Globaltrans Investment PLC

Russia's Leading Private Freight Rail Group

Condensed Consolidated Interim Financial Information (unaudited)
30 June 2010

Globaltrans

Contents

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2010

Consolidated Interim Income Statement

	Note	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Revenue	5	644,768	556,634
Cost of sales	6	(460,174)	(432,097)
Gross profit		184,594	124,537
Selling and marketing costs	6	(1,296)	(879)
Administrative expenses	6	(34,811)	(23,363)
Other gains /(losses) – net		1,967	(95)
Operating profit		150,454	100,200
Finance income	7	4,369	2,501
Finance costs	7	(34,447)	(51,500)
Finance costs – net		(30,078)	(48,999)
Share of profit of associate		132	331
Profit before income tax		120,508	51,532
Income tax expense	12	(24,575)	(8,275)
Profit for the period		95,933	43,257
Attributable to:			
Equity holders of the Company		72,842	23,825
Non-controlling interests		23,091	19,432
		95,933	43,257
		US$ per share	US$ per share
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US$ per share)	13	0.46	0.20

The above consolidated interim income statement should be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Comprehensive Income

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Profit for the period	95,933	43,257
Other comprehensive income:		
Currency translation differences	(34,317)	(29,914)
Other comprehensive loss for the period, net of tax	(34,317)	(29,914)
Total comprehensive income for the period	61,616	13,343
Total comprehensive income attributable to:		
- owners of the Company	45,614	(1,876)
- non-controlling interests	16,002	15,219
	61,616	13,343

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of other comprehensive income above.

The above consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Interim Balance Sheet

	Note	As at 30-Jun-2010 US$'000	As at 31-Dec-2009 US$'000
Assets			
Non-current assets			
Property, plant and equipment	8	969,282	905,475
Intangible assets		408	507
Investment in associate		1,297	1,386
Trade and other receivables	9	57,836	54,534
Total non-current assets		1,028,823	961,902
Current assets			
Inventories		4,847	5,759
Trade and other receivables	9	177,098	128,758
Current income tax assets		5,434	5,469
Cash and cash equivalents		58,243	160,253
		245,622	300,239
Assets classified as held for sale		2,154	2,827
Total current assets		247,776	303,066
Total assets		1,276,599	1,264,968
Equity and liabilities			
Equity			
Share capital		15,814	15,814
Share premium		621,227	621,227
Common control transaction reserve		(368,476)	(368,476)
Translation reserve		(107,785)	(80,557)
Capital contribution		90,000	90,000
Retained earnings		381,095	332,253
Total equity attributable to the owners of the Company		631,875	610,261
Non-controlling interests		109,733	101,307
Total equity		741,608	711,568
Non-current liabilities			
Borrowings	11	284,057	295,679
Trade and other payables	10	9,516	11,105
Deferred gains		69	178
Deferred tax liabilities		31,057	27,955
Total non-current liabilities		324,699	334,917
Current liabilities			
Borrowings	11	160,339	153,452
Trade and other payables	10	48,260	64,084
Deferred gains		195	338
Current tax liabilities		1,498	609
Total current liabilities		210,292	218,483
Total liabilities		534,991	553,400
Total equity and liabilities		1,276,599	1,264,968

The above consolidated interim balance sheet should be read in conjunction with the accompanying notes

Consolidated Interim Statement of Changes in Equity

	Attributable to the owners of the Company								
	Share capital	Share premium	Common control transaction reserve	Translation reserve	Capital contribution	Retained earnings	Total	Non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2009	11,696	279,145	(118,485)	(71,815)	90,000	281,456	471,997	87,041	559,038
Comprehensive income									
Profit for the period	-	-	-	-	-	23,825	23,825	19,432	43,257
Other comprehensive loss									
Currency translation differences	-	-	-	(25,701)	-	-	(25,701)	(4,213)	(29,914)
Total comprehensive income for the period ended 30 June 2009	-	-	-	(25,701)	-	23,825	(1,876)	15,219	13,343
Transactions with owners									
Dividends paid to shareholders of LLC BaltTransServis prior to common control transaction	-	-	-	-	-	(13,029)	(13,029)	(10,424)	(23,453)
Total transactions with owners	-	-	-	-	-	(13,029)	(13,029)	(10,424)	(23,453)
Balance at 30 June 2009	11,696	279,145	(118,485)	(97,516)	90,000	292,252	457,092	91,836	548,928
Balance at 1 January 2010	15,814	621,227	(368,476)	(80,557)	90,000	332,253	610,261	101,307	711,568
Comprehensive income									
Profit for the period	-	-	-	-	-	72,842	72,842	23,091	95,933
Other comprehensive loss									
Currency translation differences	-	-	-	(27,228)	-	-	(27,228)	(7,089)	(34,317)
Total comprehensive income for the period ended 30 June 2010	-	-	-	(27,228)	-	72,842	45,614	16,002	61,616
Transactions with owners									
Dividend for 2008	-	-	-	-	-	(24,000)	(24,000)	-	(24,000)
Interim dividend for 2010	-	-	-	-	-	-	-	(7,576)	(7,576)
Total transactions with owners	-	-	-	-	-	(24,000)	(24,000)	(7,576)	(31,576)
Balance at 30 June 2010	15,814	621,227	(368,476)	(107,785)	90,000	381,095	631,875	109,733	741,608

The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated Interim Cash Flow Statement

		Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Cash flows from operating activities			
Profit before tax		120,508	51,532
Adjustments for:			
Depreciation of property, plant and equipment	6	30,779	26,521
Amortisation of intangible assets	6	87	-
Loss on sale of property, plant and equipment	6	1,050	199
Amortisation of financial guarantees	7	(972)	(1,717)
Impairment charge on property, plant and equipment	6	-	346
Interest income	7	(3,397)	(784)
Interest expense	7	21,332	23,129
Share of profit of associates		(132)	(331)
Exchange losses on financing activities	7	12,164	25,765
Finance cost on liability for minimum dividend distribution	7	951	-
Distribution to minority participants in redeemable shares	7	-	2,606
Recognised deferred gain		(170)	(442)
		182,200	126,824
Changes in working capital:			
Inventories		912	349
Trade and other receivables		(58,555)	(11,013)
Trade and other payables		(9,654)	(8,296)
Cash generated from operations		114,903	107,864
Tax paid		(15,406)	(2,580)
Net cash from operating activities		99,497	105,284
Cash flows from investing activities			
Acquisition of subsidiaries-net of cash acquired		(7,013)	(37,024)
Purchases of property, plant and equipment		(148,403)	(6,586)
Proceeds from sale of assets classified as held for sale		265	-
Proceeds from disposal of property, plant and equipment		117	123
Interest received		3,394	796
Receipts from finance lease receivable		2,731	1,212
Net cash used in investing activities		(148,909)	(41,479)
Cash flows from financing activities			
Proceeds from borrowings		160,872	102,125
Repayments of borrowings		(114,092)	(141,855)
Finance lease principal payments		(43,452)	(42,788)
Interest paid		(21,792)	(26,299)
Proceeds from sale and finance leaseback transactions		-	10,388
Dividends paid to shareholders of BTS prior to common control transaction		-	(23,453)
Distribution to minority participants in redeemable shares	7	-	(2,606)
Dividends paid to non-controlling interests in subsidiaries		(9,478)	-
Dividends paid to Company's shareholders	14	(24,000)	-
Net cash used in financing activities		(51,942)	(124,488)
Net decrease in cash and cash equivalents		(101,354)	(60,683)
Exchange losses on cash and cash equivalents		(201)	(5,431)
Cash and cash equivalents at beginning of period		159,093	136,914
Cash, cash equivalents and overdrafts at end of period		57,538	70,800

The principal non cash transactions consist of:
(a) Finance leases as a lessor
(b) Finance leases as a lessee

The above consolidated interim cash flow statement should be read in conjunction with the accompanying notes

Notes to the condensed consolidated interim financial information

1. GENERAL INFORMATION

The Company is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Companies Law, Cap. 113 and converted into a public company on 15 April 2008. The address of its registered office is 20 Omirou Street, Limassol, Cyprus. The Group's principal place of business is at 16/15 Spartakovskaya Sqr., Moscow, Russia.

Global Depositary Receipts representing ordinary shares of the Company are listed on the London Stock Exchange.

This condensed consolidated interim financial information was approved by the Board of Directors of the Company on 6 September 2010.

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

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap. 113.

Comparatives

The acquisition of 55.56% of Ingulana Holdings Limited, and consequently 50% controlling interest in LLC BaltTransServis, in December 2009 has been accounted for as a common control transaction using the predecessor basis applied retrospectively.

Necessary changes have been made to the comparative balances to conform with the Group's accounting policy. LLC BaltTransServis contributed revenues of US$341,060 thousand and net profit of US$32,303 thousand in the six months ended 30 June 2009. These amounts have been calculated using the Group's accounting policies.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2009, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Payroll related taxes and contributions which are assessed on an annual basis are recognised in interim periods using an estimated annual effective payroll tax or contribution rate.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to *IAS 27, 'Consolidated and separate financial statements'*, *IAS 28, 'Investments in associates'*, and *IAS 31, 'Interests in joint ventures'*, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt *IAS 27 (revised), 'Consolidated and separate financial statements'*, at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IAS 27 (revised) on the current period, as none of the non-controlling interests have a deficit balance. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

• IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

• IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

• 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

• Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

• *IFRS 9, 'Financial instruments'*, issued in December 2009 (not yet endorsed by the European Union). This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption subject to EU endorsement. The Group is yet to assess IFRS 9's full impact. The Group will consider adoption of IFRS9 in 2013 subject to its endorsement by the European Union.

• *Revised IAS 24, 'Related party disclosures'*, issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted. The Group will consider adoption of Revised IAS24 in 2011. The Group does not expect any significant impact on adoption of the revised standard.

• '*Classification of rights issues' (Amendment to IAS 32)*, issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted. The Group will adopt the amendment in 2011. The Group does not expect any significant impact on adoption of the amendment.

• *'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14)*, issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will consider adoption of the amendment in 2011, subject to its endorsement by the European Union. However, the amendment is not relevant to the operations of the Group so its adoption is not expected to have any significant impact to the Group.

• *IFRIC 19, 'Extinguishing financial liabilities with equity instruments'*. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. The Group will consider adoption of this interpretation in 2011. The Group is in the process of assessing the potential impact of the adoption of this interpretation but the impact is not yet known nor can it be reasonably estimated.

• *Improvements to International Financial Reporting Standards 2010* were issued in May 2010 (not yet endorsed by the European Union). The effective dates vary standard by standard but most are effective for accounting periods beginning on or after 1 January 2011/1 July 2010. The Group will consider adoption of these improvements in 2011, subject to their endorsement by the European Union. The Group is in the process of assessing the potential impact of the adoption of these improvements but the impact is not yet known nor can it be reasonably estimated.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors of the Group. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from two perspectives: by type of activity and by type of rolling stock used. From a type of activity perspective, management reviews revenues with no further analysis of the underlying cost components. From the type of rolling stock used perspective management assesses the performance of each type (tank cars, open wagons, locomotives, hopper wagons, platforms) at the level of adjusted revenue.

Adjusted revenue measure includes the revenues derived from the relating type of rolling stock used less infrastructure tariff paid for the loaded trips of relating rolling stock. Furthermore, the Board receives information in respect of repair expenses by type of rolling stock and relating depreciation charges. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

	Open wagons	Tank cars	Other	Total
Six months ended 30 June 2010				
Total revenue – operator's services	161,587	435,525	10,887	**607,999**
Total revenue – operating lease	2,776	32,051	879	**35,706**
Inter-segment revenue	-	-	-	**-**
Revenue (from external customers)	**164,363**	**467,576**	**11,766**	**643,705**
less Infrastructure and locomotive tariffs: loaded trips	(4,181)	(232,205)	(865)	**(237,251)**
Adjusted revenue for reportable segments	**160,182**	**235,371**	**10,901**	**406,454**

	Open wagons	Tank cars	Other	Total
Six months ended 30 June 2009				
Total revenue – operator's services	107,101	408,333	8,113	**523,547**
Total revenue – operating lease	1,203	28,789	2,443	**32,435**
Inter-segment revenue	-	-	-	**-**
Revenue (from external customers)	**108,304**	**437,122**	**10,556**	**555,982**
less Infrastructure and locomotive tariffs: loaded trips	(9,197)	(228,474)	(1,026)	**(238,697)**
Adjusted revenue for reportable segments	**99,107**	**208,648**	**9,530**	**317,285**

	Open wagons	Tank cars	Other	Total
Reportable segment assets				
30 June 2010	516,094	402,302	35,168	**953,564**
31 December 2009	428,551	428,015	35,870	**892,436**

A reconciliation of total adjusted revenue to total profit before income tax is provided as follows:

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Adjusted revenue for reportable segments	**406,454**	317,285
Other revenues	**1,063**	652
Total adjusted revenue	**407,517**	317,937
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, impairments and depreciation of property, plant and equipment)	**(192,628)**	(167,196)
Selling, marketing and administrative expenses (excl. depreciation and impairments)	**(34,928)**	(23,456)
Depreciation	**(30,779)**	(26,521)
Impairments	**(695)**	(469)
Other gains – net	**1,967**	(95)
Operating profit	**150,454**	100,200
Finance income	**4,369**	2,501
Finance costs	**(34,447)**	(51,500)
Share of profit of associates	**132**	331
Profit before income tax	**120,508**	51,532

In the Group's consolidated financial statements for the year ended 31 December 2009 BaltTransServis LLC ("BTS") was presented as a separate segment since it was acquired by the Group at the end of 2009 and its results were not reviewed by the chief operating decision maker throughout the periods presented. However, starting from 1 January 2010 a common methodology as described above has been applied to BTS results and it is now presented as part of "Tank cars" and "Open wagons" segments. Comparative information has been restated accordingly.

5. REVENUE

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Railway transportation – operators services (tariff borne by the Group) (1)	403,506	400,689
Railway transportation – operators services (tariff borne by the client)	204,493	122,858
Railway transportation – freight forwarding	409	168
Operating leasing of rolling stock	35,706	32,435
Sale of wagons and locomotives	-	181
Other	654	303
	644,768	556,634

(1) Includes infrastructure and locomotive tariffs for loaded trips for the six months ended 30 June 2010 amounting to US$237,251 thousand (for the six months ended 30 June 2009: US$238,697 thousand)

Increase in "Railway transportation – operators services" revenue was driven by increase in the Group's freight rail turnover and pricing supported by recovery in demand for transportation services in the reporting period. Moreover, more customers of the Group have elected to switch to contractual terms where the infrastructure and locomotive tariffs imposed by the Russian Railways are settled directly by the clients.

6. EXPENSES BY NATURE

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	237,251	238,697
Infrastructure and locomotive tariffs: empty run trips, other tariffs and services provided by other transportation organisations	108,867	94,456
Operating lease rentals – rolling stock	25,268	18,230
Employee benefit expense	6,540	5,028
Repair and maintenance	30,597	33,445
Depreciation of property, plant and equipment	30,295	25,858
Amortisation of intangible assets	87	-
Fuel and spare parts – locomotives	10,676	8,475
Engagement of locomotive crews	5,638	4,794
Loss on sale of property, plant and equipment	1,180	196
Cost of wagons and locomotives sold in trading transactions (not part of property, plant and equipment)	-	178
Impairment charge for property, plant and equipment	-	346
Other expenses	3,775	2,394
Total cost of sales	460,174	432,097

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	484	663
(Gain)/loss on sale of property, plant and equipment	(130)	3
Employee benefit expense	17,034	9,638
Impairment charge of receivables	695	123
Operating lease rental – office	2,163	2,221
Auditors' remuneration	530	502
Legal, consulting and other professional fees	2,167	1,551
Advertising and promotion	230	182
Communication costs	519	441
Information services	705	645
Taxes (other than income tax and value added taxes)	7,141	5,135
Other expenses	4,569	3,138
Total selling, marketing and administrative expenses	36,107	24,242

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Total expenses		
Depreciation of property, plant and equipment (Note 8)	30,779	26,521
Amortisation of intangible assets	87	-
Loss on sale of property, plant and equipment	1,050	199
Employee benefit expense	23,574	14,666
Impairment charge for receivables	695	123
Impairment charge for property, plant and equipment	-	346
Operating lease rentals – rolling stock	25,268	18,230
Operating lease rentals – office	2,163	2,221
Repairs and maintenance	30,597	33,445
Fuel and spare parts – locomotives	10,676	8,475
Engagement of locomotive crews	5,638	4,794
Infrastructure and locomotive tariffs: loaded trips	237,251	238,697
Infrastructure and locomotive tariffs: empty run trips, other tariffs and services provided by other transportation organisations	108,867	94,456
Auditors' remuneration	530	502
Legal, consulting and other professional fees	2,167	1,551
Advertising and promotion	230	182
Communication costs	519	441
Information services	705	645
Taxes (other than income tax and value added taxes)	7,141	5,135
Cost of wagons and locomotives sold in trading transactions (not part of property, plant and equipment)	-	178
Other expenses	8,344	5,532
Total cost of sales, selling and marketing costs and administrative expenses	496,281	456,339

"Infrastructure and locomotive tariffs: empty run trips, other tariffs and services provided by other transportation organisations" were higher in the six months ended 30 June 2010 when compared to the same period of 2009 due to the increase in tariffs imposed by the Russian Railways as a result of the indexation during the second half of 2009 and at the beginning of 2010 which contributed to the increase of cost of empty run trips, along with increase in number of rolling stock operated by the Group, partially offset by improvement in empty run ratio for open wagons.

Increase in "Employee benefit expense" during six months ended 30 June 2010 compared to the same period of 2009 is mainly driven by the increase of base salaries along with the bonus payments to the employees of the Group for the results of the previous year. No accrual was made in 2009 due to uncertainty that existed at the year-end as to whether or not such bonuses would be paid.

7. FINANCE INCOME AND COSTS

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Interest expense:		
Bank borrowings	(12,531)	(9,593)
Finance leases	(7,882)	(11,972)
Loans from related parties	-	(540)
Loans from third parties	-	(156)
Other interest - related parties	(899)	(868)
Other finance costs	(20)	-
Total interest expense	(21,332)	(23,129)
Net foreign exchange transaction losses on financing activities	(12,164)	(25,765)
Finance cost on liability for minimum dividend distribution	(951)	-
Distribution to minority participants in redeemable shares	-	(2,606)
Finance costs	(34,447)	(51,500)
Interest income:		
Bank balances	139	148
Short term deposits	232	189
Finance leases – third parties	3,025	442
Loans to third parties	1	5
Total interest income	3,397	784
Amortisation of financial guarantees	972	1,717
Finance income	4,369	2,501
Net finance costs	(30,078)	(48,999)

Decrease in "Net foreign exchange transaction losses on financing activities" is mainly driven by the fact that the Russian rouble devaluated against the US Dollar during the six months ended 30 June 2010 by 3% when compared to 7% devaluation during the same period of 2009. That factor combined with the initiative undertaken by the Group on the decrease of the proportion of US Dollar denominated borrowings (Note 11) caused the above savings on foreign exchange losses arising from the revaluation of foreign currency denominated debt.

8. PROPERTY, PLANT AND EQUIPMENT

	US$'000
Six months ended 30 June 2010	
Opening net book amount as at 1 January 2010	**905,475**
Additions	**144,621**
Disposals	**(1,153)**
Depreciation charge	**(30,779)**
Exchange difference	**(48,882)**
Closing net book amount as at 30 June 2010	**969,282**

In accordance with the approved investment programme, during the six months ended 30 June 2010 the Group has received 2,753 open wagons, 447 tank cars and 1 locomotive.

9. TRADE AND OTHER RECEIVABLES

	As at 30-Jun-2010 US$'000	As at 31-Dec-2009 US$'000
Trade receivables – third parties	50,441	26,291
Trade receivables – related parties (Note 17)	17,376	14,469
Less: Provision for impairment of trade receivables	(3,319)	(3,285)
Trade receivables – net	64,498	37,475
Other receivables – third parties	7,518	6,208
Other receivables – related parties (Note 17)	-	19
Less: Provision for impairment of other receivables	(546)	(544)
Other receivables – net	6,972	5,683
Loans to third parties	19	21
Prepayments - related parties (Note 17)	1,449	1,656
Prepayments – third parties	49,379	43,664
Finance lease receivables – third parties	37,762	40,499
VAT and other taxes recoverable	74,855	54,294
	234,934	183,292
Less non-current portion:		
Prepayments – third parties[1]	24,472	19,907
Other receivables – third parties	59	-
Finance lease receivables – third parties	32,692	33,555
VAT and other taxes recoverable	613	1,072
Total non-current portion	57,836	54,534
Total current portion	177,098	128,758

[1] Prepayments in non-current trade and other receivables represent prepayments for purchases of property, plant and equipment.

The Group has changed the payment terms of some transportation agreements with its customers from prepayment to post-payment basis. This was the major driver of the increase in "Trade receivables – third parties" compared to 31 December 2009. Moreover, increase in transportation volumes also contributed to the increase in trade receivables as at 30 June 2010.

Increase in "VAT and other taxes recoverable" is caused by the acquisition of new rolling stock during the first half of 2010 and consequently presentation of the respective VAT to be refunded by the tax authorities.

10. TRADE AND OTHER PAYABLES

	As at 30-Jun-2010 US$'000	As at 31-Dec-2009 US$'000
Current		
Trade payables - third parties	18,396	18,125
Trade payables - related parties (Note 17)	663	993
Other payables - related parties (Note 17)	8	7,070
Other payables - third parties	6,691	9,220
Accrued expenses	6,889	4,976
Advances from third parties	12,721	20,156
Advances from related parties (Note 17)	2,892	3,544
	48,260	64,084
Non-current		
Other trade payables - third parties	9,516	11,105
	9,516	11,105

In April 2010 the Group has fully settled its liability to the Parent company for the deferred consideration payable for the acquisition of AS Spacecom and AS Intopex Trans in 2008; this caused the decrease in current "Other payables – related parties".

As described in Note 9, due to change to payment terms from prepayment to post-payment basis "Advances from third parties" has decreased significantly.

11. BORROWINGS

	As at 30-Jun-2010 US$'000	As at 31-Dec-2009 US$'000
Current		
Bank overdrafts	705	1,160
Bank borrowings	106,701	101,789
Finance lease liabilities	52,933	50,503
	160,339	153,452
Non-current		
Bank borrowings	182,371	147,608
Finance lease liabilities	101,686	148,071
	284,057	295,679
Total borrowings	444,396	449,131
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 1 and 2 years	90,439	91,323
Between 2 and 5 years	91,932	56,285
	182,371	147,608

Movements in borrowings are analysed as follows:

	US$'000
Six months ended 30 June 2010	
Opening amount as at 1 January 2010	449,131
Proceeds from borrowings	161,836
Repayments of borrowings	(115,172)
Repayments of finance leases	(43,452)
Interest charged	20,429
Interest paid	(20,847)
Net foreign exchange difference	(7,529)
Closing amount as at 30 June 2010	444,396

The acquisition of rolling stock during the first six months of 2010 was partly financed by non-current bank borrowings, which caused the increase in non-current part of borrowings.

	As at 30-Jun-2010 US$'000	As at 31-Dec-2009 US$'000
Finance lease liabilities – minimum lease payments		
Not later than 1 year	63,293	64,492
Later than 1 year and not later than 5 years	110,811	164,278
Future finance charges of finance leases	(19,485)	(30,196)
Present value of finance lease liabilities	154,619	198,574
The present value of finance lease liabilities is as follows:		
Not later than 1 year	52,933	50,503
Later than 1 year and not later than 5 years	101,686	148,071
	154,619	198,574

In line with its strategy to increase the proportion of Russian rouble denominated debt in its portfolio, the Group has prematurely settled some of its US Dollar denominated finance lease liabilities which caused significant decrease in finance lease payable as at 30 June 2010.

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

	As at 30-Jun-2010 US$'000	As at 31-Dec-2009 US$'000
US Dollar	210,817	287,788
Russian Rouble	232,684	159,909
Euro	889	1,434
Estonian Kroons	6	-
	444,396	449,131

The group has the following undrawn borrowing facilities:

	As at 30-Jun-2010 US$'000	As at 31-Dec-2009 US$'000
Fixed rate:		
- expiring within one year	26,447	4,298
- expiring after one year	22,228	27,886
Floating rate:		
- expiring within one year	37,545	31,892
Total undrawn borrowing facilities	86,220	64,076

During the first half of 2010 the Group has obtained a US$30 million loan facility from International Finance Corporation, a member of the World Bank Group. As of 30 June 2010 this facility remained undrawn.

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

	As at 30-Jun-2010 %	As at 31-Dec-2009 %
Bank overdrafts	4.2	5.6
Bank borrowings	7.8	9.3
Finance lease liabilities	8.3	8.7

12. INCOME TAXES

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2010 is 20.4% (2009: 16.1%). The change in the average annual tax rate is due to the higher profitability of Russian subsidiaries of the group during the six months ended 30 June 2010 compared to the same period of 2009, which are subject to a higher rate of tax relative to the Company and the Estonian subsidiaries of the Group.

13. EARNINGS PER SHARE

Basic and diluted

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30-Jun-2010	Six months ended 30-Jun-2009
Profit for the period attributable to equity holders of the Company (US$'000)	**72,842**	23,825
Weighted average number of ordinary shares in issue (thousand)	**158,136**	116,959
Earnings per share for profit attributable to the equity holders of the company:		
- basic and diluted (expressed in US$ per share)	**0.46**	0.20

14. DIVIDENDS

A final dividend of 15.177 US cents per ordinary share amounting to a total of US$24,000 thousand was approved at the Annual General Meeting of the shareholders of the Company held on 3 May 2010. The dividend was payable to the shareholders who were on the register as at 3 May 2010. The dividend was paid on 4 May 2010.

15. CAPITAL COMMITMENTS

The Group has contracted but not yet incurred a capital expenditure in the total amount of US$51,446 thousand as at 30 June 2010 (31 December 2009: US$209,833 thousand). This relates to contracts for purchase of rolling stock (part of Property, plant and equipment).

16. CONTINGENCIES

Legal proceedings

During the 6 months ended 30 June 2010, the Group was involved as a claimant in a number of court proceedings.

During the year ended 31 December 2009, the Group was involved in a number of court proceedings as defendant on claims of its customers and as a third party between the tax authorities and certain of its clients. The Group has charged 18% VAT for transporting cargos to seaport terminals located in the Russian Federation for further export from the terminals that had not been placed under export regime prior to being delivered to the terminal. The tax authorities challenged the recoverability of such VAT by a number of the Group's clients on the grounds that the transportation should have been subject to 0% VAT.

As at 30 June 2010 claims in which the Group was involved as a defendant were either withdrawn or the court hearings in relation to such claims were suspended, since the court supported position of the Group's customers. In respect of claims where the Group is involved as a third party, decisions of the court of first instance also supports the position of the Group's customers.

Based on its interpretation of tax legislation and analysis of court practice management believes that it is not probable that the Group will incur outflow of economic resources as a result of the existing and potential claims from its customers to pay back amounts equal to VAT previously charged, consequently, no provision has been recorded in these interim consolidated financial information.

AS Eesti Raudtee (Estonian Railways) has filed a claim against AS Spacecom, a subsidiary of the Company, for reimbursement of unpaid invoices in the total amount of EEK 119,497 thousand (approximately USD 9,329 thousand at 30 June 2010 exchange rates) and a late payment interest of EEK 122,368 thousand (approximately USD 9,553 thousand at 30 June 2010 exchange rates) for the period from 31 May 2004 to 31 May 2005. The Group has recognized the full amount of the unpaid invoices as liabilities under current trade payables but has made no provision for the late payment interest.

In February 2010, the Estonian court of first instance decided against AS Spacecom, in the amount of EEK250,664 thousand (USD19,569 thousand at 30 June 2010 exchange rates) which includes amounts claimed for the unpaid invoices, late payment charges, court costs and legal fees.

AS Spacecom has appealed on the decision. The appeal was accepted by the court and the next hearing is scheduled for October 2010.

The Group is indemnified for up to 61% of any potential losses arising from this case over and above the amounts already provided in the consolidated financial statements of the Group pursuant to the indemnification clauses included in the share purchase agreements in relation to this litigation. Management believes that there is no need for any further provision in relation to this legal case.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 30 June 2010, which could have a material effect on the results of operations or financial position of the Group and which have not been accrued or disclosed in these interim condensed consolidated financial information.

17. RELATED PARTY TRANSACTIONS

The Group is controlled by Transportation Investments Holding Limited incorporated in Cyprus, which owns 50.1% of the Company's shares. Envesta Investments Limited owns 14.5% (including the holding of Global Depositary Receipts of the Company) of the Company's shares. Further, the Directors of the Company control 0.1% of the Company's shares through their holdings of Global Depositary Receipts. The remaining 35.3% of the shares represent the free market-float and are held by external investors through the Global Depositary Receipts. The ultimate controlling party of the Group is Mirbay International Inc, registered in Bahamas.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Sales of services:		
The parent	-	5
Other related parties	64,043	60,573
	64,043	60,578

Transactions with 'other related parties' amounting to US$14,624 (2009: US$18,183 thousand) were carried with entities under common control and the remaining transactions with "other related parties" were carried out with entities under common significant influence.

(b) Purchases of goods and services

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Purchases of services:		
Associate	304	101
Other related parties	14,309	13,044
	14,613	13,145

Transactions with 'other related parties' amounting to US$2,067 (2009: US$2,116 thousand) were carried with entities under common control and the remaining transactions with "other related parties" were carried out with entities under common significant influence.

(c) Additions and disposals of property, plant and equipment

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Additions:		
Other related parties	194	-
	194	-
Disposals:		
Associate	265	-
Other related parties	10	-
	275	-

All additions from 'other related parties' were obtained from entities under common control. All disposal transactions to "other related parties" were carried out with "entities under common significant influence".

(d) Interest expense

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Interest expense:		
The parent	899	1,408
	899	1,408

Interest expense to the parent in the six months ended 30 June 2010 consists of interest on consideration payable for the acquisition of Estonian subsidiaries of the Group for the amount of US$348 thousand (2009: US$482 thousand) and unwinding of discounting effect on such liability for the amount of US$551 thousand (2009: US$386 thousand). Interest expense to the parent for the six months ended 30 June 2009 also includes US$540 thousand of interest expense on loans.

(e) Directors and key management compensation

	Six months ended 30-Jun-2010 US$'000	Six months ended 30-Jun-2009 US$'000
Salaries and other short term employee benefits	5,934	2,607
Directors' fees in non-executive capacity	110	117
Directors' emoluments in their executive capacity	77	67
	6,121	2,791

(f) Period-end balances arising from sales/purchases of goods/services

	As at 30-Jun-2010 US$'000	As at 31-Dec-2009 US$'000
Trade receivables from related parties:		
The parent	-	10
Other related parties	17,376	14,459
	17,376	14,469
Other receivables from and prepayments to related parties:		
Associate	-	2
Other related parties	1,449	1,673
	1,449	1,675
Trade payables to related parties:		
Other related parties	663	993
	663	993
Other payable to and advances from related parties:		
The parent	-	7,064
Other related parties	2,900	3,550
	2,900	10,614

The receivable balances with "other related parties" amounting to US$18,416 thousand (31 December 2009: US$13,216 thousand) arise from transactions with entities under common significant influence; the remaining receivable balances with "other related parties" arise from transactions with entities under common control.

The payable balances with "other related parties" amounting to US$1,181 thousand (31 December 2009: US$2,038 thousand) arise from transactions with entities under common significant influence; the remaining payable balances with "other related parties" arise from transactions with entities under common control.

Other payable to the Parent as at 31 December 2009 relates to the consideration for the acquisition of Spacecom AS and Intopex Trans AS.

18. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In July 2010, OJSC New Forwarding Company, a Russian subsidiary of the Company, has issued 5-year Russian rouble denominated bonds for a total amount of RUB 3 billion (US$96,168 thousand at 30 June 2010 exchange rate) at a coupon rate of 9.25% per annum. Bonds are traded on MICEX in Moscow. The bonds are amortizable and the issue structure includes a call option after 2.5 years. The Company acts as the guarantor for the bond issue.

In July – August 2010, the Group has made early settlements of some of its bank loans in the total amount equivalent to US$73,841 thousand and finance lease liabilities in the total amount of US$54,887 thousand.

In July – August 2010, the Group has received bank loans for a total amount equivalent to US$36,349 thousand at 30 June 2010 exchange rates.

In July – August 2010, the Group received 636 gondola cars and 52 tank cars previously contracted.

19. SEASONALITY

The operations of the Group are not subject to seasonal fluctuations.

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Independent Auditors' Review Report to Globaltrans Investment Plc

Introduction

We have been engaged by Globaltrans Investment Plc "the Company" to review the condensed consolidated interim financial information of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2010, which comprises the consolidated interim balance sheet as of 30 June 2010 and the consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and related notes.

Board of Directors' responsibilities

The condensed consolidated interim financial information is the responsibility of, and has been approved by, the Board of Directors. The Board of Directors is responsible for preparing the condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial information based on our review. This report, including the conclusion, has been prepared for and only for the Company. We do not, in producing this report, accept or assume responsibility to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Board Members: Phidias K Pilides (CEO), Dinos N Papadopoulos (Deputy CEO), Panikos N Tsiailis, Christakis Santis, Stephos D Stephanides, Costas L Hadjiconstantinou, George Foradaris, Costas M Nicolaides, Angelos M Loizou, Vasilis Hadjivassiliou, Androulla S Pittas, Savvas C Michail, Costas L Mavrocordatos, Christos M Themistocleous, Panicos Kaouris, Nicos A Neophytou, George M Loizou, Pantelis G Evangelou, Liakos M Theodorou, Stelios Constantinou, Tassos Procopiou, Andreas T Constantinides, Theo Parperis, Constantinos Constantinou, Petros C Petrakis, Philippos C Soseilos, Evgenios C Evgeniou, Christos Tsolakis, Nicos A Theodoulou, Nikos T Nikolaides, Cleo A Papadopoulou, Marios S Andreou, Nicos P Chimarides, Aram Tavitian, Constantinos Taliotis, Stavros A Kattamis, Yiangos A Kaponides, Tasos N Nolas, Chrysilios K Pelekanos, Eftychios Eftychiou, George C Lambrou, Chris Odysseos, Constantinos L Kapsalis, Stelios A Violaris, Antonis Hadjiloucas, Petros N Maroudias, George C Kazamias, Loizos A Markides
Directors of Operations: Androulla Aristidou, Achilleas Chrysanthou, George Skapoullaros, Demetris V Psaltis, George A Ioannou, Michael Kliriotis, Marios G Melanides, Sophie A Solomonidou, Yiannis Televantides, Antonis C Christodoulides, Anna G Loizou, Stelios S Anastasiou, Christos S Charalambides, Ioanna I Stylianidou, Florentia Kyriakidou Teloni

Offices: Nicosia, Limassol, Larnaca, Paphos

PricewaterhouseCoopers Ltd is a private company, Registered in Cyprus (Reg. No. 143594)

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

PricewaterhouseCoopers Limited
Chartered Accountants
6 September 2010
Limassol
Cyprus

1 The maintenance and integrity of the Globaltrans website is the responsibility of the Board of Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.