total Operating Cash Costs.

The following table provides details on Adjusted EBITDA for the years ended 31 December 2020 and 2019, and its reconciliation to EBITDA and Profit for the year.

	2019 RUB mln	2020 RUB mln	Change %
Profit for the year	22,653	12,187	-46%
<i>Plus (Minus)</i>			
Income tax expense	7,091	4,525	-36%
Finance costs - net	2,375	2,100	-12%
Net foreign exchange transaction (losses)/gains on financing activities	(380)	147	NM
Amortisation of intangible assets	697	60	-91%
Depreciation of right-of-use assets	424	655	54%
Depreciation of property, plant and equipment	5,795	6,969	20%
EBITDA	38,656	26,642	-31%
<i>Minus (Plus)</i>			
Loss on derecognition arising on capital repairs	(472)	(420)	-11%
Net foreign exchange transaction (losses)/gains on financing activities	(380)	147	NM
Other (losses)/gains - net	(99)	108	NM
Net loss on sale of property, plant and equipment	(10)	(0.3)	-97%
Reversal of impairment of property, plant and equipment	65	-	NM
Adjusted EBITDA	39,552	26,807	-32%

Finance income and costs

The following table provides a breakdown of Finance income and costs for the year ended 31 December 2020 and 2019.

	2019 RUB mln	2020 RUB mln	Change %
<i>Interest expense:</i>			
Bank borrowings	(1,456)	(1,482)	2%
Non-convertible bonds	(743)	(808)	9%
Interest expenses on loans	(5)	(5)	0%
Other interest expense	(9)	(2)	-79%
Total interest expense calculated using the effective interest rate method	(2,214)	(2,298)	4%
Leases with financial institutions	(165)	(74)	-55%
Other lease liabilities	(118)	(113)	-4%
Total interest expense	(2,497)	(2,485)	0%
Other finance costs	(32)	(25)	-22%
Total finance costs	(2,529)	(2,510)	-1%
<i>Interest income:</i>			
Bank balances	122	190	55%
Short term deposits	374	27	-93%
Loans to third parties	0.6	0.1	-81%
Total interest income calculated using the effective interest rate method	497	217	-56%
Finance leases-third parties	37	47	29%
Total finance income	534	264	-51%
Net foreign exchange transaction gains/(losses) on borrowings and other liabilities	207	(6)	NM
Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets	(587)	153	NM
Net foreign exchange transaction (losses)/gains on financing activities	(380)	147	NM
Net finance costs	(2,375)	(2,100)	-12%

Finance costs

Total finance costs remained stable, declining 1% year on year to RUB 2,510 million in 2020 with an increase in the Group's average level of total borrowings over the year offset by the significant improvement in the average weighted interest rate.

Finance income

In 2020, the Group's Total finance income fell 51% year on year to RUB 264 million, primarily due to the decline in short term deposits which was partially offset by an increase in bank balances.

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

In 2020 the Group had Net foreign exchange transaction gains on financing activities of RUB 147 million compared to Net foreign exchange transaction losses on financing activities of RUB 380 million in the previous year. This resulted 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 16,712 million in 2020, down 44% compared to the previous year, reflecting a 41% year-on-year decrease in the Group's Operating profit to RUB 18,811 million, primarily due to the factors described above, which was partially offset by a 12% year-on-year decrease in Net finance costs to RUB 2,100 million.

Income tax expense

Income tax expense declined 36% year on year to RUB 4,525 million in 2020 following a 44% year-on-year decrease in Profit before income tax.

The weighted average annual income tax rate for 2020 rose to 27.1% compared to 23.8% for 2019, which mainly reflects the increase in Estonian tax incurred due to a dividend payment by one of the Estonian subsidiaries of the Company in 2020 and a higher dividend withholding tax provision in relation to the intended dividend distribution of subsidiaries, including Estonian subsidiaries.

Profit for the year

The Group's Profit for the year was 46% lower year on year at RUB 12,187 million reflecting the factors described above.

Profit for the year attributable to the owners of the Company was down 49% year on year to RUB 10,587 million reflecting the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

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

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

The Group manages its liquidity based on expected cash flows. As at 31 December 2020, the Group had Net Working Capital of RUB 3,810 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 2020 and 2019.

	2019 RUB mln	2020 RUB mln
Cash flows from operating activities	39,506	26,932
<i>Changes in working capital:</i>	(4,084)	1,346
<i>Inventories</i>	(394)	816
<i>Trade receivables</i>	(713)	(427)
<i>Other assets</i>	(1,299)	1,439
<i>Other receivables</i>	10	10
<i>Trade and other payables</i>	(270)	(208)
<i>Contract liabilities</i>	(1,418)	(283)
Cash generated from operations	35,422	28,278
Tax paid	(6,018)	(3,052)
Net cash from operating activities	29,404	25,226
Cash flows from investing activities		
Purchases of property, plant and equipment	(13,516)	(6,941)
Purchases of intangible assets	(1)	-
Proceeds from sale of property plant and equipment	92	67
Loan repayments received from third parties	3	4
Interest received	534	264
Receipts from finance lease receivable	124	78
Net cash used in investing activities	(12,765)	(6,528)
Cash flows from financing activities		
Net cash inflows from borrowings and financial leases:	4,183	1,946
<i>Proceeds from bank borrowings</i>	10,408	23,265
<i>Proceeds from issue of non-convertible unsecured bonds</i>	5,000	-
<i>Repayments of borrowings</i>	(10,737)	(19,603)
<i>Principal elements of lease payments for leases with financial institutions</i>	(489)	(1,716)
Purchase of treasury shares	-	(31)
Principal elements of lease payments for other lease liabilities	(340)	(672)
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,018)	(2,315)
Interest paid on leases with financial institutions	(167)	(81)
Interest paid on other lease liabilities	(112)	(114)
Dividends paid to non-controlling interests in subsidiaries	(1,602)	(2,272)
Dividends paid to owners of the Company	(16,632)	(16,637)
Payments from non-controlling interests for share capital increase of subsidiary	200	-
Payments to non-controlling interest	(451)	(180)
Net cash used in financing activities	(16,939)	(20,357)
Net decrease in cash and cash equivalents	(300)	(1,659)
Exchange losses on cash and cash equivalents	(308)	116
Cash and cash equivalents at beginning of the year	7,130	6,522
Cash and cash equivalents at year end	6,522	4,978

Net cash from operating activities

A 14% year-on-year decline in Net cash from operating activities which fell to RUB 25,226 million was due to the following factors:

- Cash generated from operations (after "Changes in working capital") decreased 20% year on year to RUB 28,278 million with a 32% year-on-year decline in Cash flows from operating activities partially offset by a release of working capital largely due to lower inventory levels and pre-payments for wheel pairs compared to the end of 2019.
- Tax paid was 49% lower year on year at RUB 3,052 million mainly as a result of the year-on-year decrease in taxable profits.

Net cash used in investing activities

Net cash used in investing activities declined 49% year on year to RUB 6,528 million reflecting a targeted decrease in the Group's capital expenditure for expansion in 2020. Purchases of property, plant and equipment (on a cash basis; including maintenance CAPEX) were down 49% year on year to RUB 6,941 million resulting largely from an 83% year-on-year decline in expansion CAPEX.

Net cash used in financing activities

Net cash used in financing activities rose 20% year on year to RUB 20,357 million in 2020. This was due to a combination of the following factors:

- The Group completed a sizeable refinancing of its debt portfolio in 2020 in order to improve the average weighted interest rate which was brought down to 6.9% as of 31 December 2020 from 8.1% as of 31 December 2019.
- Net cash inflows from borrowings and finance leases¹³ declined 53% year on year to RUB 1,946 million in 2020.
- Interest paid (including “Interest paid on bank borrowings and non-convertible unsecured bonds” and “Interest paid on leases with financial institutions”) rose 10% year on year to RUB 2,396 million in 2020 with the rise in the average level of the Group’s total borrowings over the year partially offset by the significant improvement in the average weighted interest rate.
- The amount of dividends paid to owners of the Company in 2020 (including combined final dividends for second half of 2019 and interim dividends for first half of 2020) remained stable year on year and amounted to RUB 16,637 million.
- Dividends paid to non-controlling interests in subsidiaries increased 42% year on year to RUB 2,272 million in 2020.

Free Cash Flow

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

The Group’s Free Cash Flow¹⁴ increased 14% year on year to RUB 15,103 million in 2020, primarily as a result of the following factors:

- Cash generated from operations (after “Changes in working capital”) declined 20% or RUB 7,144 million year on year to RUB 28,278 million, which was more than offset by:
- a 49% or RUB 6,576 million year-on-year targeted reduction in Total CAPEX (including maintenance CAPEX)¹⁴ to RUB 6,941 million; and a 49% or RUB 2,966 million year-on-year decrease in Tax paid to RUB 3,052 million as described above.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for the years ended 31 December 2020 and 2019, and its reconciliation to Cash generated from operations.

¹³ Net cash inflows (outflows) from borrowings and financial leases (a non-IFRS 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”.

¹⁴ Free Cash Flow, Attributable Free Cash Flow and Total CAPEX are presented net of principal elements of lease payments for leases with financial institutions for both years (2019 and 2020). During the first six months of 2020 the entire financial lease portfolio was refinanced to bilateral loans, therefore principal elements of lease payments were eliminated from both years for comparison purposes.

	2019 RUB mln	2020 RUB mln	Change %
Cash generated from operations (after "Changes in working capital")	35,422	28,278	-20%
Total CAPEX (including maintenance CAPEX) ¹⁴	(13,517)	(6,941)	-49%
Tax paid	(6,018)	(3,052)	-49%
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,018)	(2,315)	15%
Principal elements of lease payments for other lease liabilities	(340)	(672)	98%
Interest paid on leases with financial institutions	(167)	(81)	-52%
Interest paid on other lease liabilities	(112)	(114)	2%
Free Cash Flow¹⁴	13,251	15,103	14%
<i>Minus</i>			
Adjusted Profit Attributable to Non-controlling Interests	1,846	1,600	-13%
Attributable Free Cash Flow¹⁴	11,405	13,503	18%

Capital expenditure

Total CAPEX (a non-IFRS 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).

In 2020, the Group's Total CAPEX¹⁵ (on a cash basis, including maintenance CAPEX) decreased 49% to RUB 6,941 million¹⁶ compared to 2019. The decline in capital expenditures was primarily due to the following factors:

- An 83% year-on-year targeted cut in expansion CAPEX¹⁷ to RUB 1,139 million* on a cash basis, despite the delivery of 300 flat cars to support the growing niche business of freight rail transportation of specialised containers (for petrochemicals and high grade steel)¹⁸.
- Maintenance CAPEX that was 16% lower year on year at RUB 5,803 million* reflecting the usage of wheel pairs stockpiled in 2019 at an advantageous price and a decline in the market cost of wheel pairs throughout 2020.

The following table sets out the principal components of the Group's Total CAPEX for the year ended 31 December 2020 and 2019.

	2019 RUB mln	2020 RUB mln	Change %
Purchase of property, plant and equipment	13,516	6,941	-49%
Purchase of intangible assets	0.8	-	-100%
Total CAPEX¹⁵	13,517	6,941	-49%
<i>Not included</i>			
Principal elements of lease payments for leases with financial institutions ¹⁵	489	1,716	251%

Capital resources

As of 31 December 2020, the Group's financial indebtedness consisted of borrowings and non-convertible unsecured bonds for an aggregate principal amount of RUB 32,015 million (including accrued interest of RUB 353 million*).

Under IFRS 16, Other lease liabilities of RUB 1,405 million was recognised on the balance sheet as of 31 December 2020¹⁹ which primarily related to the long-term leasing of offices and certain rolling stock.

¹⁵ Total CAPEX is presented net of principal elements of lease payments for leases with financial institutions for both years (2019 and 2020). During the first six months of 2020 the entire financial lease portfolio was refinanced to bilateral loans, therefore principal elements of lease payments were eliminated from both years for comparison purposes.

¹⁶ The Group's capital expenditure (including maintenance CAPEX) on an accrual basis was RUB 8,626 million in 2020 (2019: RUB 14,136 million). The difference between capital expenditure given on a cash basis and on an accrual basis is principally because of a time lag between prepayments for and delivery of rolling stock.

¹⁷ Including "Purchases of intangible assets".

¹⁸ In 2019 the Group took delivery of 2,502 units (including 1,154 specialised containers, 700 flat cars, 638 gondola cars and 10 locomotives).

¹⁹ Not included in Total debt.

The Group's Net Debt was RUB 27,037 million as of 31 December 2020, a 15% increase as compared to 31 December 2019.

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

	As of 31 December 2019 RUB mln	As of 31 December 2020 RUB mln	Change %
Total debt	30,095	32,015	6%
<i>Minus</i>			
Cash and cash equivalents	6,522	4,978	-24%
Net Debt	23,574	27,037	15%
Net Debt to Adjusted EBITDA	0.60	1.01	-

Rouble-denominated borrowings accounted for 100% of the Group's debt portfolio as of 31 December 2020. The Russian rouble is the functional currency of the Company.

The weighted average effective interest rate improved to 6.9% as of 31 December 2020 compared to 8.1% as of the end of 2019. The vast majority of the Group's debt had fixed interest rates as of the end of the reporting year.

The Group has a balanced maturity profile supported by the Group's robust cash flow generation, available cash and cash equivalents, as well as undrawn borrowing facilities of RUB 29,449 million as of 31 December 2020.

The following table gives the maturity profile of the Group's borrowings (including accrued interest of RUB 353 million*) as of 31 December 2020.

	As of 31 December 2020 RUB mln
Q1 2021	2,458*
Q2 2021	2,525*
Q3 2021	4,002*
Q4 2021	1,946*
2022	11,555*
2023	6,732*
2024-25	2,797*
Total	32,015

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's consolidated management report and consolidated financial statements, selected operational information as at and for the years ended 31 December 2020 and 2019 along with historical financial and operational information are available at Globaltrans' corporate website (www.globaltrans.com). The presentation currency of the Group's consolidated financial statements is the Russian rouble ("RUB").

In this announcement, the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as “non-IFRS measures”) as supplemental measures of the Group’s operating performance. The management believes that these non-IFRS 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-IFRS 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-IFRS 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-IFRS 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-IFRS 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-IFRS financial measure) is calculated as Adjusted EBITDA divided by Adjusted Revenue.

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

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

Infrastructure and Locomotive Tariffs - Other Tariffs (a non-IFRS 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-IFRS 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-IFRS 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-IFRS 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-IFRS 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-IFRS 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-IFRS 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”, “VAT payable and other taxes”, “Contract liabilities” and “Current tax liabilities”.

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

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

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

Total CAPEX (a non-IFRS 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 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.

Total Operating Cash Costs (a non-IFRS 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-IFRS 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”.

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

LEGAL DISCLAIMER

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