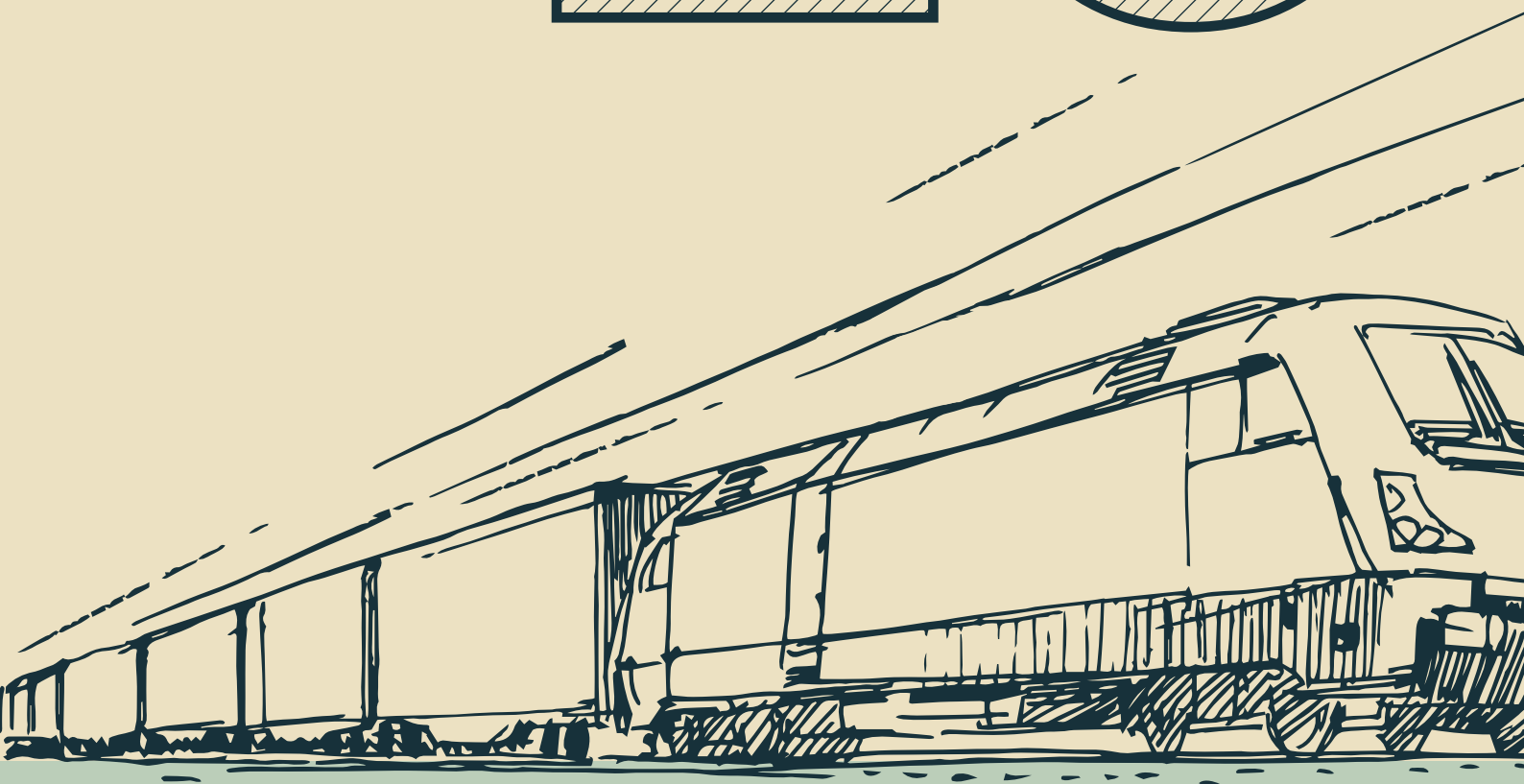


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**Annual Report
& Accounts**

Presentation of Financial and Other Information

All financial information presented in this Annual Report is derived from the Consolidated Management Report and Consolidated Financial Statements of Globaltrans Investment PLC (the “Company” and, together with its consolidated 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 and the Parent Company Financial Statements for the year ended 31 December 2020 are included in the Financial Statements section of this Annual Report. Financial statements for prior years can be found on Globaltrans’ corporate website (www.globaltrans.com). The presentational currency of the Group’s financial results is the Russian rouble (RUB), which is the functional currency of the Company as well as of its Cypriot and Russian subsidiaries. Certain financial information derived from management accounts is marked in this Annual Report with an asterisk (*).

In this Annual Report, the Group has used certain “non-IFRS financial information” (i.e. measures not recognised by EU IFRS or IFRS) as supplementary explanations of the Group’s operating performance. 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 Annual Report. Reconciliations of the non-IFRS measures to the closest EU IFRS measures are included in the body of this Annual Report. Rounding adjustments have been made in calculating some of the financial and operational information included in this Annual Report. As a result, numerical figures shown as totals in some tables may not be exact arithmetical aggregations of the figures that precede them.

This Annual Report, including its appendices, may contain forward-looking statements regarding future events or the future financial performance of the Group. Forward-

looking statements can be identified by terms such as “expect,” “believe,” “estimate,” “anticipate,” “intend,” “will,” “could,” “may” or “might,” and the negative of such terms or other similar expressions. By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. The Group cautions that forward-looking statements are not guarantees of future performance and that the Group’s actual results of operations, financial condition, liquidity, prospects, growth and strategies, and the development of the industry in which the Group operates, may differ materially from those described in or suggested by the forward-looking statements contained in this Annual Report. For a detailed description of the presentation of financial and other information, please see the Presentation of Financial and Other Information section of this Annual Report.

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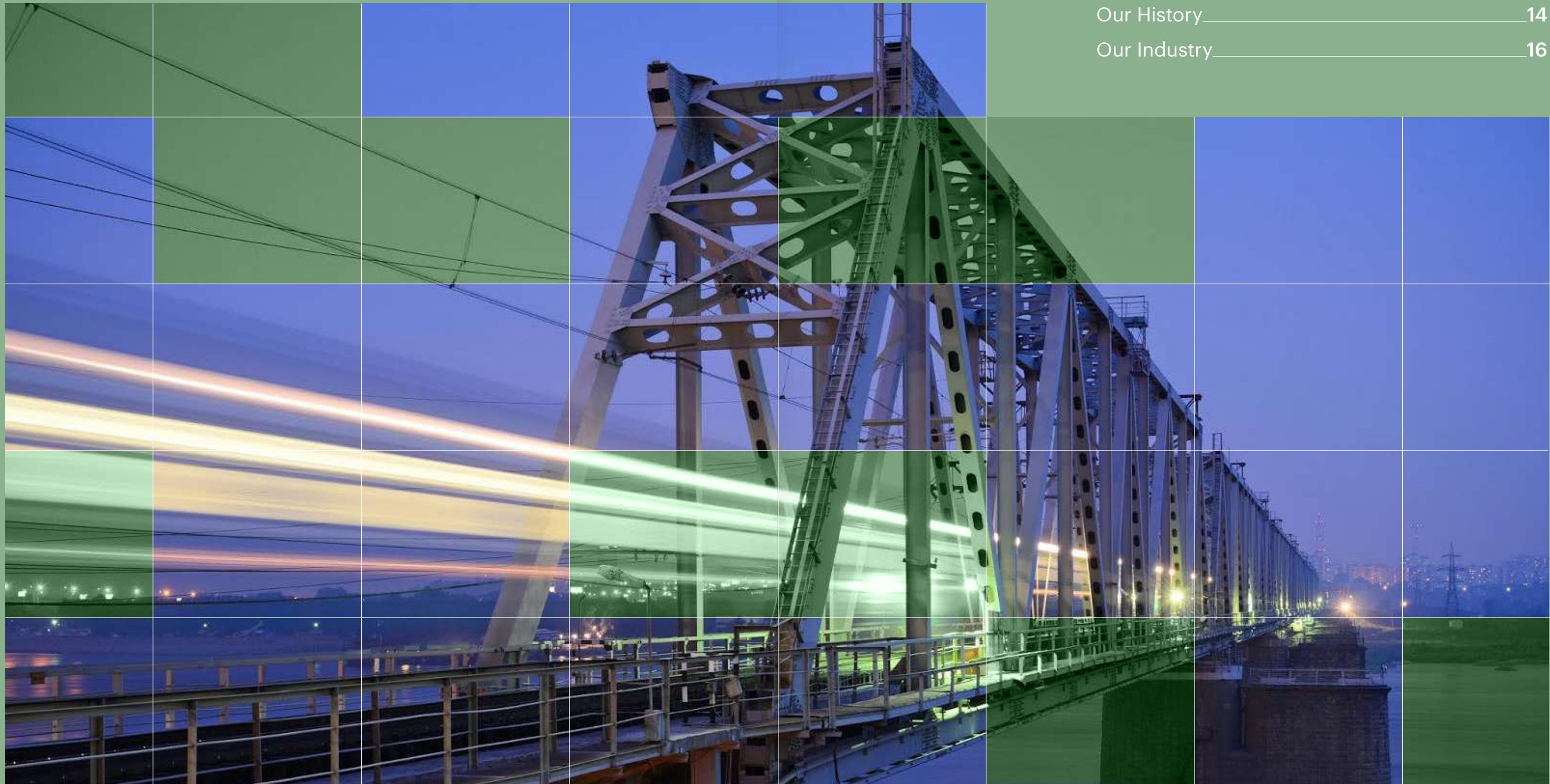
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Highlights of 2020

Weathering the storm: industry outperformance, increased Free Cash Flow, strong 2020 dividends delivered as targeted

+2.2%

year-on-year increase
in Freight Rail
Turnover

64%

Share of Net Revenue
from Operation of Rolling
Stock contributed
by service contracts

45%

Gondola Empty
Run Ratio
(2019: 42%)

RUB 26.8 bln

Adjusted EBITDA
(down 32% y-o-y)

RUB 15.1 bln

Free Cash Flow
(up 14% y-o-y)

1.01x

Net Debt
to Adjusted EBITDA
(2019 end: 0.60x)

RUB 74.55

per share/GDR¹
Combined 2020 interim
and final dividends



The summary information on pages 6 and 7 covers the Group's key financial and operating performance indicators. These include non-IFRS measures that the Group believes are helpful to investors in analysing the Group's performance and well understood in the freight rail transportation industry. The key non-IFRS financial metrics are not a substitute for the IFRS financial information included and discussed in the [Financial and Operational Review](#) section of this Annual Report.



The spread of the COVID-19 virus disrupted economic activity across Russia. Our industry did not escape the impact of this, although it was very much a year of two halves for freight rail transportation. In the first half of 2020, demand slumped as the sector suffered the full economic impact of COVID-19; in the second half, our markets recovered and overall freight rail turnover returned to pre-COVID levels.

Globaltrans again delivered a resilient business performance even at this exceptionally challenging time. We outperformed the market in freight rail turnover, secured further new contracts and extensions of existing contracts, and invested in the growing specialised container transportation segment. Although our financial results were inevitably impacted by the weak market conditions, our focus on cost control and CAPEX flexibility resulted in the Group delivering increased Free Cash Flow and solid dividends for shareholders as targeted and announced beforehand.

I am very proud of the spirit, commitment and agility shown by our workforce in responding to what has been a very demanding environment over the past year.

Valery Shpakov
Chief Executive Officer



See more at [CEO Review](#) (p. 28)

Industry outperformance and robust client retention

- Globaltrans' Freight Rail Turnover rose 2.2% year on year in contrast to market decline, supported by powerful operating model enabling efficient switching between cargo groups.
- Service contracts portfolio successfully extended (Rosneft, MMK, Metalloinvest), new one-year contract concluded with EVRAZ.
- Gondola Empty Run Ratio rose to 45% (2019: 42%) but 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.

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

- Adjusted EBITDA at RUB 26.8 billion (–32% year on year) largely driven by weakness in gondola segment pricing.
- Total Operating Cash Costs were reduced 1% year on year due to cost optimisation measures.
- 14% year-on-year increase in Free Cash Flow to RUB 15.1 billion² supported by flexible expansion CAPEX (–83% year on year).
- Low leverage with Net Debt to Adjusted EBITDA at 1.01x (2019 end: 0.60x).

Strong 2020 dividends delivered as targeted, H1 2021 dividend target set

- As targeted, strong total 2020 dividends of RUB 13.3 billion or RUB 74.55 per share/GDR delivered (including interim and final dividends). Total 2020 dividends equate to 99% of the Group's Attributable Free Cash Flow for 2020.
- Interim 2021 dividends of a minimum of RUB 3.0 billion or about RUB 16.78 per share/GDR targeted reflecting conservative financial policies and ongoing pricing pressure in gondola segment.

Consistent focus on shareholder value creation

- Secondary listing on Moscow Exchange undertaken in October 2020 driving almost three-fold rise in combined liquidity on London Stock Exchange and Moscow Exchange³.
- Share buyback programme (for up to 5% of the share capital)⁴ is on track providing ongoing support during market volatility.

² Free Cash Flow 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.

³ Calculated as combined Average Daily Traded Volumes in US dollar terms (ADTV) on MOEX and LSE since secondary listing at MOEX comparing to ADTV at LSE for six months prior to secondary listing.

⁴ The Annual General Meeting of shareholders (AGM) approved on 29 April 2021 the renewal of the buyback programme (for up to 5% of the share capital) for twelve months from the date of the respective AGM and authorised the means of disposition of the resulting treasury shares.

¹ Global Depositary Receipt ("GDR").

At a Glance

Who we are

Robust business model and efficient operations

- Strong positions in key freight rail segments of metals and oil products and oil
- Diversified blue-chip customer portfolio, underpinned by long-term service agreements
- Industry-leading operational efficiency
- Founded and led by entrepreneurs with a focus on quality and innovation
- Well-invested, diversified fleet assets

Best-in-class governance

- Compliance with best-practice governance standards
- Dual-listed on LSE and MOEX
- Sustainable business with a strong ESG focus
- Experienced Board and management team

Strong Free Cash Flow generation and robust financial profile

- Revenues underpinned by multi-year outsourcing contracts
- Efficient cost control
- Strong Free Cash Flow generation supported by fully discretionary expansion CAPEX
- Conservative balance sheet

Attractive dividend returns to shareholders

- Track record of consistent dividends and meeting dividend guidance
- Semi-annual dividend payments
- Clear dividend policy that distributes excess cash not used for expansion as dividends, subject to Leverage Ratio

What we do

We are leaders in the provision of complex freight rail logistics and transport services to leading industrial companies in the region in our targeted market segments of metals and mining and oil products and oil as well as in other segments.

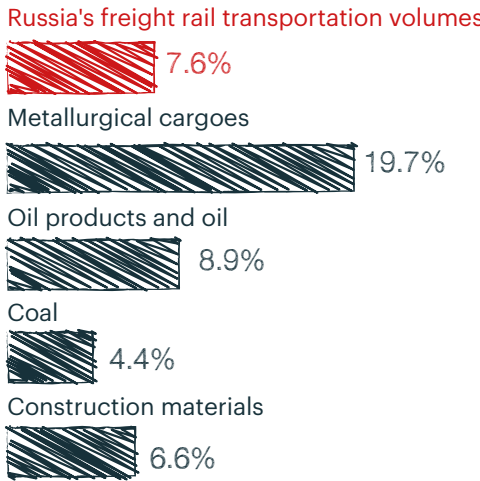
Our customers benefit from our state-of-the-art logistics, large and modern fleet, customer focus and innovation drive.

11.7^{ths}

Units
Total Fleet

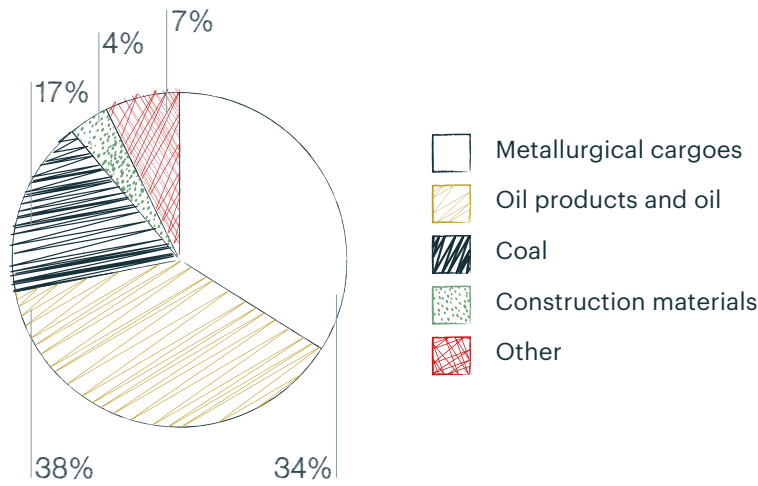


MARKET SHARE¹,
2020, %



Source: Globaltrans

NET REVENUE FROM OPERATION OF ROLLING STOCK
BY CARGO TYPE¹, 2020, %



Source: Globaltrans

¹ Metallurgical cargoes including ferrous metals, scrap metal and iron ore; coal including coke; construction materials including cement.

At a Glance

We deliver a consistent flow of value to our clients through our pursuit of operational and service excellence. Our operating platform is fundamental to our success

How we deliver value

Sophisticated logistics

We are experts at managing complex cargo logistics that improve our customers' productivity, saving them time and money.

Sector-leading operational efficiency

Our centralised gondola dispatching hub is the nerve centre of our railcar operations. Working round-the-clock, it ensures our fleet works efficiently, maintains high utilisation levels and low Empty Runs, which in turn drives profitability.

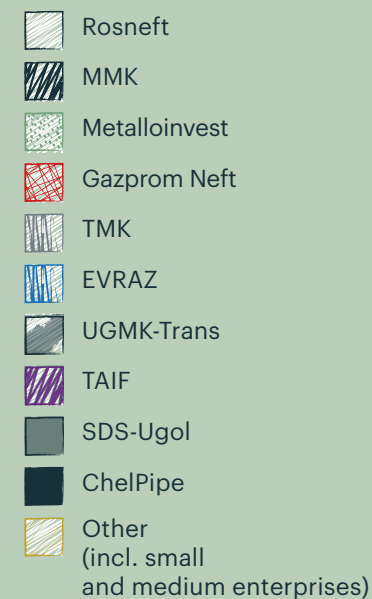
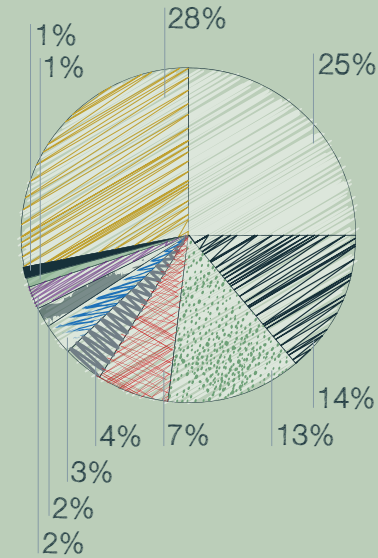
High quality long-term client base

We are trusted partners for our clients, who range from large industrial groups to smaller, more specialised companies. We focus on long-term outsourcing partnerships, whereby we handle most of a client's freight rail logistics. Our clients benefit from operational scale, round-the-clock services, state-of-the-art logistics, and access to one of the largest fleets in Russia.

Improved productivity due to in-house locomotives

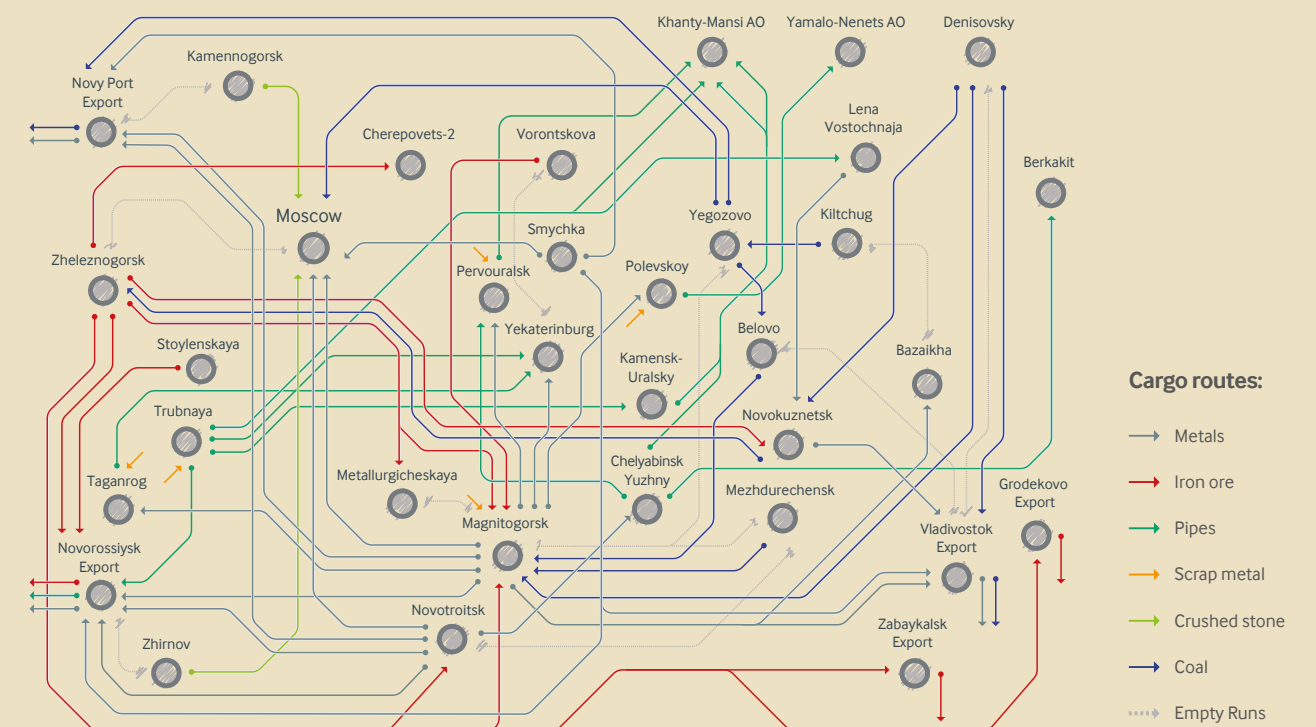
Our in-house locomotive fleet transport oil products and oil in block trains where all the cargo is bound for a single destination, obviating the need to stop at multiple sorting stations, which optimises delivery schedules and fleet utilisation.

NET REVENUE FROM OPERATION OF ROLLING STOCK BY LARGEST CLIENTS (INCL. THEIR AFFILIATES AND SUPPLIERS), 2020, %

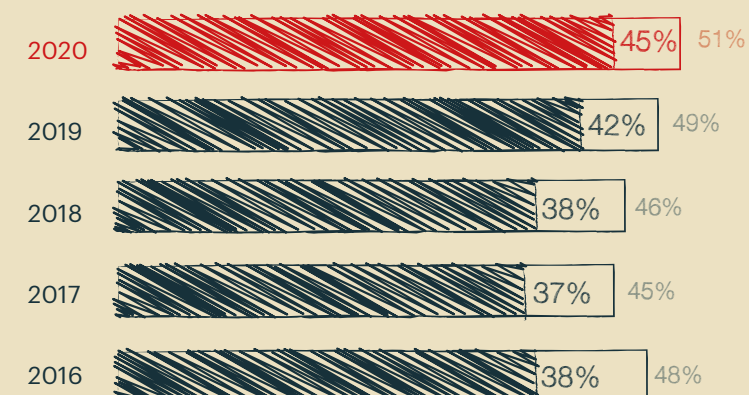


Source: Globaltrans

GONDOLA LOGISTICS KEY ILLUSTRATIVE ROUTES



HISTORICAL EMPTY RUN RATIO, 2016-2020, %



Source: Globaltrans

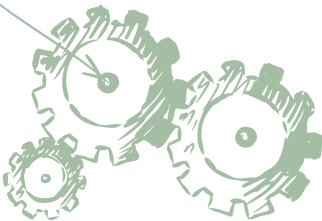
45,647
Gondolas
64% of Total Fleet

□ Total Empty Run Ratio (for all types of railcars)
▨ Empty Run Ratio for gondola cars

Our Assets

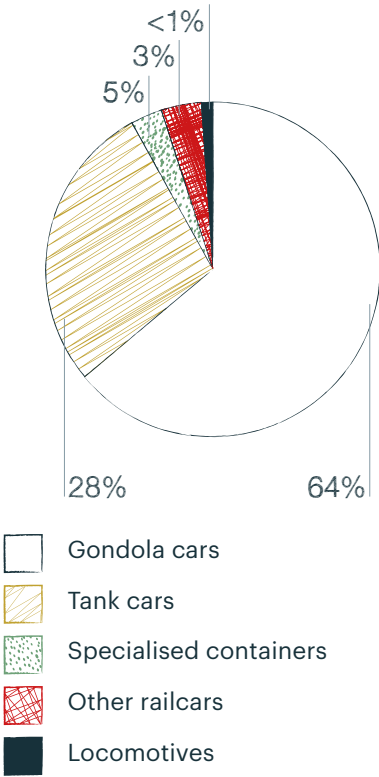
11.7 ^{ths}
units
Total Fleet

12.4 ^{years}
Average age of Owned Fleet



One of the largest most modern railcar fleets in Russia

FLEET COMPOSITION



Operational flexibility maintained by striking appropriate balance between Owned Fleet (95%) and Leased-in Fleet (5%).

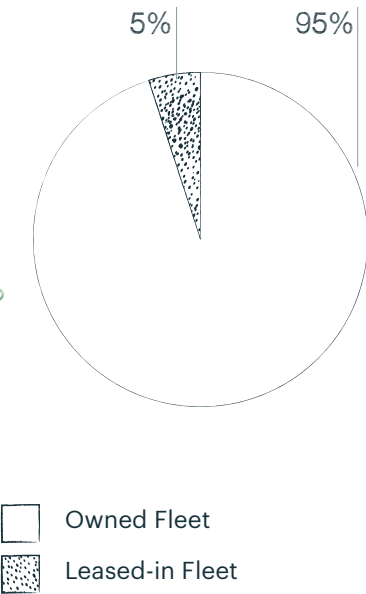
Fleet composition matches serviced industrial segments: 64% are universal gondola cars for bulk cargoes, 28% are tank cars for liquid cargoes and 8% are niche specialist units.

Average age of railcar fleet at 12 years is roughly 1/2 the useful life of an average gondola car and 1/3 that of an average tank car.

Growing presence in high-value rail transport niches: petrochemicals and high-grade steel products.

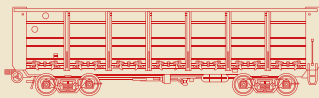
Outstanding fleet maintenance programme maintains our focus on operational and service excellence.

OPERATIONAL FLEXIBILITY



Source: Globaltrans

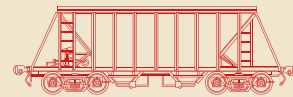
Source: Globaltrans



GONDOLA CARS

- Open-top, high-sided universal railcar
- Backbone of Globaltrans' fleet
- Designed to carry bulk cargoes like metals, ores, coal, construction materials, etc.
- Able to be redeployed quickly between different bulk cargoes in response to changes in market demand

45,647
units
64% of Total Fleet

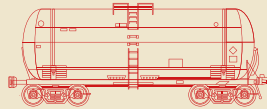


OTHER RAILCARS

- Globaltrans' fleet largely includes flat cars among the other cars used to carry specialised containers

2,216
units
3% of Total Fleet

Source: Globaltrans



TANK CARS

- Designed to carry liquid cargoes including oil and petroleum products, chemicals, liquefied gas and other liquid substances
- Principally used by Globaltrans in the transportation of oil products

20,417
units
28% of Total Fleet

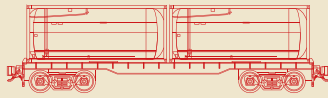


LOCOMOTIVES

- Globaltrans has its own mainline locomotive fleet, which hauls block trains principally in the oil products and oil segment

74
units
<1% of Total Fleet

Source: Globaltrans



SPECIALISED CONTAINERS (INTERMODAL)

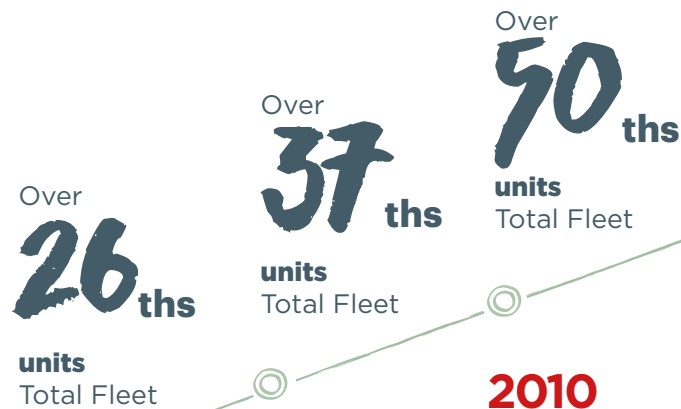
- Designed to be moved between different modes of transport without any handling of the freight itself
- Globaltrans operates mostly tank containers used to transport petrochemicals and specialised containers to transport high-quality steel products

3,334
units
5% of Total Fleet

Our History

Globaltrans was formed in 2004 as a merger of two entrepreneur-led companies and from these roots has grown to become one of the leading freight rail transportation groups in Russia and the CIS. Through strong organic growth and acquisition of both railcars and other freight rail businesses, we have created a profitable company with best-in-class capabilities.

Our commitment to transparency and corporate governance helped us to become the first freight rail group focused on Russia to list on an international stock exchange. Since the Group's Initial Public Offering (IPO) on the London Stock Exchange in 2008, we have continuously focused on value creation and growth and today operate a fleet that is three times larger than at the time of our IPO. In 2020 we additionally listed our GDRs on the Moscow Exchange to diversify our investor base.



2008
Successful IPO on the London Stock Exchange.

Ukrainian subsidiary created and Estonian tank car leasing business acquired.

2009
Secondary Public Offering (SPO) to fund further business expansion.

Acquisition of 50% stake in BaltTransServis, increasing the Group's presence in the oil products and oil sector.

2010
Organic expansion of the business — purchases of new rolling stock and the expansion of the Leased-in Fleet.

2012
Acquired Metalloinvesttrans, the captive freight rail operator of Metalloinvest, a leading producer of hot briquetted iron (HBI), iron ore products and high-quality steel.

Signed industry's first ever long-term outsourcing contract with Metalloinvest.

2013
Acquired MMK-Trans, the captive freight rail operator of MMK Group, one of the world's largest steel producers.

Signed a long-term outsourcing contract with MMK.

Created a single 24/7 gondola dispatching centre.

2014–2015
The Group's corporate structure simplified to drive efficiency and cut costs.

Formed specialised SyntezRail subsidiary with partners to transport petrochemicals in tank containers.

Over 66 ths units Total Fleet

2017
The enhanced Dividend Policy introduced linking dividends to Attributable Free Cash Flow and Leverage Ratio.

2016
Extended long-term partnerships with Rosneft (five years) and with Metalloinvest (three years).

Over 69 ths units Total Fleet

2018
The Group celebrated its 10th anniversary of its Main Market listing on the London Stock Exchange.

Partnership with MMK extended to end Sep 2020.

Two new five-year service contracts signed: with TMK, a leading global manufacturer and supplier of steel pipes for the oil and gas industry and with ChelPipe Group, a leading Russian manufacturer of pipe products and provider of integrated solutions for fuel and energy companies.

Over 70 ths units Total Fleet

2019
Service contracts extended with MMK (to end Sep 2022) and Metalloinvest (to end 2020), in line with the Group's strategy to develop its outsourcing client partnerships.

A new three-year service contract (to end June 2022) signed with Gazprom Neft, a long-standing client of the Group.

A new service for the steel industry launched, transporting high-quality rolled steel in specialised containers.

Over 71 ths units Total Fleet

2020
Globaltrans' GDRs began trading on MOEX on 28 Oct 2020. The GDRs have ticker symbol GLTR and are included in Level One, MOEX's highest quotation list.

The service contract with MMK was extended for a further two years and is now valid until the end of Sep 2024. The service contract with Metalloinvest was extended for a further one-year period to the end of 2021.

Globaltrans has expanded its cooperation with EVRAZ signing a one-year contract.

2021
The service contract with Rosneft extended for a further five years until end Mar 2026.

Established ESG Committee.

2004

Established as a merger of two entrepreneur-led companies.

more than 16 years of growth and leadership



Our Industry

Russia's rail network at a glance

3rd

largest rail network links the world's largest country across 11 time zones

vital

strategic asset connecting Russia to the global economy



- Globaltrans' operating subsidiaries, their branches and representative offices
- Russia's rail network's key illustrative routes

Freight rail powers the economy responsible for

87%

of all Russian freight turnover excluding pipeline traffic

2.5^{tn}

overall freight rail turnover in 2020 (tonnes-km)

sustainable

choice: most eco-friendly means of long-distance freight transportation

Vibrant deregulated freight rail sector

-88%

of total Russia's railcar fleet is controlled by private players

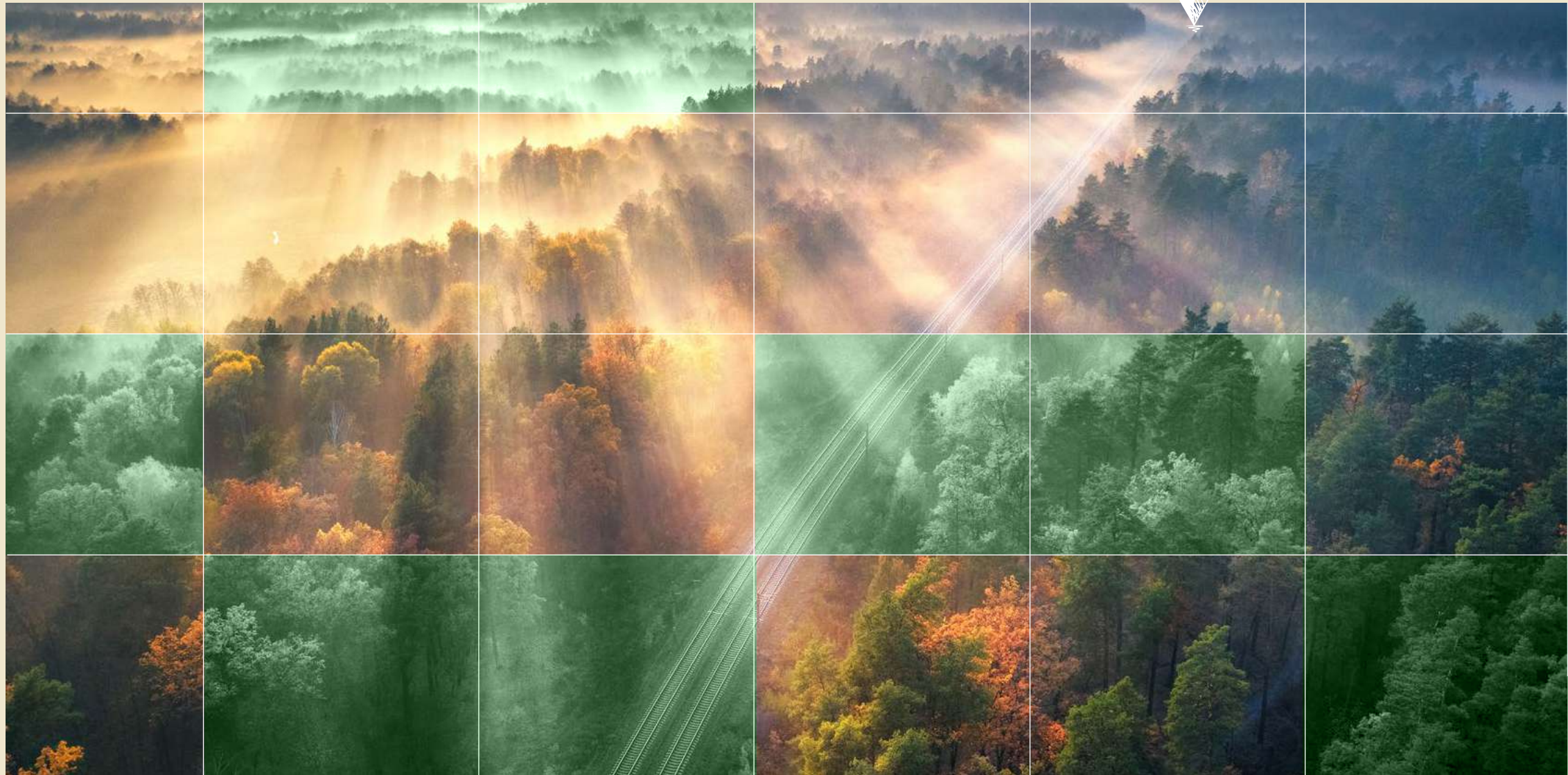
Long-term structural

growth

drivers backed by government rail infrastructure investment into extension of the Far East railway corridor

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DIRECTORS’ RESPONSIBILITY

Each of the Directors confirms that, to the best of his or her knowledge, the Strategic Report presented on pages 18 to 83 of this Annual Report includes a fair review of the development and performance of the business and the position of Globaltrans Investment PLC and its subsidiary undertakings, included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board,


Sergey Tolmachev
Director

Chairman's Statement

DEAR SHAREHOLDERS,

2020 was, by any definition, an exceptionally challenging year. We have long experience of successfully navigating through tough markets, and last year was no exception.

Sergey Maltsev

Chairman
Chief Strategy Officer
Co-founder and shareholder

RUB **13.3** bln

Total 2020 dividends, including interim, final and special

RUB **74.55**

Total 2020 dividends per share/GDR

We again outperformed the industry, extended important service contracts, generated strong Free Cash Flow, and despite the unprecedented conditions delivered strong dividends as targeted and previously announced. Throughout this unprecedented period, the Group was sustained by the quality of its management, the resilience of its business model, and the strength of its people.

Inevitably, the abrupt changes in the trading environment as a result of the COVID-19 pandemic impacted our financial results. Nevertheless, it is reassuring that the Group was still able to deliver strong Free Cash Flow (up 14% year on year) and dividends in line with expectations by controlling costs and flexing expansion CAPEX. The Group's performance in a challenging year speaks to the underlying robustness of the business.

Operationally, our performance was strong, highlighting the professionalism of our team and the effectiveness of our business model. Once again outperforming the market in terms of freight rail turnover, we also were able to further develop our client partnerships.

We signed a new one-year contract with EVRAZ, one of the leading steel and coal producers, deepening that relationship, as well as agreeing separate important contract extensions with MMK and Metalloinvest, both longstanding customers of the Group. In April 2021, we were proud to extend our service contract with Rosneft, another key client, which is a testament to the high quality and reliability of our service.

The year also marked another important milestone in the Group's corporate development when Globaltrans became the first company in the freight rail sector to list its GDRs on the MOEX. The secondary listing on MOEX has raised the Group's profile and increased the availability of its GDRs. We expect the listing will further expand the Group's shareholder base, including among the growing base of retail investors in Russia. Since October's listing on MOEX, the combined average daily trading volumes in Globaltrans GDRs on LSE and MOEX have increased almost three-fold¹.

¹ Calculated as combined Average Daily Traded Volumes in US dollar terms (ADTV) on MOEX and LSE since secondary listing at MOEX comparing to ADTV at LSE for six months prior to the secondary listing.

Chairman's Statement



COVID-19 response

Our response to the evolving situation in 2020 as a result of the COVID-19 pandemic was an excellent demonstration of the Group's can-do culture. Despite the pandemic's disruptive impact on the economy, our teams kept operations running throughout, always with an unwavering focus on our clients and a commitment to supporting each other.

At the onset of the COVID-19 pandemic in February 2019, our priority was to protect the health and wellbeing of our employees and customers while seeking to ensure the continuity of operations. We resisted making COVID-related redundancies as we believed that by remaining fully staffed and operational we could better support our customers and communities through the period of the pandemic.

I want to express my thanks to our employees for their hard work, resilience and focus. The Board is very proud of how the whole team pulled together to deliver what was, in the circumstances, a positive set of results in 2020.

Board and governance

Good governance underpins successful business performance and never has that been truer than over the last twelve months. I am fortunate to lead an experienced and stable Board of Directors, whose diverse skills and experience complement the talents of the executive team. While COVID-19 was a true test of the Board's oversight skills, it also served to demonstrate the quality of our Board and executive team. Responding to the pandemic's spread, the Board moved quickly and decisively to maintain business operations, safeguard our employees and support our customers. These actions ensured that throughout the year Globaltrans continued operating and providing a full service to its customers.

We focused on maintaining transparency and keeping communication channels open during the pandemic. We successfully launched a new bilingual corporate website, containing a host of features, including intuitive navigation, increased functionality and an interactive centre. Our investor communications programme in 2020 was inevitably impacted by the various travel bans and stay-at-home orders. However, the team adapted quickly, reverting to online meetings with investors; in all, we conducted almost the same number of meetings with investors as the year before.

Sustainability

The COVID-19 pandemic has highlighted the attractions of rail as a sustainable, efficient mode of transport. I believe that this could spark a more permanent shift in the fortunes of the freight rail sector globally. Rail is a better, greener alternative to other modes of freight transport, especially road, and will be a key agent in the drive to decarbonise the global transport industry. As a freight rail operator, we recognise our responsibility to manage the impact our business has on the environment.

Companies increasingly need to align their business standards, culture and strategy with the social, economic and environmental needs of their stakeholders. As a responsible business, the Board and executives at Globaltrans are working to enshrine sustainable, responsible and ethical practices into everything we do. The Board established the ESG Committee in January 2021 to oversee the Group's environmental, social and governance strategy and activities, which will ensure we stay at the forefront of this important area.

Further details of the Group's progress in sustainable development are contained in our [Integrated Sustainability Report](#).

Our industry

The COVID-19 pandemic has served to highlight some important trends and features of the industry.

First, it has reinforced the systemic importance of the freight rail industry in Russia, and its role as the logistical backbone of the country. It has shown that running trains efficiently and keeping supply chains open through both domestic and international corridors are essential to the economy and for the comfort of our society, especially when travel is restricted. The fact that the whole sector continued to operate largely uninterrupted through the crisis highlights the resilience of rail as a key mode of transport.

Second, it has highlighted the long-term growth trends in cross-border transported volumes and traffic, especially between Russia and Asian countries. It is interesting to note that despite the pandemic, freight rail turnover bounced back in the second half as the global economy began to reopen, with freight turnover actually surpassing the previous year's result.

At present, the Far Eastern rail infrastructure is operating right on the limits in terms of carrying capacity, which the government and JSC Russian Railways ("RZD") are racing to address with about 17% more throughput capacity delivered in 2018–2020 and an additional expansion of about 26% targeted by the end of 2024. These programmes provide a basis for increasing overall cargo volumes for the Russian freight rail sector, and, as I stated last year, the companies that will benefit most will be those like us that have the specialist expertise, customer relationships, fleet and finances to manage greater throughput volumes.

Third, it has underlined the importance of innovation, adaptability and customer focus, features that have their origin in the practices introduced by entrepreneurial commercial operators like Globaltrans when the industry deregulated in the early 2000s. The rail freight industry has demonstrated strong adaptation skills with many tasks being performed remotely, staff working from home, and physical interaction reduced to a minimum. Looking ahead, I would expect that the COVID-19 pandemic will lead to further process improvements and accelerate digitalisation, which can only improve the resilience and stability of the sector.

Dividends and share buyback

Having been through several economic cycles, we are determined to maintain our cost and capital discipline. In 2017, we reviewed the Group's capital allocation to ensure that we struck the right balance between supporting growth, maintaining appropriate leverage and returning excess capital to shareholders. This formula has served us well, providing a solid cushion from which to pay robust dividends. In a year that saw many companies cancel dividend payments to shareholders, Globaltrans once again announced target dividends, delivering on stated targets without compromising its business in any way.

The total dividends payable to shareholders in respect of 2020, including interim, final and special, amounted to RUB 13.3 billion (RUB 8.3 billion in respect of the first half 2020 and RUB 5.0 billion in respect of the second half 2020), or RUB 74.55 per share/GDR, equivalent to 99% of the Group's Attributable Free Cash Flow for the year.

Dividend distribution remains a priority for the Company in 2021. Our efficient business model, cost discipline and opportunistic CAPEX management are solid foundation for ongoing dividend payments throughout the cycle.



Chairman's Statement

Summary

The Board is targeting a minimum total interim dividend of RUB 3.0 billion (about RUB 16.78 per share/ GDR) in respect of the first half of 2021 reflecting its conservative financial policies along with ongoing pricing pressure in the gondola segment.

Our share buyback programme for up to 5% of share capital which commenced in May 2020 is on track. As we made clear at that time, buying back shares is a secondary avenue for returning capital to shareholders and one we access at times of serious market dislocations, provided there is available excess liquidity. The Annual General Meeting of shareholders in April 2021 approved the renewal of the programme for an additional twelve months.

In 2020, the Group responded well to the unprecedented circumstances brought about by the COVID-19 pandemic. We ensured that our employees, clients and communities were properly supported without compromising the health and safety of our people. We acted quickly to switch to less affected cargoes and made a huge effort to ensure that we kept our operations running throughout the period. Our business model again proved itself in difficult markets, and we maintained our reputation as one of the most efficient rail operators in the industry, with the result that we outperformed the market and reinforced our market positions.

In the short-term, the outlook for markets is predicated on how quickly economies can rebound from COVID-19. As I said at the beginning, Globaltrans has core strengths that have enabled it to successfully navigate challenges and we are therefore well-placed to deliver another year of progress on our plans.



Sergey Maltsev
Chairman
Chief Strategy Officer
Co-founder and shareholder

Our Approach to Dividends

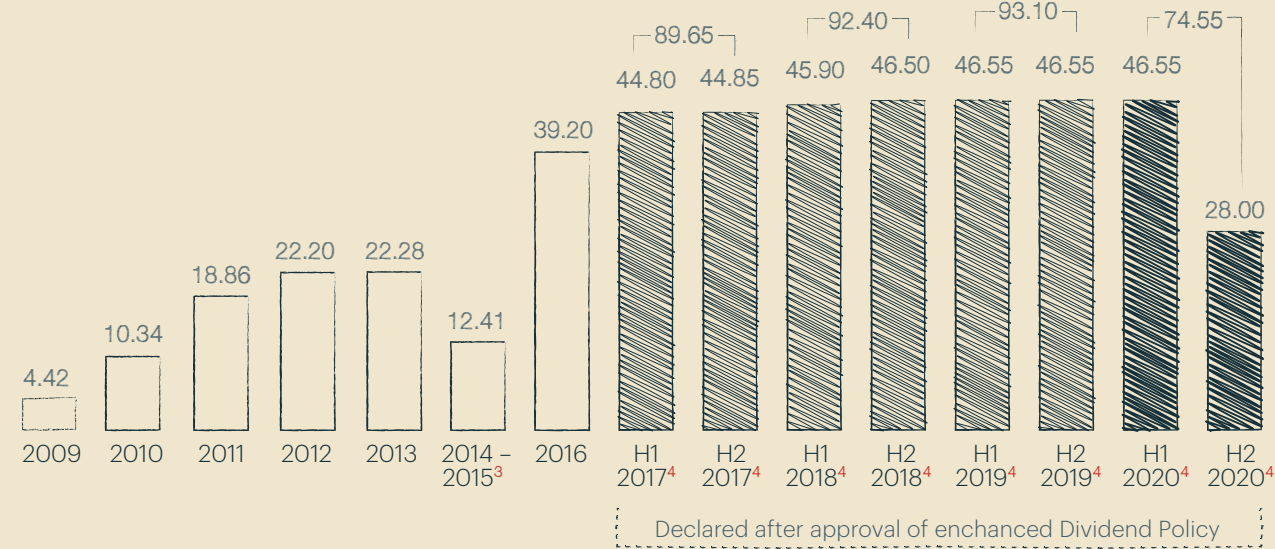
The Group's Dividend Policy strikes a balance between investing in business expansion and delivering returns to shareholders. This means:

- with a focus on maximising shareholder value, the policy boosts pay-outs during low investment cycles and limits them in periods when sizeable expansion opportunities meeting Globaltrans' strict return criteria are identified;
- having a clear formula linking dividends to Attributable Free Cash Flow and Leverage Ratio¹ providing flexibility and transparency in capital allocation.

Leverage Ratio	Dividends as a % of Attributable Free Cash Flow
Less than 1.0x	Not less than 50%
From 1.0x to 2.0x	Not less than 30%
2.0x or higher	0% or more

To view the Dividend Policy, please visit our corporate website www.globaltrans.com

DIVIDEND HISTORY, RUB PER SHARE/GDR, IN RESPECT OF RELATED FINANCIAL YEAR/PERIOD²



¹ The Board of Directors of Globaltrans reserves the right to recommend to the General Meeting of shareholders dividends in the amount calculated on a reasonable basis other than described in this Annual Report in its sole discretion. For more details please see the Dividend Policy as adopted by the Board on 31 March 2017 and amended on 24 August 2018, which is available at www.globaltrans.com.

² Prior to 2016, dividends on Globaltrans shares/GDRs were declared and paid in US dollars, thus the amounts in Russian roubles are presented for information purposes only and calculated at the Central Bank of Russia's official exchange rate for the Russian rouble as of the date of the General Meeting that approved the respective dividend. From 2016, dividends on Globaltrans shares/GDRs are declared in Russian roubles and paid in US dollars.

³ The dividend declared in 2016 related to both the 2014 and 2015 financial years.

⁴ Including regular and special dividends.

Our Strategy

Vision

Our vision is to maintain our position as a leading freight rail group with operations in Russia, Belarus, Ukraine, Kazakhstan and other countries and to be the partner of choice for blue-chip industrial customers by continually developing our service offering to ensure we meet customers' changing needs.

Strategic priorities



Our shared principles

- Value customers:** they are at the heart of our business and we work hard to exceed their expectations.
- Deliver excellence:** we strive to excel in everything that we do.
- Prioritise safety:** safety is our number one priority and we strive to act safely and responsibly at all times.
- Respect people:** we respect the rights of all employees and invest in their training and development.
- Uphold good governance:** we aim to pursue a course that benefits all stakeholders.
- Protect our environment:** we value our communities and the world around us and treat them with the respect and consideration they deserve.

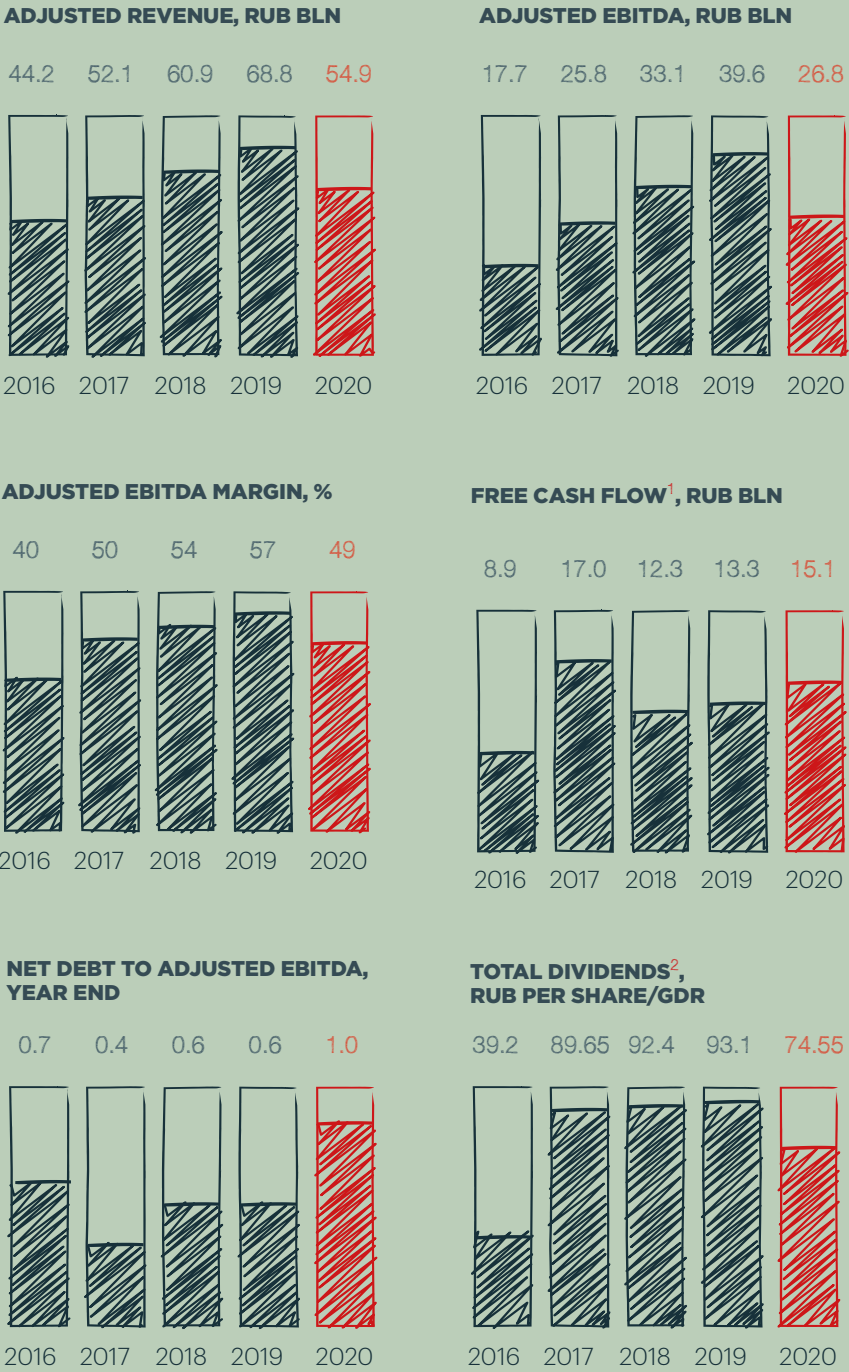
Strategy

Our strategy is to offer our industrial customers reliable and innovative transportation solutions aimed at achieving the cost-effective and timely management of their cargoes. We invest opportunistically to grow our business, subject to strict returns criteria, and maintain a conservative balance sheet. Together these underpin our ability to create sustainable value for our shareholders, employees and other stakeholders.

Our entrepreneurial spirit, disciplined approach and focus on logistical efficiency and innovation are central to delivering this strategy. Along with our sizeable modern fleet and advanced logistical platform, they form our key competitive advantages. By focusing on long-term outsourcing partnerships, we can use our deep understanding of our clients' needs to improve our service quality whilst increasing our logistical efficiency.

We allocate our capital prudently, investing in attractive growth opportunities when they arise and returning capital to shareholders at times when such opportunities do not exist. We review both organic and non-organic prospects subject to our strict returns criteria. Maintaining a strong balance sheet is fundamental for us, ensuring we can seize the right opportunities and still remain flexible to any changes in the business or market environment.

Historical key financial results



Source: Rosstat

¹ Free Cash Flow is net of principal elements of lease payments for leases with financial institutions presented for both periods (2019 and 2020). During H1 2020 the entire financial lease portfolio was refinanced to bilateral loans, therefore principal elements of lease payments were eliminated from both periods for comparison purposes.
² Total dividends (including interim, final and special) in respect of declared year.

CEO Review

DEAR SHAREHOLDERS,

The spread of the COVID-19 virus disrupted economic activity across Russia. Our industry did not escape the impact of this although it was very much a year of two halves for freight rail transportation.

In the first half of 2020, demand slumped as the sector suffered the full economic impact of COVID-19; in the second half, our markets recovered and overall freight rail turnover returned to pre-COVID levels.

Globaltrans again delivered a resilient business performance even at this exceptionally challenging time. We outperformed the market in freight rail turnover, secured further new contracts and extensions of existing contracts, and invested in the growing specialised container transportation segment. Although our financial results were inevitably impacted by the weak market conditions, our focus on cost control and expansion CAPEX flexibility resulted in the Group delivering increased Free Cash Flow and solid dividends for shareholders as targeted and announced beforehand.

I am very proud of the spirit, commitment and agility shown by our workforce in responding to what has been a very demanding environment over the past year.



Valery Shpakov
Chief Executive Officer

Managing COVID-19 risks

At the outset of the pandemic, we identified the key priority areas we needed to focus on: safeguarding the health and safety of our employees, supporting our customers, and ensuring the business stayed fully operational. All subsequent management decisions were made with these priorities firmly in mind.

Safety is management's top priority and in the heightened risk environment we were operating in last year, it took on even greater urgency. We quickly instituted additional precautions to protect the health and wellbeing of our employees and engaged with them to ensure appropriate measures were being taken. We made sure we were operating within the rules and guidelines set out by the government such as introducing distance working where it was feasible to do so. We also introduced a raft of practical measures to safeguard our employees and customers, including:

- the transfer of a large number of employees to remote working;
- rigorous cleaning schedules at all our workplaces;
- measures to minimise contact between staff and enforce social distancing;
- additional protective equipment and clothing for those that needed it;
- information on government guidelines.

Highlights

In 2020, we once again outperformed the market. By leveraging our operating platform to efficiently switch between cargoes depending on demand, the Group's Freight Rail Turnover grew 2.2% year on year, despite the market suffering a 2.2% decline.

In the context of the challenging economic climate stemming from the COVID-19 pandemic, our financial results were inevitably impacted. The Group's Adjusted Revenue was down 20% year on year to RUB 54.9 billion, largely reflecting weaker pricing conditions in the gondola segment. Adjusted EBITDA at RUB 26.8 billion was down 32% compared to the record result set in 2019 of RUB 39.6 billion. Our Adjusted EBITDA Margin held up well at a robust 49%, down from 57% in the prior year. Management's efforts to optimise costs proved successful, and despite ongoing inflationary pressures, we reduced Total Operating Cash Costs by 1% year on year. Excluding regulated RZD Empty-Run regulatory tariffs the year-on-year decline in Total Operating Cash Costs was 9%.

The Group produced strong Free Cash Flow¹ generation of RUB 15.1 billion, up 14% on the previous year. The financial impact of weaker markets on operating activities was more than offset by an 83% year-on-year targeted cut in expansion CAPEX, the release of working capital and a decline in Tax paid.

The Group continued to benefit from a strong balance sheet and low leverage. The year-end Net Debt to Adjusted EBITDA ratio stood at 1.01 times up from 0.6 times at the end of the prior year. We managed to significantly improve the financing terms with the average weighted interest rate down to 6.9% compared to 8.1% at the end of the previous year.

Our markets

Market conditions for the freight rail industry fluctuated considerably over the course of 2020. In the first half of the year, the industry suffered as economies locked down as a result of the COVID-19 pandemic before staging a comeback in the second half as economies began to reopen with pent-up global demand for industrial commodities driving a recovery in cargo volume dynamics.

Overall freight rail turnover for the industry in 2020 dropped 2.2% year on year, although again with a very clear split in performance between the two halves of the year. Freight rail turnover was down 5.3% year on year in the first half as a result of the COVID-19 pandemic followed by a 1% year-on-year increase in the second half stimulated by greater export activity and currency weakness.

Overall freight transportation volumes for the year ended down 2.7% year on year. The first half saw a fall in volumes of 4.5% year on year, with downward pressure experienced in all key cargo segments, except construction materials. Cargo volume dynamics gradually improved over the second half with overall freight volumes down only 0.9% year on year.

¹ Free Cash Flow is net of principal elements of lease payments for leases with financial institutions presented for both years (2019 and 2020). During H1 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.

CEO Review

The non-oil (bulk) cargo segment fared better than the overall market with the overall volumes in the segment decreasing 1.1% year on year. The performance was uneven across the individual transport segments. Weakness in coal and metallurgical cargoes, down 4.8% and 3.5% year on year respectively, was partially offset by strength in construction materials where volumes grew by a healthy 4.2% year on year¹.

The oil products and oil segment was particularly affected by the COVID-19 pandemic and the resultant international and domestic travel restrictions and lockdowns. Due to these constraints, fuel consumption fell significantly, a situation further exacerbated by the OPEC+ agreement on oil production cuts. Overall freight rail volumes in the segment fell 10% year on year.

Market pricing revealed a mixed segmental picture. The pricing pressure in the gondola segment we experienced in the latter part of 2019 continued, the result of an ongoing oversupply of gondolas combined with lower demand. In contrast, the rail tank segment experienced relatively stable railcar operator rates despite weak demand.

Operational performance

It was clear that the sector would not be immune to the unprecedented trading conditions of 2020, and so management's focus was on the things we could control, namely operational efficiency, superior client service, and cost discipline.

In the rail logistics industry, operational efficiency is a source of competitive advantage, and even more so in periods of market stress. Globaltrans' operating model gives us an edge in such times as we can adapt our logistics to respond to rapid changes in routes and cargo flows and flex our gondola fleet to capture demand changes in freight segments. We took full advantage of this important capability in 2020.

As I mentioned earlier, despite the volatile conditions, we delivered 2.2% year-on-year growth in Freight Rail Turnover while the overall market declined by that same amount in 2020. In non-oil bulk cargo operations, our Freight Rail Turnover increased 4.9% year on year, benefitting from the efficiency with which we were able to migrate railcars between different cargoes.

In the tank car segment, our operations were affected by those trends described above that severely impacted demand across the industry – global lockdowns, reduced fuel consumption in Russia, and the OPEC+ agreement on crude oil productions cuts. This was reflected in the 13.3% year-on-year decline in the Group's Freight Rail Turnover in this segment.

The Group's Average Price per Trip, a key metric, suffered due to weak pricing in the gondola segment, partially offset by more stable pricing dynamics for tank car operators in the oil products and oil segment. As a result, Average Price per Trip declined 19% year on year.

In a challenging environment, we managed the logistical test of adapting to the changes in cargo patterns. Whilst not immune from the headwinds created by the volatile conditions, we managed to restrict the increase in our gondola Empty Run Ratio, an important indicator of our operating efficiency, which rose to 45% from 42%. This remains among the lowest in the industry. The Total Empty Run Ratio for all types of railcars also increased to 51% compared to 49% in the previous year.

As one of the leaders in the provision of freight logistics, we maintained a high level of client retention in 2020. We signed a new one-year deal with EVRAZ, significantly expanding our cooperation with them. We also extended our service contracts with MMK for a further two years until September 2024, and with Metalloinvest for an additional one year until the end of December 2021. Our success in retaining key clients continued into 2021 with a new service contract signed with Rosneft for five years until the end of March 2026. Long-term service contracts provide for better volume visibility and lower pricing volatility and enable logistical efficiencies. Our strong portfolio of service contracts with five leading businesses accounted for about 64% of the Group's Net Revenue from Operation of Rolling Stock in 2020, helping to underpin the Group's business model.

Capital expenditure

Given the market volatility and pricing pressures we observed coming into 2020, we had already signalled that our plans envisaged only a modest level of expansion CAPEX for the year. Due to the specifics of our business model, which includes ownership of long-life assets, we have discretion over our expansion CAPEX and can adjust it in light of market conditions.

In light of the economic impact of the COVID-19 pandemic, we confined expansion CAPEX to targeted investments into the growing niche segment for the rail transportation of petrochemicals and high-grade steel in specialised containers. To support our developing business in this segment, we acquired 300 flat cars in 2020 taking our expansion CAPEX for the year to RUB 1.1 billion*, down 83% year on year. Consequently, our Total CAPEX fell 49% year on year to RUB 6.9 billion² in 2020 and consisted primarily of maintenance CAPEX.

Outlook

How the freight rail sector performs over the next year will largely depend on how quickly the economy can recover from the pandemic. The introduction of mass vaccination programmes alongside the gradual easing of lockdowns provide grounds for optimism in this regard.

The pricing environment remains mixed with some further weakness in gondolas rates at the beginning of the year compared to the second half of 2020 and with the rail tank segment experiencing relatively steady pricing. The issue of gondola oversupply is likely to continue to weigh on the industry. In light of this, we anticipate maintaining our freeze on expansion investment this year. Total CAPEX is expected to mostly include maintenance and to remain in the range of RUB 6-7 billion in 2021, which will support the Group's Free Cash Flow generation.

2021 has started well helped by a recovery in global demand for both energy and basic materials, which has driven increased freight volumes. Recent rail freight statistics support this view with average daily overall Russian freight turnover in the first quarter of 2021 ahead 3.1% year on year³.

We have a flexible business model, well-balanced portfolio of assets, strong management, and a consistent focus on efficiency and cost control. These factors, together with almost entirely discretionary expansion CAPEX mid-term, are expected to support our ability to deliver strong dividends.

As is evident from our 2020 performance, Globaltrans is well positioned to benefit from a sustained recovery in our markets and we remain cautiously optimistic about our prospects for 2021.



Valery Shpakov
Chief Executive Officer

¹ Metallurgical cargoes including ferrous metals, scrap metal and iron ore; coal including coke; construction materials including cement.

² Total CAPEX is net of principal elements of lease payments for leases with financial institutions presented for both years (2019 and 2020). During H1 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.

³ 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.

Market Review

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.

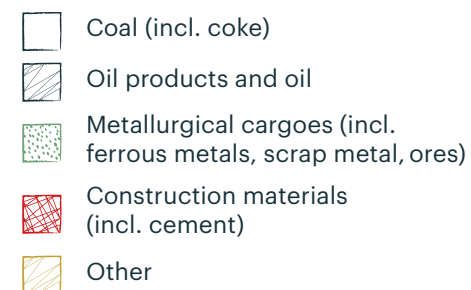
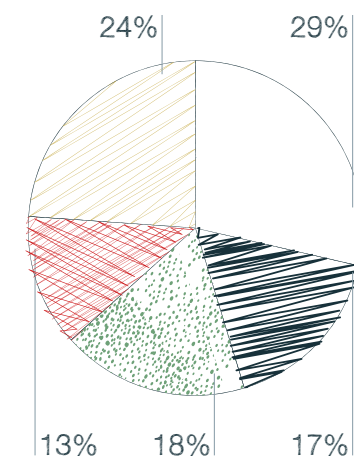
Non-oil (bulk) cargo volumes fared better than the overall market

- 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.
- Gondola segment rates remained under pressure throughout 2020.

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

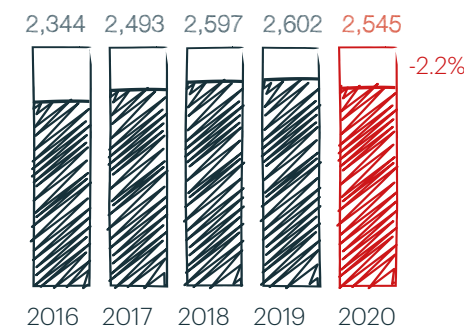
- Overall freight rail volumes declined 10% year on year in 2020 as lockdowns due to COVID-19 affected fuel consumption while OPEC+ agreement cut crude oil production.
- Relatively stable railcar operator rates in the tank car segment.

BREAKDOWN OF RUSSIA'S FREIGHT RAIL TRANSPORTATION VOLUMES BY CARGO TYPE, 2020

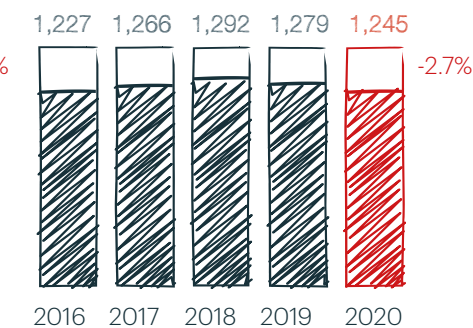


Source: Rosstat

RUSSIA'S FREIGHT RAIL TURNOVER, 2016-2020 (BLN TONNES-KM)

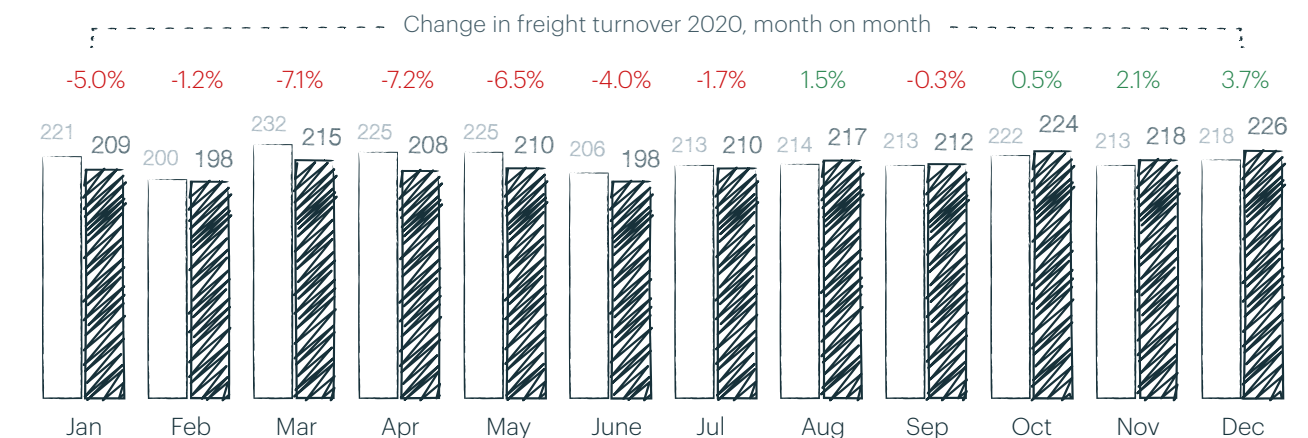


RUSSIA'S FREIGHT RAIL TRANSPORTATION VOLUMES, 2016-2020 (MLN TONNES)



-2.2%
year-on-year decline
in overall freight
rail turnover in Russia

RUSSIA'S MONTHLY FREIGHT RAIL TURNOVER, 2019-2020 (BLN TONNES-KM)



Source: Rosstat, Globaltrans

1.2 mln
units
railcar fleet in Russia

577 ths
units
gondola cars in Russia

249 ths
units
tank cars in Russia

Market Review

The market in 2020

It was an unprecedented year with the impact of the COVID-19 pandemic triggering the biggest global economic contraction in decades.

The Russian economy suffered its largest decline since 2009, as gross domestic product (GDP) shrank 3% year on year in 2020. Industrial production in Russia also declined with a decrease of 2.9% year on year in 2020 following year-on-year growth of 3.4% in 2019. The fall in industrial output reflected a steep drop in the performance of the extractive industries, down 7%, which was partially offset by a 0.3% year-on-year rise in manufacturing output.

The underperformance of the extractive industries sector was mostly attributable to a drop in crude oil production as a consequence of the OPEC+ decision in 2020 to substantively curb output. The quarterly rate of decline in industrial production improved steadily as the year progressed, having touched a low point in 2Q 2020 when it dropped 6.7% year on year. In 3Q 2020, industrial production was 4.8% lower year on year, before ending the year down just 2.5% year on year in 4Q 2020. In December, industrial production rebounded and was broadly in line with the level achieved in the prior year period.

The freight rail sector in Russia tends to track industrial production and the performance of the sector shows it was a year of two halves.

In the first six months of 2020, Russia's overall freight rail turnover and volumes fell 5.3% and 4.5% year on year respectively as the full force of the measures to combat the COVID-19 pandemic took effect. As restrictions eased and global industrial demand began to recover, the freight rail sector experienced a solid recovery with freight rail turnover increasing 1% year on year in the second half compared to the same period the previous year.

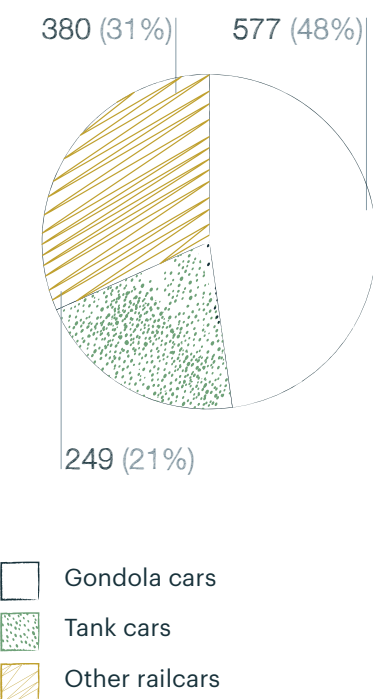
Rail maintained its position as the main mode of freight transport in Russia carrying 87% of overall Russian freight turnover (excluding pipeline traffic) in 2020, the same level as in 2019.

Weak economic conditions led rail companies to cut back investments with Russia's overall railcar fleet growing just 3%, or 36 thousand units to 1.2 million units by year end 2020. Gondola cars accounted for 48%, tank cars made up 21%, and other types, including flat cars and hopper cars, constituted 31% of the total fleet at the end of 2020.

Net additions of gondola cars declined significantly with 19 thousand units or 3% added (about 40% fewer than were added over 2019)

with the overall size of the gondola fleet reaching 577 thousand units. In the tank car segment, net additions totalled 2 thousand units (or 0.8% compared to the end of 2019), taking the overall size of Russia's tank car fleet to 249 thousand units.

RUSSIA'S TOTAL RAILCAR FLEET BY CAR TYPE, AT YEAR-END 2020, THOUSAND UNITS



- Gondola cars
- Tank cars
- Other railcars

Source: Globaltrans

Bulk (non-oil) segment

This segment delivered a relatively resilient performance given the challenging market, with volumes dipping 1.1% year on year in 2020. They recovered from a year-on-year 4% first-half decline to surpass the level set in the second half of the previous year by 1.7% with exports being the principal driver behind the recovery. The recovery was supported by a global revival in demand for key commodities, a weak Russian rouble and the reopening of many economies after lockdowns. Weak demand for coal and metallurgical cargoes was partially compensated by solid demand for construction materials. There was continued pressure in the pricing environment in the gondola segment in both leasing rates and operator pricing throughout 2020 on the back of an ongoing unfavourable supply and demand balance.

Coal (including coke): As the largest industrial cargo segment, coal contributed 29% of Russia's overall freight volumes in 2020. Overall coal volumes fell 4.8% year on year, under pressure from a combination of deteriorating demand and weak pricing conditions for thermal coal. In the first half, thermal coal volumes slumped 10.1% before staging a recovery in the second half on the back of increasing export demand and better pricing, with the result that second-half volumes were at the same level as for that period in 2019. In the coking coal segment conditions were less volatile with solid growth in the second half putting total annual volumes up 4% year on year in 2020.

Metallurgical cargoes (including ferrous metals, scrap metal and ores):

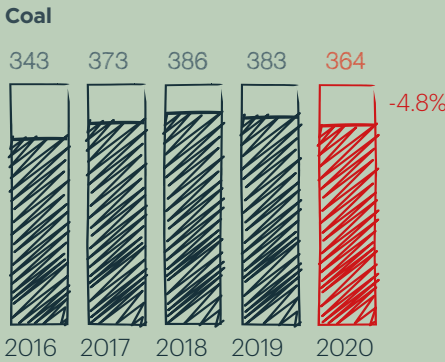
This segment represented 18% of Russian freight rail volumes in 2020. Total volumes were affected by weak economic activity across 2020, which resulted in freight rail volumes falling 3.5% year on year. As in other areas, this weakness peaked in the first half with volumes falling 4.4% year on year and while there was a modest recovery in the second half with volumes down 2.5% year on year it was insufficient to match the performance of the previous year. Volume trends varied across the individual segments: ferrous metals and scrap metal volumes dropped 10% and 2.7% respectively year on year, while in ores volumes were broadly unchanged year on year in 2020.

Construction materials (including cement): The segment performed strongly in 2020 supported by solid levels of construction activity, delivering a 4.2% year-on-year rise in volumes. This segment contributed 13% of the overall Russian freight rail volumes in 2020.

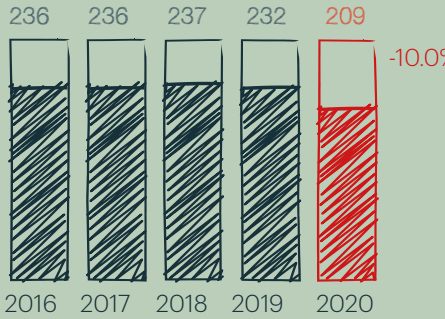
Oil products and oil segment

The oil products and oil transport segment experienced particularly difficult trading conditions, with overall freight volume ending 2020 down 10% year on year. The market came under significant pressure as the impact of the COVID-19 pandemic and the OPEC+ agreement combined to reduce both fuel consumption and output volumes. Despite weak demand, the pricing environment was generally supportive, and operators pricing stood broadly unchanged year on year although leasing rates did exhibit some pricing pressures.

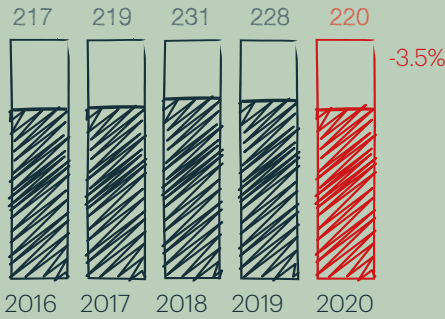
RUSSIA'S FREIGHT RAIL TRANSPORTATION VOLUMES BY CARGO, 2016-2020 (MLN TONNES)



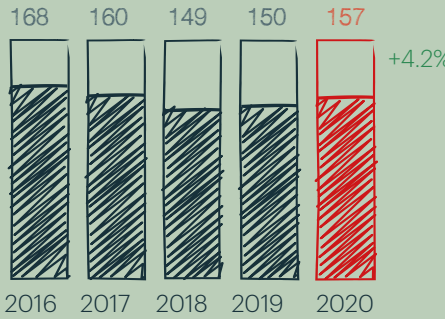
Oil products and oil



Metallurgical cargoes



Construction materials



Source: Rosstat

Financial and Operational Review

“Our financial performance highlights the strength of our operating model. The Group continued to be highly cash generative and financially robust. We delivered a double-digit increase in free cash flow, maintained low leverage and as a result, we delivered strong cash dividends to our shareholders, consistent with our focus on long-term value creation.”

Alexander Shenets
Chief Financial Officer



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 Flow¹ 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.

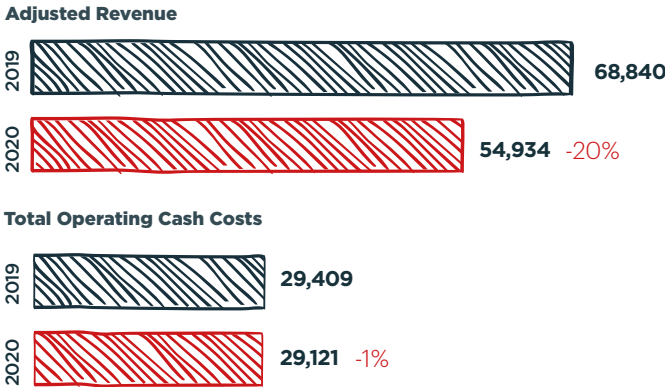
- Total CAPEX¹ was down 49% to RUB 6.9 billion and primarily consisted of maintenance expenses. The Group currently expects its Total CAPEX (including maintenance) to remain low in 2021 in the range of RUB 6–7 billion.
- Leverage continued to be held at a low level with a Net Debt to Adjusted EBITDA ratio of 1.01x at year end 2020 (at year-end 2019: 0.60x).

DIVIDENDS

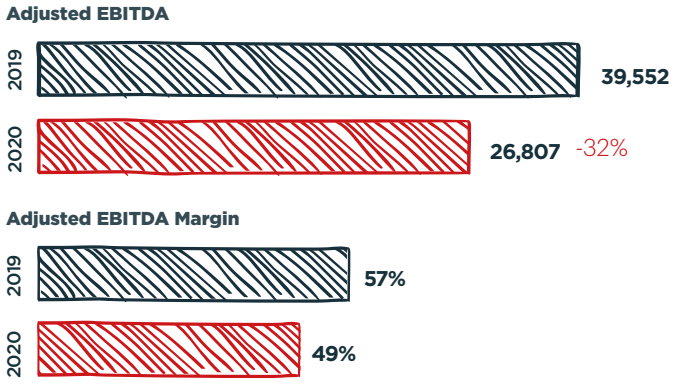
Continued robust dividend payments as targeted and previously announced

- Strong total FY2020 dividends of RUB 13.3 billion or RUB 74.55 per share/GDR delivered (including interim and final dividends), reflecting strong Free Cash Flow generation and low leverage. Total FY2020 dividends equate to 99% of the Group’s Attributable Free Cash Flow for 2020.

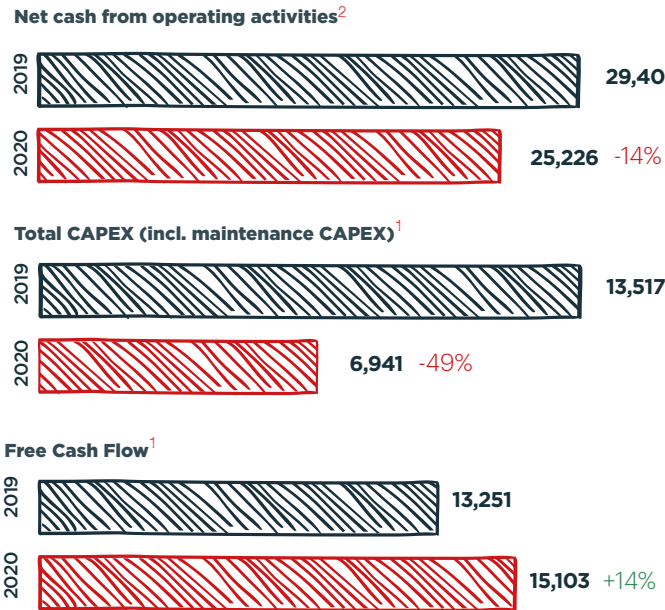
ADJUSTED REVENUE (RUB MLN) / TOTAL OPERATING COSTS (RUB MLN)



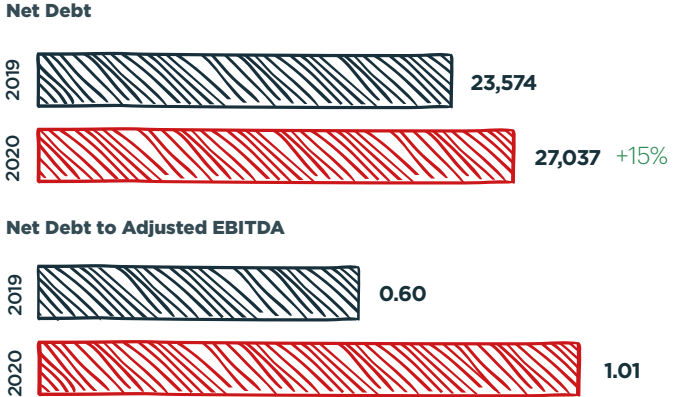
ADJUSTED EBITDA (RUB MLN) / ADJUSTED EBITDA MARGIN (%)



NET CASH FROM OPERATING ACTIVITIES (RUB MLN) / TOTAL CAPEX (RUB MLN) / FREE CASH FLOW (RUB MLN)



NET DEBT (RUB MLN) / NET DEBT TO ADJUSTED EBITDA



Source: Globaltrans

¹ Free Cash Flow and Total CAPEX are net of principal elements of lease payments for leases with financial institutions presented for both years (2019 and 2020). During H1 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 After “Changes in working capital” and “Tax paid”.

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 4.9% 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 13.3% 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.
 - Rosneft — the service contract extended for a further five years until the end of March 2026¹.
 - MMK — the service contract extended for a further two years until the end of September 2024.
 - Metalloinvest — the 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

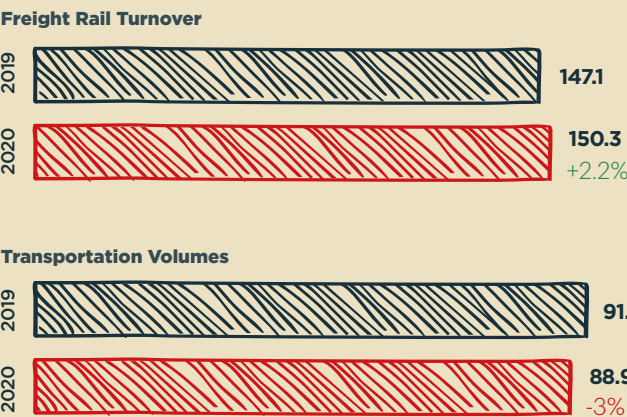
- Gondola Empty Run Ratio remained one of the lowest in the Russian market despite the substantial volatility in client cargo flows and routes driven by unprecedented COVID-19 lockdowns. Empty Run Ratio for gondola cars rose to 45%, compared to 42% in 2019.
- Total Empty Run Ratio (for all types of rolling stock) increased to 51%, compared to 49% in 2019.
- Share of Empty Run Kilometres 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 units², primarily universal gondola cars and tank cars strengthened by owned fleet of mainline locomotives.
- 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.

¹ As announced on 26 April 2021.
² Total Fleet as of 31 December 2020.

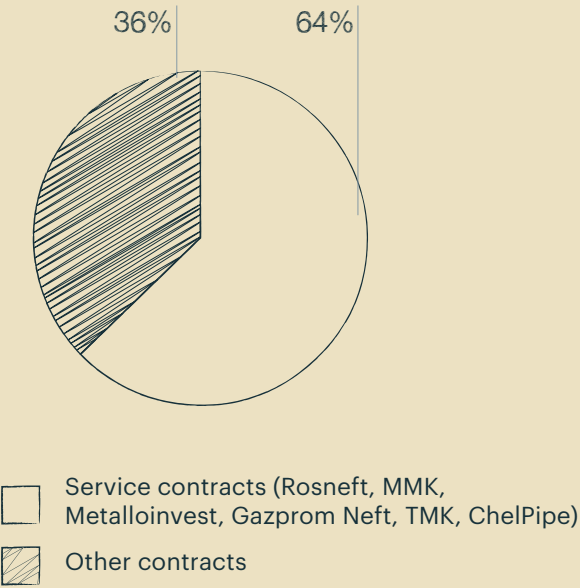
FREIGHT RAIL TURNOVER (BLN TONNES-KM) /
TRANSPORTATION VOLUMES (MLN TONNES)



AVERAGE PRICE PER TRIP (RUB)

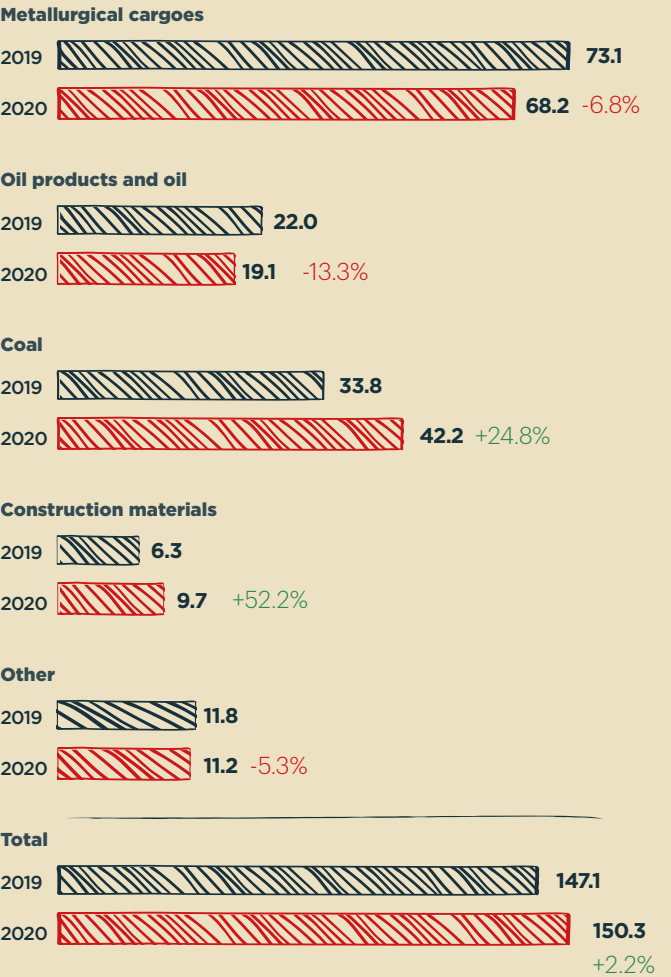


NET REVENUE FROM OPERATION OF ROLLING
STOCK BY KEY CONTRACT



Source: Globaltrans

FREIGHT RAIL TURNOVER BY KEY CARGO (BLN TONNES-KM)³



KEY EMPTY RUN METRICS

	2019	2020
Empty Run Ratio for gondola cars	42%	45%
Total Empty Run Ratio (for all types of rolling stock)	49%	51%
Share of Empty Run Kilometres paid by Globaltrans	89%	99%

³ Metallurgical cargoes including ferrous metals, scrap metal and iron ore; coal including coke; construction materials including cement.

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) ¹	13,517	6,941	-49%
Free Cash Flow ¹	13,251	15,103	14%
Attributable Free Cash Flow ¹	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	-

¹ Free Cash Flow, Total CAPEX 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.

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) ¹	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%

¹ 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).

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%
Minus “pass through” items			
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%

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	2020	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 Group¹ 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.

¹ Under contracts where the RZD tariff is borne by the Group, the Group has a contractual relationship with the client. The Group sets the terms of the transactions, such as selling and payment terms and, in some cases, bears credit risk and controls the flow of receipts and payments.

Total Operating Cash Costs

Total Operating Cash Costs (a non-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, % of total	2019, RUB mln	2020, RUB mln	Change, %
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%

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.

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 ¹	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.

¹ 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.

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) - 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%
Plus (Minus)			
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%
Minus (Plus)			
Loss on derecognition arising on capital repairs ¹	(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%

¹ 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.

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, %
Interest expense:			
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%
Interest income:			
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

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
Changes in working capital:	(4,084)	1,346
Inventories	(394)	816
Trade receivables	(713)	(427)
Other assets	(1,299)	1,439
Other receivables	10	10
Trade and other payables	(270)	(208)
Contract liabilities	(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
Proceeds from bank borrowings	10,408	23,265
Proceeds from issue of non-convertible unsecured bonds	5,000	-
Repayments of borrowings	(10,737)	(19,603)
Principal elements of lease payments for leases with financial institutions	(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 leases¹ 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 fin al 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.

¹ 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”.

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 Flow² 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)² 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.

	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) ²	(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 Flow ²	13,251	15,103	14%
Minus			
Adjusted Profit Attributable to Non-controlling Interests	1,846	1,600	-13%
Attributable Free Cash Flow ²	11,405	13,503	18%

² 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.

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 CAPEX (on a cash basis, including maintenance CAPEX)¹ decreased 49% to RUB 6,941 million² compared to 2019. The decline in capital expenditures was primarily due to the following factors:

- An 83% year-on-year targeted cut in expansion CAPEX³ 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)⁴.
- 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 CAPEX¹	13,517	6,941	-49%
<i>Not included</i>			
Principal elements of lease payments for leases with financial institutions	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 2020⁵ which primarily related to the long-term leasing of offices and certain rolling stock.

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

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

² 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.

³ Including “Purchases of intangible assets”.

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

⁵ Not included in Total debt.

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

Related party transactions

For the purposes of financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Litten Investments Ltd, controlled by a Director of the Company¹, has a shareholding in the Company of 5.1% as at 31 December 2020 (31 December 2019: 5.1%).

Goldriver Resources Ltd, controlled by a member of key management personnel of the Group², has a shareholding in the Company of 4.0% as at 31 December 2020 (31 December 2019: 4.0%).

As at 31 December 2020, another 0.2% (2019: 0.2%) of the shares of the Company is controlled by Directors and key management of the Company.

¹ Beneficially owned by Alexander Eliseev, Non-executive Director and co-founder of Globaltrans.

² Beneficially owned by Sergey Maltsev, Chairman of the Board of Directors, Chief Strategy Officer and co-founder of Globaltrans.

The following transactions were carried out with related parties:

Key management compensation

	2019, RUB mln	2020, RUB mln
Key management salaries and other short-term employee benefits	1,418	1,139
Share based compensation	83	29
Total	1,501	1,168

The key management compensation above includes directors’ remuneration paid to the directors of the Company both by the Company and by subsidiaries of the Company in respect of services provided to such subsidiaries amounting to RUB 433 million (2019: RUB 508 million) and analysed as follows:

	2019, RUB mln	2020, RUB mln
Non-executive directors’ fees	21	26
Emoluments in their executive capacity	475	406
Share based compensation in their executive capacity	12	1
Total	508	433

Year-end balances arising from sale of shares/purchases of services

	2019, RUB mln	2020, RUB mln
Accrued key management remuneration – current:		
Accrued salaries and other short-term employee benefits	416	255
Share based payment liability	123	104
Total	539	359

	2019, RUB mln	2020, RUB mln
Accrued key management remuneration – non-current:		
Share based payment liability	82	-
Total	82	-



More information is available in [Note 35](#) to the Group’s Consolidated Management Report and Consolidated Financial Statements included into the Financial Statements section of this Annual Report.

Risk Management

Globaltrans faces a wide range of potential and current risks to its business. To identify, evaluate and mitigate these risks, the Group has established a system for monitoring and controlling uncertainties and risks that it faces. This system is overseen by a dedicated risk management function. The Board of Directors has overall responsibility for the Group's risk management.

The Board, as part of its role in providing strategic oversight and stewardship of the Company, is responsible for maintaining a sound risk management and internal control system. As part of that system, the Board determines principal risks and sets respective risk tolerance levels. Globaltrans has adopted a risk management policy that provides a consistent framework for the identification, assessment and management and, where possible, mitigation of risks.

The oversight of risk management is delegated to the Audit Committee. In January 2021, the Board established the ESG Committee to analyse and oversee risks related to environmental, social and governance issues. In addition, the Board has delegated to the CEO the responsibility for the effective and efficient implementation and maintenance of the risk management system.

The Directors, through the Audit Committee, review the systems that have been established for this purpose and regularly review their effectiveness. Appropriate actions are then taken to manage the risk to an acceptable level as defined by the Board.

Ultimately, risk management aims to establish and maintain a holistic view of risks across the enterprise, so capabilities and performance objectives are achieved via risk-informed resources and investment decisions.

Globaltrans bases its risk management activity on a series of well-defined risk management principles, derived from experience, best practice and in accordance with corporate governance principles. The Group's risk management principles consist of nine interdependent and interconnected components that aim to provide a holistic view of risk across the whole organisation.

Risk management principles

1 Enterprise-wide

Risks that the Group faces should be managed on an enterprise-wide basis as a continuous and developing process that runs throughout the Group's strategy and the implementation of that strategy.

2 Systematic and structured

Risk management should involve recognised processes and activities in a systematic, methodical way that ensures the results of risk management activities are reliable, robust and comparable.

3 Based on top-down and bottom-up approach

Risk management should evaluate the potential upside and downside of all risks that could affect the Group. It should increase the probability of success and reduce both the probability of failure and the uncertainty of achieving the Group's overall objectives. Risk management activity should include the development and implementation of risk response actions to remove or mitigate all risks the Group faces, transfer them to a third party or accept them.

4 Forward-thinking approach

Risk management should be forward-thinking. It should involve identifying and preparing for what might happen rather than always managing retrospectively. Risk management should encourage the Group to manage proactively rather than reactively.

5 Aligned with the Group's objectives

Risk management should be aligned with the Group's objectives and provide reasonable assurance regarding the achievement of those objectives.

6 Integrated into the Group's business

Risk management should be embedded in all the Group's practices and business processes (including business and strategic planning, budgeting and decision-making) so that it is relevant, effective, efficient and sustained. All Group staff should be responsible and accountable for managing the risks in their activities.

7 Integrated into corporate culture

Risk management should be a part of the Group's corporate culture. All employees should be aware of the relevance of risk to the achievement of their objectives.

8 Clear and understandable

Risk management principles, methods and tools should be clear and easily understood by the Group's employees.

9 Evolving

The Group's risk management system should be continually evolving. The management of risk is an ongoing process and it is recognised that the level and extent of the risk management system will evolve as the Group evolves.

PRINCIPAL RISKS AND UNCERTAINTIES

Globaltrans has grouped risks that it considers significant into key categories – strategic, operational, compliance and financial.

This list is not exhaustive and the order of information does not reflect the probability of occurrence or the magnitude of any potential effect. Additional risks not currently known or that are currently considered immaterial could also have an impact on the Group’s business, financial condition, operational results and prospects, as well as on the trading price of its Global Depositary Receipts ("GDRs"). We monitor and assess risks on an ongoing basis and we make efforts to control and mitigate such risks.

STRATEGIC: RISKS THAT INFLUENCE THE GROUP’S ABILITY TO ACHIEVE ITS STRATEGY		
Risk	Description	Controls and mitigating factors
General economic situation and operating environment	The Group and its subsidiaries operate mainly in Russia and other emerging markets. Emerging markets, such as Russia, Kazakhstan and Ukraine, are subject to greater risks than more developed markets, including significant economic, political, social, legal and legislative uncertainties. Moreover, the Group’s business depends on demand in the Russian freight rail transportation market, which in turn depends on certain key commodity sectors and, accordingly, on economic conditions in Russia, Europe and elsewhere. A decrease in production and demand for key commodities in Russia, or in adjacent countries where the commodities of the Group’s key customers are shipped by rail, as a result of a technological shift, economic downturn, political crisis or another event in Russia or another relevant country, negatively impacts the Group’s business and growth prospects.	Mitigation methodology involves understanding the political and economic uncertainties of the operating environment and the risks faced in our business operations. The Group’s compliance and legal teams constantly monitor changes in legislation and report them to the Group’s management and Board of Directors while the finance and business teams monitor economic developments and do the same. The counterparties, banks and transactions of the Group are constantly reviewed by the Group’s compliance and legal teams to ensure full compliance with all applicable legislation. Risk managers have direct access to the Group’s key management.
	In addition to the human impact, the spread of Coronavirus (COVID-19) continues to affect global businesses and may lead to further and/or continued lockdowns, trade wars and turbulence in different currencies. The Group’s outlook for 2021 may be further impacted by the Coronavirus outbreak, which continues to cause uncertainty. The freight rail market may experience reduced demand stemming from the effects of COVID-19. The Group cannot predict the full impact of COVID-19 on its markets, business or prospects although they may be materially adversely impacted by the rapidly evolving situation. Also, the appearance of new pandemics or other dangerous illnesses could seriously affect the global and local business environment and lead to negative consequences for the Group’s business. Significant levels of COVID-19 illness in the Group or its key clients could interfere with the stability of the Group’s operations.	The Group maintains a balanced fleet as one of the cornerstones of its business model. A balanced fleet (between universal gondola cars, adaptable to the demand for the transportation of various bulk cargoes, and tank cars, which are used for the transportation of oil products and oil) enables the Group to adapt to market conditions and reduces its dependence on any one cargo flow.
	The political turmoil experienced within Ukraine and sanctions imposed by the United States and the European Union on Russia, and by Russia on other countries, have had a negative impact on the Russian economy. The potential decrease in demand for Russian commodities or change in directions of supply for Russian commodities may have a negative impact on the freight rail transportation market and the Group’s business.	In addition, the Group has entered into long-term service contracts with several large clients. Management assesses the possible impairment of the Group’s tangible and intangible assets by considering the current economic environment and outlook. Management believes that it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment.
	The threat of sanctions against the Group’s existing customers, any deterioration in or threat to their financial condition and/or the temporary closure of certain markets may decrease demand for the Group’s services and/or negatively impact the Group’s logistics. In addition, the political instability in Ukraine could have a negative impact on the Group’s business and assets in Ukraine and/or on the ability of the Group’s customers to carry on business in Ukraine.	Management is closely monitoring the implications of the global outbreak of COVID-19 and acts depending on the development of the situation. The Group constantly evaluates and implements options for distant work for its workforce to mitigate risks of spreading and catching COVID-19 illness.

STRATEGIC: RISKS THAT INFLUENCE THE GROUP’S ABILITY TO ACHIEVE ITS STRATEGY		
Risk	Description	Controls and mitigating factors
Regulatory risk and relations with government authorities and state-owned enterprises	The Group is subject to regulatory risks relating to the operation of the Russian railway transportation market and railway industry reform. Any changes to the regulatory environment of the Russian railway transportation market or in other markets where the Group operates, including, but not limited to, railway tariff regulations and technical requirements for fleet operation and maintenance, could negatively impact the Group’s business, its profitability and prospects for further business growth. Government authorities have significant influence over the functioning of the Russian railway transportation market. Any deterioration in the Group’s direct or indirect relationship with government authorities at either the local or federal level could result in greater government scrutiny of the Group’s business and how it conducts its operations or less effective access to services dependent upon government authorities.	The management of the Group regularly monitors changes to the regulatory regime of the railway transportation market in the countries in which it operates. The Group has a diversified portfolio of service providers (e.g. for rolling stock repair services), which allows it to use private repair depots (including three in-house repair facilities) to ensure less dependence on RZD-owned depots, obtain higher-quality service and minimise the costs of that service.
	In addition, the Group relies on its relationship with and the services (including maintenance and repairs), infrastructure and information provided by RZD, an entity controlled by the state. While the Group has enjoyed a good relationship with RZD, there is no assurance it will always continue to do so in the future or that RZD will not increase its charges for such service provision and infrastructure use. Railway transportation regulations in countries bordering Russia may change, limiting the access of the Group’s rolling stock to certain territories.	RZD remains the only provider of infrastructure and locomotive traction services, although the Group does operate its own locomotives in the form of block trains (cargo or client specific Group-operated block trains all going in the same direction) on some routes.
Growth strategies	Business growth can be constrained by an increase in prices for new rolling stock and spare parts, overproduction of rolling stock, partial scrappage of Group’s rolling stock due to expiration of its useful life, a limited supply of long-term funding, an increase in the cost of borrowing and/or adverse market conditions that can have a negative impact on the return on any investments. Although the Group takes a conservative approach to investments, any deterioration in the market environment may negatively impact the profitability and payback period of investments in rolling stock, thus limiting the Group’s return on its investments and ability to expand its business. Alongside pursuing organic growth strategies, the Group has expanded its operations through acquisitions in the past and may pursue more in the future if appropriate opportunities arise. The pursuit of an acquisition strategy entails certain risks, including problems with integrating and managing such new acquisitions. The expiry of long-term service contracts with its key customers may also limit the Group’s growth opportunities as these may result in volatility in logistics, a reduction in the Group’s business volumes and/or profitability of its operations.	The Group also continues to monitor market liberalisation reforms to ensure that it can take advantage of any opportunities when they arise. The Group monitors Federal Antimonopoly Service (“FAS”) initiatives regarding railway tariff regulation and also seeks to minimise its exposure to adverse changes in RZD’s regulated tariffs for the usage of infrastructure and locomotive traction by providing that these changes are adequately passed on to the Group’s customers where possible.
		Any acquisition of rolling stock is matched against projected demand for railway transportation and the economically viable expected payback period for such investments. The Group cooperates with numerous rolling stock producers in Russia and other CIS countries without placing too much reliance on any particular supplier.
		The Group is also focused on the diversification of its business, including by developing transportation of petrochemicals and other niche projects.
		Any valuation of an acquisition target is subject to review by external advisers, and fairness opinions are normally provided by reputable appraisal companies to the Group’s Board of Directors when a transaction is considered.

STRATEGIC: RISKS THAT INFLUENCE THE GROUP’S ABILITY TO ACHIEVE ITS STRATEGY

Risk	Description	Controls and mitigating factors
Competition and customer concentration	The Russian freight rail transportation market is highly competitive in terms of unregulated operators’ services tariffs. The ongoing market consolidation may lead to greater price competition. The risk of an irrational supply of railcars on the market by railcar producers and/or irrational behaviour of competitors (including new market entrants) may place additional pressure on the profitability of railcar operations and thus negatively impact the Group. Competition between railway transportation and other means of transportation, including, but not limited to, oil product and oil transportation by pipeline, river and road, may negatively impact the Group’s business volumes and profitability. The Group’s customer base is characterised by significant concentration: the business is heavily dependent on a few large industrial groups and their suppliers, with its top 10 customers and their suppliers accounting for around 72% of the Group’s Net Revenue from Operation of Rolling Stock in 2020. While the Group has long-term service contracts with several key customers, failure to extend and/or maintain the current service contracts or for such customers to no longer have the volume requirements they have had in the past may have a negative impact on the Group’s operational results and financial performance.	Globaltrans has significant competitive advantages that mitigate some of the risks of competition. These advantages include its strong reputation for high-quality service and reliability; its independent status; its long-term partnership with customers; its sophisticated operating capabilities; and its modern fleet. The Group has long-term, established relationships with its key customers and their affiliates and suppliers. In most cases, Globaltrans has become an integrated part of their operations. Around 64% of the Group’s Net Revenue from Operation of Rolling Stock in 2020 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding transport volumes for the Group. Globaltrans continues its focus on expanding business with small and medium companies to further diversify its customer base. In 2020, the share of small and medium companies amounted to 28% of Net Revenue from Operation of Rolling Stock (2019: 26%). Furthermore, the Group’s marketing function regularly monitors competitors’ business strategies, their use of technology, their price strategies and industry trends.
Locomotive traction	The Group is dependent on RZD to issue permits allowing it to operate locomotives and to approve its use of locomotives for particular routes. If those routes are not in demand by the Group’s clients, their utilisation could be lower. Furthermore, there is uncertainty about the prospects for, and the timing of, further deregulation of locomotive traction.	The Group has a competitive advantage in providing freight rail transportation services to some clients, as it operates its own locomotives for the traction of block trains dedicated to particular routes. By assembling full trains composed only of its own railcars, the Group increases the speed and reliability of transportation for its clients. The Group has established controls to obtain the timely renewal of locomotive operation licenses and the respective permits from RZD. The Group regularly monitors the progress of the reform relating to continued deregulation of locomotive traction. In addition, the Group’s management actively participates in the development of the required regulation through various dedicated industrial organisations and partnerships.
Shareholder activism	Global depositary receipts of Globaltrans have been listed on the Main Market of the London Stock Exchange since May 2008 and on the Moscow Exchange since October 2020 with a free float of over 50%. Publicly traded companies are often subject to shareholder activism, and the Company’s shareholders may seek to advocate for changes to corporate governance practices, social issues, or for certain corporate actions or reorganisations via media campaigns or other activities. Responding to these campaigns can be costly and time consuming and may have an adverse effect on the Group’s reputation or ability to execute its business plan.	The Group has an active shareholder engagement programme and seeks to maintain a constructive dialogue with the Company’s major shareholders. Feedback from shareholders is provided to the Company’s Board of Directors.

OPERATIONAL: RISKS THAT INFLUENCE THE GROUP’S OPERATIONAL EFFICIENCY

Risk	Description	Controls and mitigating factors
Infrastructure	The rail network and physical infrastructure in Russia, owned and operated by RZD, as well as the networks and infrastructure of other countries on which the Group depends to operate its rolling stock, like Kazakhstan, Ukraine and other neighbouring countries, largely date back to the Soviet era. In some cases, these rail networks have not been adequately maintained, which could negatively affect the condition of the Group’s rolling stock, performance and business. In addition, the oversupply of rolling stock, inefficient logistics at local destinations as well as maintenance and modernisation of rail infrastructure undertaken from time to time by RZD could negatively impact the average speed of transportation and therefore affect the operational performance of railcars. RZD tariffs for the use of the railway network and the provision of locomotive services are regulated by the FAS and are in principle “pass-through” items for the Group and other private freight rail operators. Meanwhile, RZD tariffs for the traction of empty railcars are in most cases a direct cost to the Group and other private freight rail operators. Significant upward changes in the regulated tariffs, whether as a result of annual indexation or changes in the tariff-setting methodology, could have an adverse effect on the Group’s business.	With immaterial exceptions, all of the Group’s rolling stock is insured against damage. Moreover, as a freight carrier on the railway network, RZD bears full responsibility for third-party losses caused by accidents on the network. The Group monitors its rolling stock through its dispatch centre on a 24/7 basis and plans its routes accordingly to optimise logistics and minimise the risks of disruption. The Group monitors FAS initiatives to detect possible changes in tariff-setting methodology and tries to reflect relevant changes in contracts with customers.
Operational performance	Rising inflation in Russia and an increase in prices for spare parts and railcar repair works may increase the Group’s costs and maintenance CAPEX, while the Group may have limited opportunities to increase tariffs to customers.	Among the Group’s key objectives are to increase operational efficiency and to focus on controlling and reducing costs. The Group seeks to diversify and control its supply chain to maintain cost efficiency.
Employees	The Group’s future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team and logistics and railway experts. Competition in Russia for such personnel with relevant expertise is intense due to the small number of qualified individuals with suitable practical experience in the rail industry.	Adequate remuneration packages, which are in line with or above market levels, are offered to all employees and key managers and the remuneration of key managers is linked to the Group’s financial results. The human resources function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group’s remuneration packages are appropriate.
Customer satisfaction	Customers rely on the Group for the provision of high-quality freight rail transportation and other related services and expect the Group to be commercially responsive to their needs. These include the timely collection and delivery of cargo and availability of rolling stock, which is not always within the direct control of the Group because it is dependent upon RZD for locomotive traction and maintenance of infrastructure. Accordingly, timely delivery of cargo is highly dependent on a third party whose performance could be unsatisfactory to the Group’s customers.	The Group has a strong reputation for delivering good quality, reliable and flexible freight rail transportation services to its customers. Customer satisfaction is one of the key metrics that the Group’s management monitors. Each customer is assigned an account manager responsible for the day-to-day relationship with that customer. Customer feedback is analysed and appropriate follow-up actions are taken. The Group has a track record of high customer retention and the majority of key customers stay with the Group for many years. In addition, the Group serves several key clients on a long-term basis and has recently added new contracts and extended others.

OPERATIONAL: RISKS THAT INFLUENCE THE GROUP’S OPERATIONAL EFFICIENCY

Risk	Description	Controls and mitigating factors
IT availability/continuity	The Group uses specialised rail transport and logistics software to ensure the efficiency and effectiveness of its logistics, dispatching and rolling stock tracking services. These systems are either licensed to the Group and then customised to the Group’s needs or delivered to the Group and maintained for its needs by third parties under service agreements. The Group may potentially face risks related to access privileges, audit trails, authentication, authorisation, backup procedures, business continuation, change management (software and hardware), data integrity, disaster recovery, infrastructure, information/data security and cyber-attacks. The Group may lose access to IT products if third party providers do not renew commitments under existing or expiring service agreements. Further, as a result of technological change systems and products that the Group uses could cease to be maintained by third party service providers, requiring the Group to adopt new systems or products.	Local IT specialists have introduced solutions to maintain the availability and proper licensing of IT services and ensure their recovery in case of disruption. The IT function and internal audit function monitor all IT-related activities and performance for compliance with IT policies and procedures.
Risks of terrorist attacks, natural disasters or other catastrophic events beyond the Group’s control	<p>The Group’s business operations could be adversely affected or disrupted by terrorist attacks, natural disasters (such as earthquakes, floods, tsunamis, hurricanes, fires or typhoons) or other catastrophic or otherwise disruptive events – including changes to predominant natural weather, sea and climatic patterns, piracy, sabotage, insurrection, military conflict or war, riots or civil disturbance, radioactive or other material environmental contamination, an outbreak of a contagious disease or changes to sea levels – which may adversely affect global or regional trade volumes or customer demand for cargo transported to or from affected areas, or lead to denial of the use of any railway, port, airport, shipping service or other means of transport and disrupt customers’ logistics chains. In addition, the Group may be exposed to extreme weather conditions such as severe cold periods and icy conditions that disrupt activities in ports that are destination points for customer cargoes. Furthermore, many of these events may not be covered by the Group’s insurance or any applicable insurance may not adequately cover any resulting losses.</p> <p>The Group’s rolling stock could be adversely affected by unlawful acts in Russia or neighbouring countries. The occurrence of any such events may reduce the Group’s business volumes, cause idle time for its rolling stock or disruptions to its operations in part or whole, subject the Group to liability, impact its brand and reputation and otherwise hinder normal operations. This could have a material adverse effect on the Group’s business, results of operations or financial condition.</p>	<p>The Group’s rolling stock is insured against damage, and the responsibility for third-party losses caused by accidents on the network lies with RZD. The Group consistently monitors any disruptive events and applies a business continuity policy to:</p> <ul style="list-style-type: none">• Ensure the safety of employees and human life;• Maintain continuity of time-critical services;• Minimise disruptions to clients and partners;• Minimise the operational, financial and reputational impact.

COMPLIANCE: RISKS THAT INFLUENCE THE GROUP’S ADHERENCE TO RELEVANT LAWS AND REGULATIONS

Risk	Description	Controls and mitigating factors
Pending and potential legal actions	The Group is involved in legal actions from time to time. Such actions may have an adverse effect on the Group. The ambiguity of the law in Russia and CIS countries creates regulatory uncertainty and could result in claims from government authorities not expected by the Group.	The Group runs its operations in compliance with tax, currency, labour, customs, antimonopoly and other applicable legislation and constantly monitors any changes in the regulatory environment. The Group monitors its compliance with the terms of its agreements. Standard forms of agreements are used for transportation services, and various controls are in place to ensure that the terms of agreements are adhered to. All contracts are subject to rigorous review by all of the Group functions concerned and to a formal approval process prior to execution.
ESG risks	Environmental, social and governance (ESG) risks include those related to climate change impacts mitigation and adaptation, environmental management practices, environmental protection and duty of care, working and safety conditions, respect for human rights, gender equality, supporting a culture in which all relevant stakeholders are valued and respected, compliance with relevant laws and regulations and ensuring compliance with regulations governing the protection of human rights, operational and occupational health and safety, and ESG practices in the jurisdictions in which we operate.	<p>Although rail is one of the greenest modes of transport, the Group is committed to the protection of the environment by seeking to reduce the environmental footprint of its business and develop a sustainable supply chain. The Group aims to ensure compliance with regulations governing the protection of human rights, operational and occupational health and safety, and ESG practices in the jurisdictions in which the Group operates. The Group promotes high ethical standards and respect for human rights.</p> <p>In January 2021, the Group formally adopted an ESG policy and also established the ESG Committee of the Board of Directors. The main purpose of ESG Committee is to oversee the development and implementation of the corporate environmental and social responsibility initiatives of the Group, monitor and review activities, and make recommendations to the Board of Directors of the Company on actions needed to address any issues identified or to make improvements where desirable.</p>
Compliance with regulations and sanctions	The Group functions in several jurisdictions, including Cyprus, Russia, Estonia, Finland and Ukraine. In addition, the Group has its GDRs listed on the London Stock Exchange and the Moscow Exchange. Thus, the Group is subject to the laws and regulations of those countries in which it is active, the regulations of stock exchanges on which its securities are traded and any applicable sanctions legislation, all of which may change from time to time.	The legal and compliance teams of the Group together with the external lawyers monitor the applicable requirements in each of jurisdiction in which it is active and stock exchange on which its securities are trading, including monitoring US personal and sectoral sanctions (SDN OFAC, SSI OFAC and CAATSA), and the appropriate controls are in place to ensure that all subsidiaries of the Group comply with applicable regulations.

COMPLIANCE: RISKS THAT INFLUENCE THE GROUP’S ADHERENCE TO RELEVANT LAWS AND REGULATIONS

Risk	Description	Controls and mitigating factors
Fiscal risk	<p>Local tax, currency and customs legislation, especially in Russia, other emerging markets and Cyprus, may be subject to varying interpretations, inconsistencies between federal laws, regional and local laws, rules and regulations, frequent changes and a lack of judicial and administrative guidance on interpreting legislation.</p> <p>Any increase in applicable tax rates, as well as introduction of new taxes in the countries where the Group is active, may reduce the profitability of the Group.</p>	<p>The Group has controls in place, including highly qualified and experienced personnel, to monitor changes in legislation and determine the appropriate action needed to minimise the risk of a challenge to such treatments by the authorities. For complex matters, the Group engages and cooperates with external consultants and law firms.</p>
Impact of Brexit and Takeover regulations	<p>From 1 January 2021, as a result of the end of the transitional period following the United Kingdom’s exit from the European Union, as a company organised under the laws of Cyprus, the Takeover Panel will no longer exercise shared jurisdiction over transactions involving the Company which would otherwise be subject to the Takeover Code, including takeover bids, merger transactions, or schemes of arrangement resulting the change or consolidation of control over the Company. In addition, from 1 January 2021, the London Stock Exchange (where the Company’s Global Depositary Receipts are admitted to trading) will no longer be a regulated market as defined in Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments; as a result, the legislation in Cyprus regulating takeovers, including those requiring mandatory takeover offers in certain situations, will no longer apply to the Company.</p>	<p>The absence of Takeover regulations applicable to the Company will allow existing significant shareholders, or persons acting in concert, to increase their holdings (or new significant shareholders, or persons acting in concert, to acquire more than 30% of the outstanding share capital of the Company) without being obliged to make a mandatory tender offer to other shareholders. The Group monitors developments in applicable regulations, making appropriate disclosures of any relevant new regulations and will make all required notifications of significant shareholdings (or changes in respect of such shareholdings) in the Company.</p>

FINANCIAL: RISKS THAT INFLUENCE THE GROUP’S FINANCIAL PERFORMANCE

Currency risks	<p>Currently, the Group has neither borrowings nor lease liabilities denominated in US dollars and therefore does not have formal arrangements for hedging foreign exchange risk with the exception of hedging foreign currency risk associated with dividend payments that are considered highly probable and the associated dividend payable until their settlement. The Group may however keep bank balances in US dollars and other currencies. The Group therefore has limited exposure to the effects of currency fluctuations on bank balances between the US dollar and the Russian rouble.</p>	<p>A large proportion of the Group’s revenues and expenses are denominated and settled in Russian roubles. At present, the risks related to liabilities denominated in foreign currency are not material and are partly compensated for by assets and income denominated in foreign currency. The Group has refinanced all of its liabilities denominated in US dollars with long-term debt denominated in Russian roubles. Since 2008, the Group has taken action to mitigate currency risks and adjusted the profile of the borrowings in its credit portfolio. As of 31 December 2020, all the Group’s debt was denominated in Russian roubles.</p>
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FINANCIAL: RISKS THAT INFLUENCE THE GROUP’S FINANCIAL PERFORMANCE

Risk	Description	Controls and mitigating factors
Interest-rate risks	<p>The Group’s income and operating cash flows are exposed to changes in market interest rates. These arise mainly from floating rate lease liabilities and borrowings. An increase in market interest rates in Russia may negatively influence the Group’s profits.</p>	<p>The Group enters into long-term borrowing and leases with financial institutions to finance purchases of rolling stock and acquisitions of subsidiaries. The Group borrows at current market interest rates and does not use any hedging instruments to manage interest-rate risk. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable by ensuring that the Group has financial liabilities with both floating and fixed interest rates as appropriate. As of 31 December 2020, all of the Group’s debt was at fixed interest rates. Management also considers alternative means of financing.</p>
Credit risk	<p>Financial assets that potentially subject the Group to credit risk consist principally of trade receivables, cash and cash equivalents. Furthermore, the Group’s business is substantially dependent on a few large key customers, including their affiliates and suppliers. Its top 10 clients accounted for around 70% of the Group’s trade and other receivables as of 31 December 2020 and around 72% of the Group’s Net Revenue from Operation of Rolling Stock in 2020.</p>	<p>The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Substantially all of the Group’s bank balances are held with reputable banks.</p>
Liquidity risk	<p>The Group’s business is capital-intensive. The political turmoil experienced within Ukraine and sanctions imposed by the United States and the European Union on Russia have had a negative impact on the Russian financial markets and have limited the Group’s access to international sources of funding. Any lack of available funding and potential increases in market interest rates could have a negative impact on the Group’s ability to obtain financing for the settlement of its liabilities or cash to meet its financial obligations.</p>	<p>The Group has a budgeting policy in place that allows the management to control current liquidity based on expected cash flows. These include, among other things, operating cash flows, capital expenditure needs, funds borrowed from financial institutions and funds raised from listed debt instruments.</p>

Sustainability

OUR APPROACH

The Sustainability Report which is integrated into the 2020 Annual Report has been prepared in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI) and in line with the non-financial and diversity disclosure information contained in the EU's 2014/95/EU Directive.

The overall aim is to achieve high standards in the areas of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards. The structure and content of this Sustainability Report reflects the relevant GRI Reporting Principles.

The details within this Sustainability Report cover the key results and activities of Globaltrans Investment PLC and its subsidiaries in the field of sustainable development for the year ended 31 December 2020.

How it works:

Step 1. Identification of material topics

We identified material topics relevant to the Group's business operation by carefully reviewing and analysing global sustainability trends, our sustainability performance, internal regulations and non-financial reports issued by peers.

Step 2. Prioritisation of material topics

To develop a broader, deeper understanding of the materiality of the sustainability issues the Group faces, we sought input from a range of stakeholders (employees, shareholders, investors, clients, regulators and other authorities) on what mattered to them.

Step 3. Preparation of materiality matrix

We developed a materiality matrix to identify those topics that are deemed most important/significant to the Group's system of sustainability reporting. A validity check was also conducted on identified material topics to ensure that all of them are disclosed in the Annual Report.

Materiality matrix



Economic impact

- 1 Economic performance
- 2 Socioeconomic development of regions
- 3 Business ethics, risk management and anti-corruption
- 4 Customer satisfaction

Environmental impact

- 5 Risks and opportunities posed by climate change
- 6 Responsible water use and reduction of water consumption
- 7 Reduction of energy consumption
- 8 Non-compliance with environmental laws and regulations

Social impact

- 9 Employee education and development
- 10 Employee motivation
- 11 Diversity and equal opportunity
- 12 Occupational health and safety

HIGHLIGHTS OF 2020



Successful protection of employee health & safety while ensuring business continuity and a high level of client service

- Effective digital transformation to remote working model
- Ensured continued motivation and positive engagement of staff throughout the pandemic
- No COVID-related redundancies



ESG management strengthened including the introduction of new policies

- An ESG Board Committee created
- Diversity and Inclusion, Freedom of Association, Human Rights, Supplier Code of Conduct, Environmental and Energy and ESG policies adopted



Improved ESG disclosure

- First-time disclosure of Group-wide water consumption¹
- Introduction of Group-wide LTIFR measure of employee health & safety
- Website relaunched with a separate Sustainability section

¹ This excludes data from AS Spacecom and BaltTransServis (except for data from the BTS railcar repair depot in Ivanovo which is included).

STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement is critical to the long-term success and sustained growth of any business. Globaltrans has always valued regular and high quality engagement with its stakeholders and is committed to engaging with them in an open and transparent manner in order to build strong and trusted relationships. Our goal is to keep our stakeholders up-to-date on developments and create a better understanding of our business, our strategy and our performance.

As part of our daily operations, we regularly engage with employees, customers, government and regulators and with our local communities while at Group level the emphasis is on maintaining an open dialogue with investors, shareholders, credit rating agencies, financial institutions and the media.

Although 2020 was an extremely difficult and unusual year, we were able to maintain a high degree of engagement with our stakeholders.

Although much of our communications became virtual as a result of the COVID-19 pandemic, it was more important than ever to keep these channels open. Globaltrans intensified its efforts to enhance communication around the impact of, and our response to, the COVID-19 pandemic that including with regard to the safety of our people, our business continuity and other ESG (environmental, social, and governance) issues. As is the case for many companies, business interactions, especially at Group level, have essentially become digital, including client communication, investor roadshows and conferences.

The corporate website remains the main source of information on the Company: results presentations, webcasts, current and historical financial information, news releases, market statistics, and other important data can be found there. Due to its importance to our communications strategy, the Globaltrans’ website was revamped and relaunched in early 2020 to provide visitors with a better online experience. We have added a separate section on sustainability given our increasing commitment to this important issue.

Stakeholder engagement mechanisms



EMPLOYEES

Mechanisms of stakeholder engagement

- Intranet
- Labour-management consultations
- Staff surveys
- Corporate booklets, information boards
- Regular, direct communication between managers, teams and individuals
- Career development, training and performance reviews

Outcomes in 2020

- No COVID-related redundancies
- COVID-19 related measures to protect health and safety of employees implemented
- Employee development maintained at a high level with 21,226 hours of training
- Senior management and our HR team maintained close communications with employees throughout lockdown
- Provision of social benefits and guarantees, including medical insurance



SHAREHOLDERS AND INVESTORS

Mechanisms of stakeholder engagement

- Open, effective and transparent communication
- Investor Relations website
- Dedicated Investor Relations team
- Annual General Meetings
- Corporate reporting, webcasts
- Broker-hosted investor events and roadshows, conference calls and Company-initiated roadshows

Outcomes in 2020

- Information disclosure on a semi-annual basis
- Analyst and investor conference calls and webcasts
- Virtual non-deal roadshows: around 260 meetings held with international investors in 2020
- Series of investor webinars with Russian retail investors following secondary-listing on the Moscow Exchange on 28 October 2020
- Share buyback programme launched
- Regular dividend payments¹
- Publication of the Annual Report and the integrated Sustainability Report



CUSTOMERS AND BUSINESS PARTNERS

Mechanisms of stakeholder engagement

- Regular meetings, presentations and formal consultations
- Customer analytics, customer evaluation system
- Industry conferences and forums
- Customer satisfaction surveys
- Transparent supply chain

Outcomes in 2020

- Strong portfolio of service contracts with superior clients in metallurgical and oil products and oil segments maintained contributing 64% of Net Revenue from Operation of Rolling Stock in 2020
- Successful service contract extensions with three major long-term customers: MMK, Metalloinvest and Rosneft²
- Deepening relationships with other high-profile clients — significantly increased business volumes with EVRAZ

¹ Total dividends in respect of 2020 amounted to RUB 13.3 billion (including interim, final and special dividends).

² As announced on 26 April 2021.



GOVERNMENT, REGULATORS AND PROFESSIONAL AUTHORITIES

Mechanisms of stakeholder engagement

- Regular communication with regulators/policy makers on issues affecting the freight rail transportation industry
- Industry and regulatory forums

Outcomes in 2020

- Participation in industry associations including the Council of Railway Operators and the Russian Union of Transport Workers
- All applicable guidelines to manage the impact of COVID-19 implemented



LOCAL COMMUNITIES

Mechanisms of stakeholder engagement

- Corporate philanthropy and charitable contributions
- Community investment

Outcomes in 2020

- Assistance given to support socioeconomic development of our communities
- Regular contributions to aid various charitable projects



MEDIA

Mechanisms of stakeholder engagement

- Communication with media representatives
- Transparent disclosure through various channels
- Dedicated Media section on corporate website
- Dedicated media relations contacts
- Press conferences and exhibitions

Outcomes in 2020






- Distribution of news and information announcements
- Providing access to results calls with CEO and CFO
- Responding to media queries
- Interviews with the top management, ad hoc comments on various industry issues and answers to journalists’ questions

ETHICS AND BEHAVIOUR

At Globaltrans, we understand that our good name and reputation are of paramount importance, and could easily be lost by actual or suspected unethical behaviour. This is why we are committed to ensuring that in our business dealings, we behave openly and honestly and operate to the highest ethical and professional standards.

The way we conduct our business is guided by the Group’s core values and principles that are formally enshrined in our **Code of Ethics and Conduct**. It sets out our ethical standards as an organisation and explains how we expect our people to act. The Code helps our employees to understand what is expected of them and our requirements regarding compliance with the Group’s policies and all relevant laws and regulations. The Code also describes the Group’s principles with respect to confidential information, anti-bribery, conflicts of interest and reporting concerns.

All our employees are required to read and fully understand the Code and must sign an acknowledgement to this effect. We do not tolerate any violations of the Code.

-  **Tolerance**
Understanding and respecting diverse cultures and people with different views
-  **Impartiality**
Acting objectively and professionally
-  **Respect**
Acknowledging people’s abilities, qualities and achievements and complying with all applicable labour laws
-  **Equality for all**
Creating opportunities and a working environment that excludes any form of discrimination
-  **Safety**
Complying with required rules to create a safe and healthy workplace

Globaltrans works closely with its suppliers and partners who play an integral part in delivering value-added solutions to its clients. The Group chooses to work with those who share its values and adhere to the same ethical standards.

In 2020 the Group formally adopted a **Supplier Code of Conduct**, based on the principles set out in the UN Global Compact, which describes what Globaltrans expects from its suppliers with regards to business ethics, human and labour rights, employee relations, health and safety and other related topics.

Globaltrans has consistently sought to deliver sustainable value to its stakeholders and embrace responsible business practices. With regard to managing ESG issues, we are continually improving our sustainability-related practices and policies and increasing transparency, recognising its long-term importance to our business. To strengthen this ongoing commitment, in January 2021 we established the **ESG Committee** that assists the Board in considering and overseeing environmental, social and governance issues relevant to the Group’s business. The ESG Committee also oversees the development of the Group’s sustainability approach and reviews and recommends ESG disclosures for Board approval. The ESG Committee consists of two Board members: Elia Nicolaou, Non-executive Director, who serves as the Chair, and John Carroll Colley, Independent Non-executive Director. This commitment at the highest level of the Group is further reinforced by the active participation of Valery Shpakov, CEO of Globaltrans, in all ESG-related processes and evaluations.

OUR RESPONSE TO THE COVID-19 PANDEMIC

Supporting our people

Globaltrans rose to the challenges presented by the COVID-19 pandemic, changing the way we carried out our daily work in order to keep our employees and other stakeholders safe while continuing to deliver best-in-class services for our customers.

As COVID-19 pandemic has shown us, businesses need to be well-prepared and willing to take swift, deliberate, and proactive measures to navigate successfully in the face of unprecedented change. As the safety of our people is a top priority, we moved swiftly to put in place measures to help minimise the risk from COVID-19 to our employees and their families. We shifted almost our entire office workforce to remote working, while those few office-based employees whose presence was deemed essential were allowed into the workplace and proper safety precautions were taken to protect them.

While the nature of the job meant that staff at our depots were required to be on-site more often, we tried to minimise their presence as much as possible and put in place safety protocols to protect them.

The Group formally reinforced its ESG approach in January 2021 with the adoption of a specific **ESG Policy**. This policy defines the significance of ESG factors for the Group’s business as well as our commitments to employees, investors and other stakeholders. It also clarifies the lines of responsibility and accountability for achieving these policy commitments.

Globaltrans has adopted a number of formal Group-wide policies which address Human Rights, Freedom of Association, Data protection, Diversity and Inclusion, and Supplier Conduct. These documents are continually reviewed and monitored to ensure their relevance and compliance with legal requirements.

The Group requires that all employees acknowledge their understanding and acceptance of the relevant policies. All the documents are publicly available and can be viewed on the Company’s website.

Business continuity

We understood that switching to remote working could affect the Group’s operations, internal processes, and, above all, our people and clients. One of the key reasons that enabled us to transition smoothly and maintain service continuity was our state of readiness for digital transformation. As a result, we were able to move efficiently to remote working while ensuring that all our regular business processes were unaffected. Simultaneously, Globaltrans moved quickly to equip its employees with the right hardware and software and provide its customers with effective remote tools so that everyone stayed connected and engaged.

Maintaining clear communication is another critical element of successful remote working. We all had to find new ways to work together and each department within the Group had its own specific requirements. Our ability to keep in touch and respond quickly to the immediate needs of our employees and clients enabled us to remain fully operational during this challenging period. We provided daily communications with regular updates on the evolving COVID-19 pandemic, its impact on our business and our response.

We value people and respect their fundamental rights and freedoms. As an employer, business partner and member of the wider community, we have the power to do good. We are committed to supporting and abiding by human rights and labour practices throughout our business. In 2020, we introduced our **Human Rights Policy**, which sets out minimum requirements that all those working for and with Globaltrans must meet on all human rights issues. Our approach conforms to international human rights standards such as the UN Guiding Principles on Business and Human Rights. Our commitment to human rights is further made clear in our Code of Ethics and Conduct and our Supplier Code of Conduct and in our Diversity and Inclusion Policy. To promote acceptance of our human rights policies internally, in line with our values, and to ensure compliance, we regularly review human rights issues, conduct any required training, and integrate the results into our operations.



Globaltrans aspires to be a diverse and inclusive work environment in which our people can be themselves and feel at ease. Our **Diversity and Inclusion Policy** commits us to treating everyone with dignity and respect and to providing our people with equal opportunities regardless of ethnicity, gender, religious beliefs, nationality, age or any physical disability. Diversity and inclusion are prioritised and applied at the highest levels of the Group, including at Board level. The Board recognises that diversity can strengthen its performance and takes into account these aspects when making new appointments and considering the composition of the Board.

Globaltrans strives to promote a positive employment environment and ensure compliance with all applicable labour laws and regulations. We recognise the fundamental rights of Globaltrans employees to form and join workers’ organisations and to engage in collective bargaining. Our formal **Freedom of Association Policy**, adopted in 2020, strengthens the Group’s commitment. We respect the choices made by our employees in the matter and are committed to maintaining a regular and constructive dialogue with them and their designated representatives.

At Globaltrans, we have a zero-tolerance approach to bribery and corruption in all its forms and we are committed to acting ethically and with professionalism, fairness and integrity in all our business activities and relationships. Our **Anti-fraud Policy** is consistent with all applicable legislation, and defines the standards of acceptable behaviours to which all employees must adhere. It also provides guidance on how to avoid, recognise and tackle any such issues.

We have established rules and procedures for handling alleged violations, supervised by an internal team responsible for internal controls and investigations. Each employee is required to understand the types of violations that may occur within their area of responsibility and to closely monitor for any signs of potential non-compliance.

The Group’s **Whistleblowing Policy** fosters a culture of honest behaviour and encourages the investigation and reporting of improper activities, including non-compliance with our Code of Ethics and Conduct. Employees are actively encouraged to speak up and to report any concerns that they may have with workplace issues. We provide confidential, safe and secure mechanisms for anonymous reporting of suspected violations of Group standards. And importantly, we ensure that whoever reports suspected breaches is protected and supported.

Executive management meets regularly to discuss, inter alia, anti-fraud and anti-corruption measures. During 2020, no instances of alleged fraud, bribery or corruption were reported within the Group.

We respect and protect the confidentiality and security of our stakeholders’ personal information. We comply with the EU General Data Protection Regulation (GDPR) which was adopted in April 2016. Data privacy and security are of the utmost importance to the Group and we have a dedicated **Privacy Policy** which can be accessed on the Group’s website.

Key ESG activities:

1 Corporate governance

The objective of corporate governance is to support the Board in its efforts to ensure effective, transparent and ethical oversight of the Group. Our governance framework is in line with the highest international standards supporting the Board to take decisions that are in the best long-term interests of the Group and its communities and that will create value for all its stakeholders.

2 Employees

Creating and sustaining a safe workplace is the key role of a responsible employer. Our goal is to enable people to work with dignity and respect, to provide opportunities for growth and development and to create a just and rewarding work culture. We also ensure that we operate in full compliance with all relevant employment legislation.

3 Environment

Focusing on employing more energy-efficient practices, reducing our carbon emissions and emphasising the importance of recycling are some of the ways in which we work to minimise the adverse impact of Globaltrans’ activities on the environment.

4 Communities

We are very conscious of the role we can play in supporting our communities. We do this through the interactions of our employees, the opportunities our businesses create and the economic value generated by our Company. We also actively participate in community initiatives and provide direct support to important community causes through charitable giving.

Globaltrans continuously strives to improve the way it controls, manages and mitigates the impact of non-financial risks, which include strategic, operational and compliance risks. This is not just to satisfy regulatory obligations but also to meet the expectations of our stakeholders.

Further details on Globaltrans’ **Risk Management** are set out on pages [56](#) to [65](#).

EMPLOYEES

The wellbeing, respect and commitment of our people are what define us. At Globaltrans, we do our utmost to be the type of company that people want to work for, where people know they can grow professionally and personally. We strive for an environment in which our employees are safe, healthy, engaged, valued and rewarded. As an employer, we have a responsibility to offer fair remuneration, to provide training opportunities for career development and to create a supportive and respectful workplace and culture.

We do our utmost to ensure the safety and well-being of all our employees wherever they work. The extraordinary challenges of the pandemic have reinforced our commitment to employee health and safety. We maintain well-run and safe workplaces and apply a zero-tolerance approach to all forms of hostility, harassment or unprofessional behaviour.

We want our people to feel supported and connected to our values and principles through the implementation of clear human resources policies and guidelines regarding human rights, health and safety, workplace relations, performance and development processes and non-discrimination. Our core policies and guidance include:

- Anti-fraud Policy;
- Code of Ethics and Conduct;
- Compensation and Benefits Policy;
- Diversity and Inclusion Policy;
- Freedom of Association Policy;
- Human Rights Policy;
- Internal Code of Labour Conduct;
- Job Descriptions;
- Regulations on Business Trips;
- Regulations on Contractual Work;
- Regulations on Protection of Personal Data of Employees.

Average employee headcount in 2020 increased 6% year on year to 1,664 (2019: 1,569) employees. Overall headcount at the end of the year rose 3% compared to 2019 to 1,697¹ (2019: 1,640). The increase in the headcount was mostly attributable to the shift to the in-house locomotive crews. BaltTransServis and New Forwarding Company continued to employ the most people within the Group.

Diversity

We value and appreciate the individuality of our employees and respect them for their performance, skills and contributions regardless of age, disability, ethnicity, nationality, gender, race, colour, religion or sexual orientation. We ensure that our employees are treated fairly and equally, creating a supportive and engaging work environment where people at all levels enjoy respect and have dignity. The Group has zero tolerance for any form of discrimination. Our approach to diversity is outlined in our Diversity and Inclusion Policy, the breaches of which are grounds for disciplinary action.

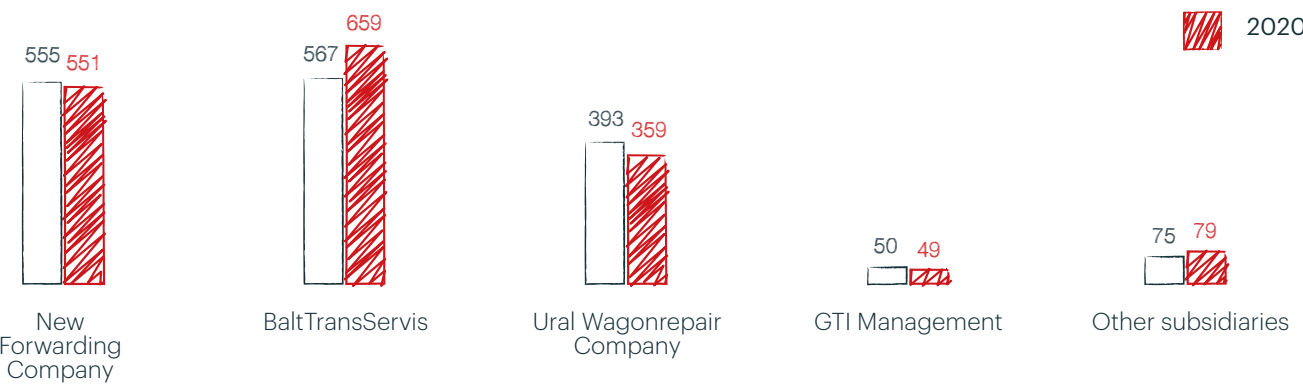
Globaltrans’ commitment to diversity extends to all our business activities including hiring, employee retention, promotions, compensation and benefits, career development and training, work arrangements and Board appointments. The Group aims to offer equal pay opportunities for both women and men.

The freight rail transportation industry has traditionally been a male-dominated environment. We are gradually and successfully addressing this gender imbalance within our Group by focusing on attracting more women into the workforce. As at year-end 2020, women comprised 33% of our workforce. At Board level, women represented 13% of the Board of Directors (two Board members).

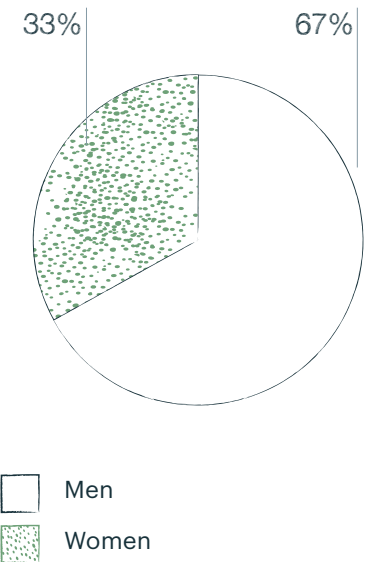


¹ The difference between the headcount and the average headcount is due to different calculation techniques. The headcount is presented as at the end of 2020, while the average headcount is calculated by summing up the number of employees on the list in each month of the reporting period and dividing this sum by the number of months.

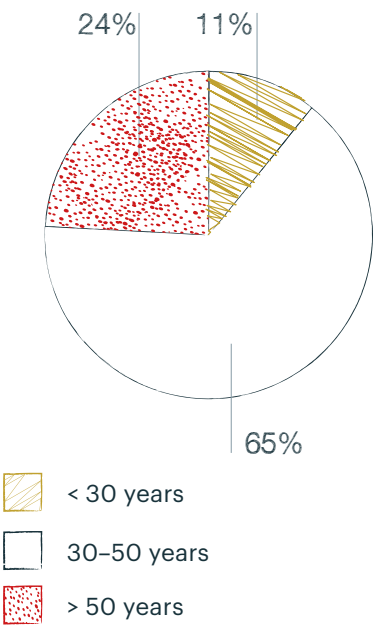
HEADCOUNT BY SUBSIDIARY, 2019-2020 (AT YEAR-END)



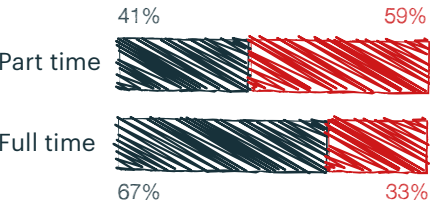
HEADCOUNT BY GENDER IN 2020 (AT YEAR-END)



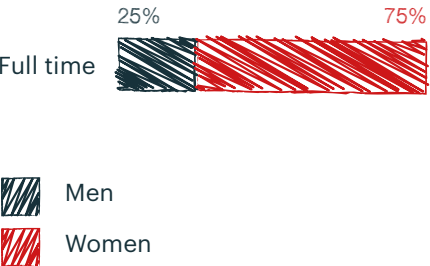
HEADCOUNT BY AGE IN 2020 (AT YEAR-END)



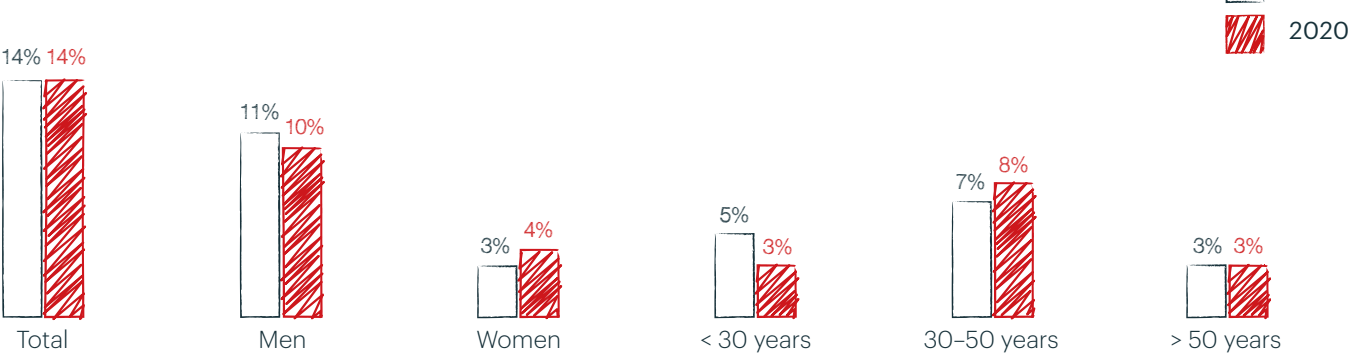
PERMANENT CONTRACT



TEMPORARY CONTRACT



EMPLOYEE TURNOVER RATE BASED ON GENDER AND AGE, 2019-2020



Training and education

We are committed to investing in talent development and education to sustain the success of our people and business. Providing opportunities for our employees to grow and remain competitive and effective in a rapidly-changing world is essential. At Globaltrans, we provide a range of learning and development programmes including training, workshops and seminars that are tailored to individual work requirements and current needs. In 2020, due to the coronavirus pandemic, we rapidly shifted to offering our employees more digital learning programmes. As a result, 71% of all training and development was carried out via distance learning compared to 25% in the previous year. Technology is a vital element in so many processes, and understanding it is arguably now a necessity, not an option. That is why we have been focusing on improving the digital literacy of all our employees. Along with equipping employees with the equipment and software tools needed to do their jobs efficiently, we have provided them with a variety of online resources including webinars, to support their development.

During 2020, 336 employees attended training programmes and despite the disruption caused by COVID-19 the Group still delivered a total of 21,226 hours of training and development (2019: 28,447). During the year, training was provided in various areas including accounting, business administration, environmental safety, information security, health and safety, financial management and marketing.

Motivation

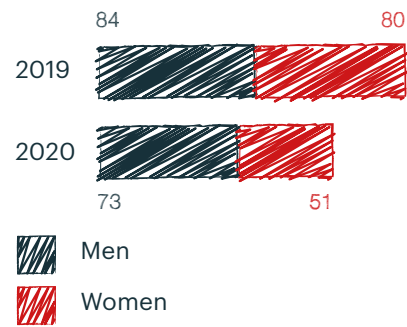
We recognise that one of our major strengths is our people and that nothing can be achieved without engaging them. Their success is our success. Therefore it is our responsibility to keep our people motivated about what they do and what they can achieve. We are committed to actively engaging with our colleagues and responding to their needs. We can best serve our people by listening carefully and being adaptive.

Our support for our employees is ongoing and essential, even more so during times of crisis. Through the COVID-19 pandemic, Globaltrans kept all its people employed and, importantly, maintained salaries at the pre-COVID level.

While managing a remote workforce, it is important to keep communication channels open. For this reason, throughout last year we focused on maintaining frequent dialogue with our workforce, providing regular updates and check-ins to ensure they had the right level of advice and support needed to adjust to the new working environment and to perform at the highest levels.

We strive to continuously improve working conditions for our people. We want them to work in a supportive and considerate environment, enjoy opportunities for career progression and receive competitive reward packages and benefits. Our staff reward packages include health insurance, childcare support, additional holidays as well as other benefits. Eligible employees can participate in the various incentive schemes that the Group operates. We are committed to maintaining a motivated and productive workforce that values being part of Globaltrans. We believe that our low staff turnover rate (14% overall: 10% for men and 4% for women) reflects this and is an important indicator of workforce stability and satisfaction.

AVERAGE TRAINING HOURS BY GENDER, 2019-2020



DISTRIBUTION OF TRAINING AMONG EMPLOYEES BY EMPLOYEE CATEGORY IN 2020



MAIN TYPES OF TRAINING FORMATS IN 2020



Corporate culture and internal communications

Interaction, collaboration and teamwork are essential parts of the Globaltrans culture. We strongly believe that they improve productivity, lead to proper and prudent business decisions, underpin a trusting and supportive work environment and enable us to deliver a better result in everything we do. We want every employee’s voice to be heard and every idea to be shared openly. All employees are encouraged to raise any issues and concerns and to provide suggestions and feedback for improving the business. Our communication channels enable everyone to learn more about our performance, important events and projects and connect with senior management. To understand our employees’ needs and improve their experience, we conduct various surveys and some Group subsidiaries have employee helplines.

To encourage a sense of community and promote better teamwork, we also regularly host sports, cultural and recreational events for our employees and their families.

We understand that with so many people working virtually, it takes extra effort to keep everyone feeling cared for, connected and engaged. To provide a platform for healthy debate and interaction, we communicate regularly with our employees via reports and updates, management calls, webinars, and formal and informal virtual meetings.

Health and safety

The safety and wellbeing of our people has always been Globaltrans’ number one priority. It is paramount to our corporate culture and ultimately to the success of our business. The extraordinary events of 2020 with the spread of the COVID-19 pandemic, have resulted in a whole new level of concern for employee wellbeing in companies around the world. Globaltrans acted quickly to protect its employees, taking immediate action to improve health and safety measures throughout the Group. We swiftly adapted to the new work environment, strictly following the advice of government and medical organisations, and moving our office-based staff to remote working. For our on-site (repair depot) employees, we revised our work procedures to ensure their safety, implementing various precautions including workplace disinfection, shift rotations, social distancing and the use of masks, temperature scans and hand sanitisers.

As set out in our Code of Conduct and Human Rights Policy, we are committed to acting in a socially responsible manner that protects our people, suppliers and partners, all of whom we expect to share that commitment.

Globaltrans has health and safety procedures, practices and policies that comply with all applicable regulations, laws and other requirements. We strive to ensure that all levels of the Group conform to the rules. Our Group companies are implementing the following policies:

- Fire-safety Instructions;
- Instruction for Carrying Out Health and Safety Briefings;
- Instruction on Pre-medical First Aid;
- Occupational Safety Regulations;
- Workplace Safety Guidance for PC Users.

In our efforts to maintain a safe workplace, we actively promote a culture of a zero-harm and risk awareness among our people, and provide appropriate health and safety education, training, instruction and supervision. Safety is always a team effort. We encourage our employees to adopt good health and safety practices and to make the right decisions about their wellbeing on a daily basis.

We also perform regular spot-checks at our operations to ensure that they continue to meet high safety standards. In 2020, because of the pandemic and the move to remote working, we reduced the number of workplace safety checks to 341 visits (2019: 769 visits), focusing on providing online occupational health and safety training instead.

Our occupational health and safety performance has always been positive. The nature of our business means that our employees typically work in a low-risk environment. So it is with deep sadness and regret that the Group recorded its first-ever workforce fatality at one of its repair depots in 2020. The Group immediately investigated the incident and took corrective action, putting in place preventive training for its depot personnel. We investigate and analyse each incident and share the findings across the Group in order to prevent similar incidents at other locations. All incidents are reported and discussed at the Board level.

The Group remains committed to ensuring such incidents are eliminated and do not reoccur. To make our reporting processes more transparent, from now on we will implement the Lost Time Injury Frequency Rate (LTIFR), a leading benchmark for measuring safety and health performance. In 2020, the LTIFR¹ (per million hours worked) performance of the Group stood at 0.66.

In 2021, we will continue to put greater emphasis on safety, risk awareness and accountability in order to strengthen the safety culture of the Group.

¹ LTIFR (Lost-Time Injury Frequency Rate) is the number of lost time injuries multiplied by 1,000,000, divided by the employee total hours worked in the reporting period.

ENVIRONMENT

Rail is considered to be one of the greenest modes of transport, with its limited impact on the natural world, mainly linked to lower greenhouse gas emissions. The Group is nonetheless committed to minimising its environmental footprint, recognising the importance that our stakeholders and the wider community attach to this issue as well as the Group's own responsibility to protect the environment for the benefit of everyone. To this end, we focus not only on controlling emissions but also on other areas such as energy efficiency, optimising water management and reducing paper consumption.

Globaltrans is fully compliant with all applicable environmental laws, industry regulations and requirements and we strive to continually improve our environmental performance over time to stay compliant. Our approach to the management of environmental

factors is reinforced through the Group's formal ESG Policy and Environmental and Energy Policy, which set out our commitment to carry out our activities in an environmentally responsible way. We make sure that all of our employees understand and act in a manner that is consistent with our policies.

Guided by these policies, we are constantly monitoring and finding ways to improve our subsidiaries environmental management and reporting systems in order to better monitor, measure and assess the environmental aspects of our activities.

We also focus on raising our employees' and suppliers' awareness of the environment and improving transparency for our investors. To support this, we report the Group's performance on a number of environmental metrics consistent with external reporting frameworks

such as the Global Reporting Initiative (GRI). Annual data and information on monitoring and progress are contained in our integrated sustainability reports that are publicly available on the Group's website.

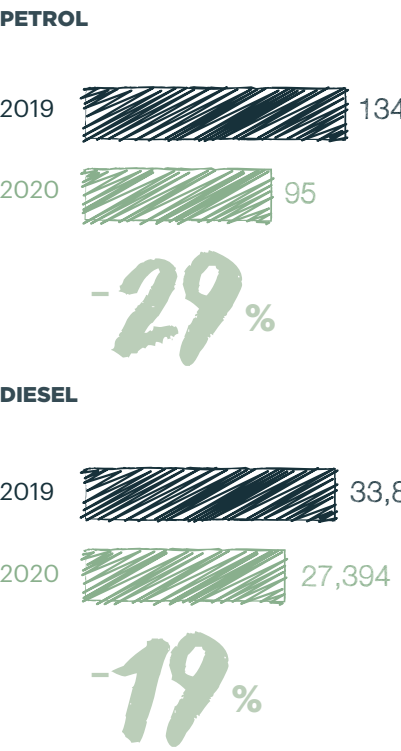
The results for 2020 are set out below. There were no instances of non-compliance with environmental laws and regulations during the reporting period.

Energy usage

At Globaltrans, we are determined to use energy prudently and to be climate neutral. It is something that we are working towards promoting and improving at all levels of the Group. The Group's operations consume various forms of energy, including electricity, oil and gas, and we are constantly working on ways to improve the Group's energy efficiency and reduce our carbon footprint.



PETROL AND DIESEL CONSUMPTION PER EMPLOYEE, 2019-2020, LITRES



In 2020, we again decreased our energy consumption in three key areas as shown below. Various factors contributed to this, including the consolidation of a number of offices to a single office location, the impact of COVID-19 lockdowns on our operations and the move to remote working.

Use of water

As part of our commitment to conserve resources, we monitor water usage in an effort to optimise its use and consumption. While Globaltrans is not a significant water user, we recognise that it is a vital resource for society and are committed to acting responsibly. Our internal management systems and practices ensure transparency and effective governance of water use in our day-to-day work. Since 2018, we have been developing and improving our monitoring, collection and processing of water usage data across the Group's subsidiaries. We are now in a position to release our first annual figures for water consumption, which in 2020 totalled 16,627 m³¹.

While clearly the incidence of remote working due to the pandemic had a positive impact on the Group's annual water consumption, Globaltrans continues to seek opportunities to improve water use and adopt practices that would help its employees to manage and use water efficiently.

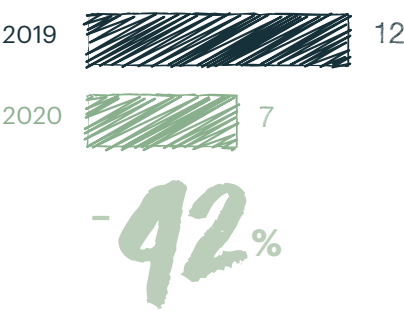
Paper recycling

The issue of office waste is something we are very familiar with since the Group consumes relatively large amounts of paper. Consequently, we actively promote the merits of a green workplace and encourage employees to reduce the frequency and volume of printing. We have been focused on digitising business processes and using electronic documentation for a number of years, but the events of 2020 have accelerated these trends. In 2020, we registered 42% reduction in paper consumption by employees, as the Group's office activities went essentially 'virtual'. We will continue to develop office waste recycling initiatives as we revert to a more normal working environment.

TOTAL CONSUMPTION OF ENERGY RESOURCES BY TYPE, 2019-2020

Energy type	2019	2020	Change
Electricity (KWh)	4,795,686	4,182,373	-13%
Diesel (litres)	53,184,738	45,584,067	-14%
Petroleum (litres)	210,715	158,816	-25%

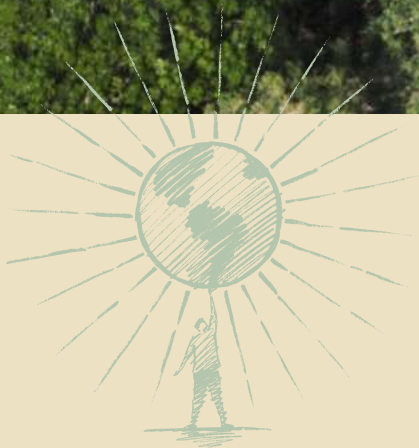
PAPER CONSUMPTION (KG PER EMPLOYEE), 2019-2020



¹ This excludes data from AS Spacecom and BaltTransServis (except for data from the BTS railcar repair depot in Ivanovo which is included).

ENVIRONMENT

Greenhouse gas management



Globaltrans operates in one of the greenest and most eco-friendly industries based on its relatively low greenhouse gas (GHG) emissions. Rail remains the most fuel-efficient mode of transport, as just one litre of fuel is sufficient to transport one tonne of freight over a distance of approximately 200 kilometres. Nevertheless, we recognise that we can contribute to minimising emissions through efficient logistics and careful management of our assets. Since its creation, Globaltrans has focused on operational efficiency, in particular on reducing the number of empty railcars transported as part of the Group's logistics movements. This not only helps us achieve solid financial and business results but also helps improve our environmental performance. We have led the industry for many years in terms of efficiency, and we consistently deliver one of the lowest gondola Empty Run ratios in the sector, which speaks to our commitment.

In the freight rail transportation sector locomotives are the biggest contributors to GHG emissions. In Russia the vast majority of locomotive traction for loaded and empty trips, as well as the ownership of railway infrastructure itself belongs to RZD. Due to industry regulations, freight rail operators including Globaltrans have to outsource locomotive traction and infrastructure services from this provider.

Nevertheless, the Group has a competitive advantage, as it runs one of the largest privately-owned locomotive fleets in Russia and provides a unique service solution for its clients in the oil products and oil segment. We therefore measure, report and account for only those emissions (Scope 1) that are directly attributable to our fleet of 74 locomotives.

Operating a modern, well-maintained fleet also contributes to minimising our environmental footprint. In 2019, we further improved fleet efficiency with the purchase of 10 new, more energy-efficient and cleaner diesel locomotives. Since 2018 we have made significant progress in measuring, managing and disclosing GHG emission information in our operations, and this process is still ongoing. In 2020, due to a combination of reduced fuel consumption resulting from the impact of the COVID-19 pandemic and sustainability measures taken by the Group including the use of the new, cleaner locomotives, GHG emissions from the Group's locomotive fleet across all its subsidiaries were 138,198 tonnes of CO₂ equivalent¹, 14% lower than in 2019 (2019: 161,299 tonnes of CO₂ equivalent).

While we continue to promote the environmental benefits of rail, we are committed to continuously improving our energy efficiency and exploring appropriate options and proposals to reduce our GHG emissions.

¹ The Group's greenhouse gas emissions were calculated per IPCC Guidelines for National Greenhouse Gas Inventories (2006).

COMMUNITIES

Since its founding, Globaltrans has recognised the importance of having a direct positive impact on the communities where it operates. We strive to serve our communities responsibly as an organisation, an employer and a business partner. This sense of responsibility to our communities can also be seen in our legislative compliance, the transparency of our financial and non-financial reporting and our commitment to improving our environmental footprint.

Our solid financial performance, essential to our long-term business success and sustainability strategy, enables us to benefit society in a variety of ways. We contribute to Russia’s economic and social development and add value through our business operations, direct and indirect employment, tax payments, social activities and charitable contributions.

The Group works closely with its communities, through its support for community groups and charities, the work of its volunteer staff, and through the provision of internships and educational support. We work with our local communities to identify how best to contribute whether through contributions of time, skills or financial assistance. By establishing internships and pro bono social programmes, we can help our employees add to their capabilities and contribute more to society. Our business success not only creates opportunities for current and prospective employees, but it also means we are making a direct financial contribution to the broader economy through local and national taxes, the payment

of license and other fees and the use of third party services and suppliers.

We recognise the value that diversity and respect bring to any environment. We have created a fair, safe and respectful work environment so that our employees and those we work with can prosper. To contribute fully to the success of Globaltrans and society as a whole, people need to feel valued and supported. To that end, we provide health insurance, childcare support and part-time job options to improve the quality of life for our employees and their families. We encourage our businesses and people to extend their support beyond our operations by participating in community initiatives, charities and sports activities. We believe that this strengthens their sense of well-being while helping to instil our values of respect and cooperation more broadly. By improving the lives of those living in the communities where we operate and creating valuable opportunities, Globaltrans is making a positive difference to society as a whole. Also, we contribute directly to charitable efforts in our communities in the areas of health and well-being, sports, culture, education and in support for vulnerable groups like the disabled and elderly. Despite challenging economic environment in 2020, we ensured continued support for those organisations we have been working with for many years. One such example is the Life Line Fund which provides vital assistance to children facing life-threatening illnesses and which Globaltrans has supported since 2011.

We fundamentally believe that having valued, healthy, prosperous employees, families and communities sets the strongest foundations for their success, our success and that of our stakeholders.



The following table illustrates how our company creates financial value for its stakeholders.

DIRECT ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED¹

	2020, RUB mln
Direct economic value generated²	68,367
Economic value distributed	75,136
Total cost of sales (excluding Employee benefit expense)	45,548
Total selling, marketing and administrative expenses (Community investments and excluding Employee benefit expense and Taxes (other than income tax and value added tax))	938
Employee benefit expense	4,154
Payments to the providers of capital ³	21,419
Payments to the government ⁴	3,077
Economic value retained	(6,769)

¹ Information in the table is derived from the Consolidated Management Report and Consolidated Financial Statements for the year ended 31 December 2020.

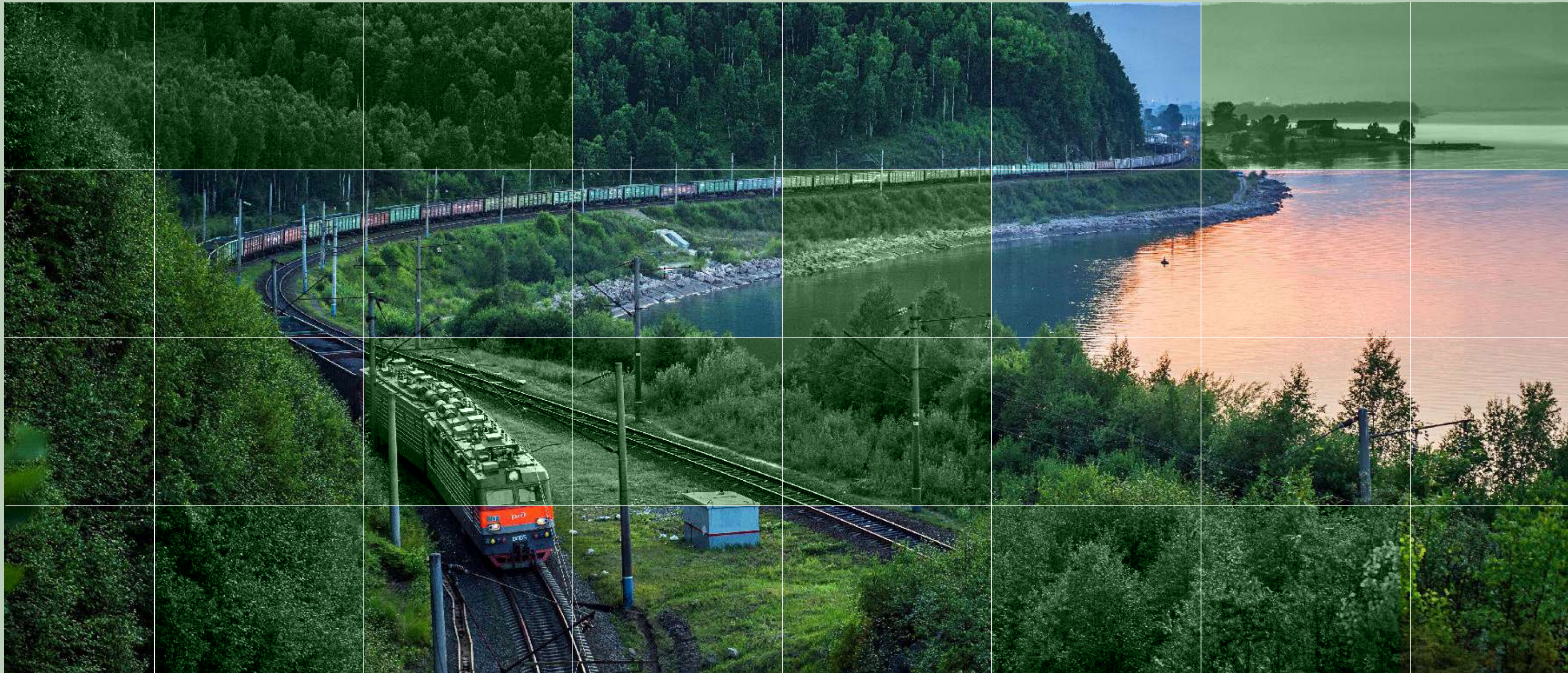
² Direct economic value generated includes “Revenue”.

³ Payments to providers of capital include “Interest paid”, “Dividends paid to owners of the Company” and “Dividends paid to non-controlling interests in subsidiaries”.

⁴ Payments to the government include “Tax paid” and “Taxes (other than income tax and value added taxes)”. The Company also pays Russian Value Added Tax (“VAT”). VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Purchases of property, plant and equipment are shown net of VAT. Related input VAT is included in movement in changes of working capital, within trade and other receivables.

Corporate Governance

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Board of Directors

The Board of Globaltrans is responsible for providing effective leadership for the Group, establishing its values and culture, overseeing its governance, and promoting the success of the Group for the benefit of all stakeholders. The Board is composed of highly experienced directors, equipped with the diverse skills, expertise and commercial experience required to lead the Group effectively and provide support for the executive management.

Board
of Directors

15

Members

4

Independent
Non-executive
Directors



Sergey Maltsev

Chairman of the Board, Executive Director, Chief Strategy Officer, Co-founder and shareholder of Globaltrans

Appointment: Mr. Maltsev was elected Chairman of the Board of Directors in April 2018 and has served as Chief Strategy Officer since August 2017.

Skills and experience: Mr. Maltsev was instrumental in the development of the freight rail market in Russia and has worked in the industry for over 30 years. He co-founded Globaltrans and served as Chief Executive Officer from 2008 until 2015 when he left the Group. At that point he served as Senior Vice President for strategy and corporate governance at JSC Russian Railways until his return to Globaltrans as Chief Strategy Officer in 2017.

Mr. Maltsev was a founding member and Chairman of the non-profit partnership "Council of Railway Operators". In recognition of his services to the rail industry, Mr. Maltsev received the "Honoured Railwayman of Russia" award. He has a degree in railway engineering.



John Carroll Colley

Independent Non-executive Director, Chairman of the Audit Committee

Appointment: Mr. Colley was appointed to the Board as an Independent Non-executive Director in April 2013.

Committee membership: Mr. Colley is Chairman of the Audit Committee and a member of the Nomination and Remuneration committees. In 2021 Mr. Colley became a member of the ESG Committee.

Skills and experience: Mr. Colley has extensive experience in international trade and risk management both in the public and private sectors. From 2007 to 2010, Mr. Colley served as country manager for Russia at Noble Resources SA. Prior to that, he held a variety of positions in the public sector, including at the office of the US Trade Representative and the US Department of Commerce in Washington, DC. He worked for Linkful Ltd and Noble Resources SA in Moscow from 1992 to 1999.

Mr. Colley, a fluent Russian speaker, holds an MA in History and a BA in International Affairs and Russian Studies from the University of Virginia.

Other appointments: Mr. Colley is currently the principal of Highgate Consulting LLC, a global advisory consulting company.



Dr. Johann Franz Durrer

Senior Independent Non-executive Director, Chairman of the Remuneration and Nomination committees

Appointment: Dr. Durrer was appointed to the Board as an Independent Non-executive Director in March 2008.

Committee membership: Dr. Durrer is Chairman of the Remuneration and Nomination committees.

Skills and experience: Dr. Durrer began his career at Union Bank of Switzerland and in 1970 founded Fidura Treuhand AG, which provides bookkeeping, auditing and financial services.

Dr. Durrer graduated from the University of Zurich with a doctorate in Economics and is a member of the Swiss Fiduciary Association.



Vasilis Hadjivassiliou

Independent Non-executive Director

Appointment: Mr. Hadjivassiliou was appointed to the Board as an Independent Non-executive Director in September 2019.

Committee membership: In 2021 Mr. Hadjivassiliou became a member of the Audit Committee.

Skills and experience: Mr. Hadjivassiliou was a partner in Assurance and Advisory services in PricewaterhouseCoopers (PwC), Cyprus, from 1990 until 2018 when he retired. During this time he held various leadership positions with PwC, including as an elected member of the Executive Board, Head of the Limassol office as well as a number of other offices in Cyprus and was a leading figure in business development. He has extensive experience in auditing, International Financial Reporting Standards and business advisory services having advised major local and international groups including companies publicly listed on the London Stock Exchange as well as in Cyprus.

Mr. Hadjivassiliou is a graduate of the University of Manchester and a Fellow of the Institute of Chartered Accountants of England and Wales.

Other appointments: Mr. Hadjivassiliou holds directorships in several companies affiliated with his family and is also a Board member in a number of other private companies.



George Papaioannou

Independent Non-executive Director

Appointment: Mr. Papaioannou joined the Board as an Independent Non-executive Director in April 2013.

Committee membership: Mr. Papaioannou is a member of the Audit Committee.

Skills and experience: Mr. Papaioannou has an experience of more than 20 years in financial reporting, risk management, auditing, financial performance analysis and taxation. In 2004, he founded G. Papaioannou Auditors Ltd, which provides accounting, audit, tax and consulting services. From 2002 to 2004, he worked at Grant Thornton in Cyprus and before that at PricewaterhouseCoopers in Cyprus.

Mr. Papaioannou holds a degree in Accounting and Financial Management from the University of Essex. He is a qualified chartered accountant and a Fellow of the Institute of Chartered Accountants in England and Wales.



Alexander Eliseev

Non-executive Director, Co-founder of Globaltrans

Appointment: Mr. Eliseev joined the Board in March 2008.

Skills and experience: Mr. Eliseev co-founded Globaltrans in 2004 and has played a leading role in introducing market-based reforms to the Russian freight rail transportation market. He has spent more than 17 years in senior management positions, mostly within the rail sector, and sits on the boards of two Globaltrans subsidiaries, New Forwarding Company and BaltTransServis.

Mr. Eliseev is a graduate of the Russian State Medical University, where he studied biophysics.

Other appointments: Mr. Eliseev is Chairman of the Board of Globaltruck, a leading freight trucking operator in Russia, listed on the Moscow Exchange.



Andrey Gomon

Non-executive Director

Appointment: Mr. Gomon served as a member of the Board of the Company from 2013 to 2016 and rejoined the Board in April 2017.

Skills and experience: Mr. Gomon has over 13 years management experience in the railway industry. From 2006 to 2012 he was CEO of Transoil, one of the largest oil rail transportation companies in Russia, having previously served as CFO between 2003 and 2006. He sits on the boards of two Globaltrans subsidiaries, New Forwarding Company and BaltTransServis.

Mr. Gomon studied economics at St Petersburg State University and holds an MBA from INSEAD.



Elia Nicolaou

Non-executive Director, Company Secretary, Secretary to the Board

Appointment: Ms. Nicolaou joined the Board as a Non-executive Director in March 2008. She is the Company Secretary.

Committee membership: Ms. Nicolaou was a member of the Audit Committee in 2020. In 2021, Ms. Nicolaou stepped down as a member of the Audit Committee and became a member and Chair of the ESG Committee.

Skills and experience: Ms. Nicolaou has extensive experience in commercial, corporate and funds law. She is currently the Managing Director of Amicorp (Cyprus) Ltd. Previously, she was head of the Corporate Legal department at Polakis Sarris LLC and also worked at C. Patsalides LLC. Ms. Nicolaou participates in various associations of the Cyprus Chamber of Commerce and sits on the boards of other listed and private companies.

Ms. Nicolaou graduated with an LLB in Law from the University of Nottingham and holds an LLM in Commercial and Corporate Law from University College London. She has an advanced diploma in Business Administration from the Cyprus International Institute of Management.



Melina Pyrgou

Non-executive Director

Appointment: Ms. Pyrgou was appointed to the Board as a Non-executive Director in April 2013.

Skills and experience: Ms. Pyrgou is a barrister and registered insolvency practitioner and has practised corporate law for over 25 years. She is currently Managing Director of Pyrgou Vakis Law Firm, a Cyprus-based corporate and commercial law practice. Previously she was Director of Legal Services at PricewaterhouseCoopers in Cyprus. Ms. Pyrgou served as the Chairman of EuropeFides Association, a European network of accounting, audit, tax and legal firms, from 2015 to 2016 and is a member of various business associations.

Ms. Pyrgou graduated from the University of Keele with a degree in Law and Sociology and holds a diploma in Environmental Law from the University of Geneva. She was called to the bar in Cyprus in 1992 and in London (Grays Inn) in 1995.

Other appointments: Ms. Pyrgou currently serves as a member of the Cyprus Investments Promotion Agency (CIPA). She also sits on the Disciplinary Committee of the Institute of Certified Public Accountants of Cyprus (ICPAC). Ms. Pyrgou is also a Board member of the Health Insurance Organisation.



Konstantin Shirokov

Executive Director, Head of Internal Audit

Appointment: Mr. Shirokov was appointed to the Board as an Executive Director in March 2008 and heads Globaltrans' internal audit function.

Skills and experience: Mr. Shirokov has over 12 years' senior international management experience. Prior to joining Globaltrans, he worked in senior finance roles at Mechel and as an economist at Glencore International. He served as a non-executive member on the board of Global Ports Investments PLC between 2008 and April 2018 where he was a member of the Audit and Risk committee.

Mr. Shirokov graduated from the Finance Academy under the Russian government and studied business management at Oxford Brookes University.



Alexander Storozhev

Executive Director,
Chief Procurement Officer

Appointment: Mr. Storozhev joined the Board as an Executive Director in April 2013.

Skills and experience: Mr. Storozhev has held senior management roles throughout a 20-year career in the rail industry and has been with Globaltrans since it was established. He is chairman of a number of Globaltrans subsidiary boards, including AS Spacecom, AS Spacecom Trans, GTI Management and BaltTransServis and serves on the boards of other Globaltrans’ subsidiaries including New Forwarding Company and Ural Wagonrepair Company. Since February 2015, he has been Director of Investments and Business Development at New Forwarding Company. Mr. Storozhev is a recipient of the “Honoured Transport Worker of CIS” Award.

Mr. Storozhev graduated from the Kiev Military Academy of Aviation and Engineering in 1990 with a degree in Engineering. He holds a diploma from the Mirbis Business School in Moscow and a Master’s degree in Business Administration and Finance.



Alexander Tarasov

Non-executive Director

Appointment: Alexander Tarasov joined the Board in April 2013.

Skills and experience: Mr. Tarasov served as a deputy director general in Sevtekhnotrans, a Globaltrans subsidiary that subsequently merged with Ferrotrans. He has held management positions at a number of leading Russian companies across different sectors, with a focus on financial management and analysis.

Mr. Tarasov graduated from the Bauman Moscow State Technical University with a degree in Engineering and holds a degree in Economics from the Moscow State University of Commerce.



Michael Thomaides

Non-executive Director

Appointment: Mr. Thomaides was appointed to the Board as a Non-executive Director in April 2014.

Skills and experience: Mr. Thomaides served as a director at Globaltrans from 2004 to 2008 and sat on the Board of Global Ports Investments PLC, Russia’s leading container port operator. He has been a director at Leverret Holding Ltd (Cyprus) since 2007.

Mr. Thomaides graduated from London Southbank University with a BSc degree in Consumer Product Management.



Marios Tofaros

Non-executive Director

Appointment: Mr. Tofaros was appointed to the Board as a Non-executive Director in April 2013.

Skills and experience: Mr. Tofaros is a director of the Client Accounting department at Amicorp (Cyprus) Ltd. He was a financial accountant at Depfa Investment Bank Ltd from 2004 to 2008 and a finance officer at Louis Catering Ltd from 2003 to 2004. He has held various positions in the Audit department at KPMG Cyprus.

Mr. Tofaros has a degree in Accounting, Finance and Economics and a master’s degree in Business Studies, both from the University of Kent. He holds a chartered certified accountant (FCCA) diploma and is a member of the Institute of Certified Public Accountants of Cyprus.



Sergey Tolmachev

Executive Director, Managing Director

Appointment: Mr. Tolmachev was appointed to the Board as a Non-executive Director in April 2013 and as an Executive Director in October 2013.

Skills and experience: Mr. Tolmachev became the Group’s Managing Director in October 2013. He joined N-Trans Group in 2001 and has held various management positions focused on corporate finance and treasury. He also serves on Globaltrans subsidiary boards, including AS Spacecom and AS Spacecom Trans. He has extensive experience in financial analysis and modelling.

Mr. Tolmachev graduated from Lomonosov Moscow State University with a degree in Mechanics and Applied Mathematics.

Executive Management

The executive leadership has responsibility for managing the Group’s day-to-day business operations and support functions. The senior management team comprises the executive directors along with individuals responsible for the key subsidiaries and Group functions. Senior management is in turn supported by a team of highly skilled and competent line managers.



Valery Shpakov

Chief Executive Officer

Mr. Shpakov became CEO in March 2016, having served as interim CEO since November 2015. He joined New Forwarding Company, a Globaltrans subsidiary, in 2003 and has been its CEO since 2007.

He is an experienced manager with a track record of over 30 years in the rail industry. He began his career in the private sector in 1999 and has held managerial positions at various companies in the transport sector. He is a recipient of the “Honoured Railwayman of Russia” award.



Sergey Maltsev

Chief Strategy Officer, Chairman of the Board, Executive Director, Co-founder and shareholder

Mr. Maltsev has served as Chief Strategy Officer of the Group since August 2017 and was elected as Chairman of the Board of Directors of Globaltrans in April 2018.

Mr. Maltsev has worked in the rail sector for more than 30 years and was instrumental in the development of the private freight rail market in Russia. Mr. Maltsev was a founding member and Chairman of the non-profit partnership “Council of Railway Operators”. Having co-founded Globaltrans, he served as the Company’s CEO and member of the Board for over a decade before stepping down in 2015. Subsequently, he worked as the Senior Vice President for strategy and corporate governance at JSC Russian Railways. He is a recipient of the “Honoured Railwayman of Russia” award.



Alexander Shenets

Chief Financial Officer

Mr. Shenets has been CFO of Globaltrans since the Group’s establishment and has more than 15 years of experience in senior finance positions, mostly in the rail sector. He is a member of the boards of GTI Management, New Forwarding Company, BaltTransServis, AS Spacecom, AS Spacecom Trans and Ural Wagonrepair Company, all Globaltrans subsidiaries.

He holds an MBA from Lomonosov Moscow State University.



Vyacheslav Stanislavsky

Deputy Chief Executive Officer, Head of Operations

Mr. Stanislavsky joined New Forwarding Company, a Globaltrans subsidiary, as Deputy General Director for Operations and Commerce in March 2010 and became First Deputy General Director in April 2011.

He has more than 30 years of experience in the rail industry and is a recipient of the “Honoured Railwayman of Russia” award.



Alexander Storozhev

Chief Procurement Officer, member of the Board, Executive Director

Mr. Storozhev joined the Board as an Executive Director in April 2013. He has held a series of senior management roles over a 20-year career in the rail industry. He has been with Globaltrans since the company was established and is Chairman of a number of Globaltrans subsidiary boards, including AS Spacecom, AS Spacecom Trans, GTI Management and BaltTransServis. He also serves on the boards of New Forwarding Company and Ural Wagonrepair Company, both Globaltrans subsidiaries. Mr. Storozhev is a recipient of the “Honoured Transport Worker of CIS” award.

He graduated from the Kiev Military Academy of Aviation and Engineering in 1990 with a degree in Engineering. He also holds a diploma from the Mirbis Business School in Moscow and a Master’s degree in Business Administration and Finance.



Kirill Prokofiev

CEO of BaltTransServis

Mr. Prokofiev was appointed CEO of BaltTransServis, a Globaltrans subsidiary, in February 2017. Prior to his appointment, he spent more than seven years working in senior executive roles in the rail sector.

He graduated from Saint Petersburg State University of Economics, where he majored in economics. He also holds an MBA in Strategic Management from Moscow’s Higher School of Economics.



Roman Goncharov

Head of Treasury

Mr. Goncharov has served as CFO of New Forwarding Company, a Globaltrans subsidiary, since 2005 and has over 15 years of management experience.

He has an MBA from the Moscow International School of Business.



Sergey Avseykov

Business Development Officer

Mr. Avseykov is in charge of business development for the Group. He joined New Forwarding Company, a Globaltrans subsidiary, in 2011 as Head of the Marketing and Development Division. Between 2017 and 2018, Mr. Avseykov served as acting Head of Business Project Management at JSC Russian Railways before rejoining Globaltrans in 2018.

Mr. Avseykov graduated from Tomsk State University and holds a PhD in political science from the Russian Presidential Academy of National Economics.



Svetlana Brokar

Government Relations Officer

Ms. Brokar joined as Government Relations Officer in December 2018. She is an attorney with significant expertise in civil, tax, commercial, corporate, finance and railway transport matters. She has worked with government departments including the Russian Transport, Finance and Railway Ministries. From 2009 to 2013, Ms. Brokar was a member of the Board of New Forwarding Company, a Globaltrans subsidiary, and since 2014 has acted as its in-house legal counsel or provided it with legal services. She also previously worked with the non-profit partnership “Council of Railway Operators”.

Ms. Brokar graduated with a law degree from Kaliningrad State University.



Artem Gabestro

General Counsel, Corporate Governance Advisor to CEO

Artem Gabestro joined the Group in 2007 as a lawyer before becoming general counsel of Globaltrans two years later. He is a member of the Audit Committee of Globaltrans’ subsidiary New Forwarding Company and in January 2020 was appointed as an advisor to Globaltrans’ CEO on issues of corporate governance.

Mr. Gabestro is a graduate of Moscow State University of International Affairs and holds a Master’s degree in law.

Corporate Governance Report

Dear shareholders,

On behalf of the Board, I am pleased to introduce the Group's Governance Report for 2020, which provides an overview of how the Board maintained its governance focus in the challenging circumstances we faced last year due to the COVID-19 pandemic.

The Board views good governance, transparency and accountability as essential building blocks in supporting Globaltrans' long-term success and sustainability. In this context, the impact of the COVID-19 pandemic was not only an examination of our strategy and business model, but it was also a real-life test of the Group's governance and in particular the Board's ability to exercise effective leadership and governance oversight during a period when the business was under extreme stress. It is very gratifying to report that the Board of Directors rose to the challenge of leading the Group with great pragmatism, urgency, and commitment.



I would like to thank all of the directors for their input, commitment, and unwavering support during this unprecedented period.

The Board, working closely with the management, took decisive action to mitigate the impact of COVID-19 and to ensure that the business continued to remain fully operational. This included the introduction of measures to protect the health and safety of our employees, to improve costs, to optimise capital allocation (for instance by cancelling all non-essential expansion CAPEX) to protect free cash flows, to safeguard dividend payments, and to maintain a dialogue with the stakeholders. Board and Committee meetings continued as scheduled but as virtual meetings, with all directors participating via remote meeting technology.

As a result, the Board was able to continue to engage with and to provide constructive feedback to the executive team without our governance oversight suffering.

Whilst responding to the impact of the pandemic inevitably took up a lot of the Board's time last year, we nonetheless continued to make progress against our strategic governance priorities. In recognition of stakeholders' growing focus on environmental and social issues, the Board announced in January 2021 the formation of the ESG Committee to oversee the Group's integration of ESG into our strategy and business processes and ensure that our governance continues to evolve in line with international best practice.

The secondary listing of the Company's GDRs on the Moscow Exchange was another important step in increasing the Group's profile with Russian investors, especially with the growing retail base of investors, illustrating again our firm commitment to open and proactive engagement with our stakeholders.

2020 was a very challenging period and I would like to thank the Board and the executive team for their commitment and enthusiasm during this time.

Sergey Maltsev

Chairman
Chief Strategy Officer
Co-founder and shareholder

Corporate Governance Report

Corporate governance framework

Corporate governance policies

Globaltrans’ corporate governance policies and practices are designed to ensure that the Group upholds its responsibilities to shareholders and other stakeholders. This key principle is promoted and applied across all levels of the Group in order to establish effective and transparent corporate governance. To that end, Globaltrans’ Board of Directors has adopted the Company’s Code of Corporate Governance (based on the principles of the UK Corporate Governance Code), guaranteeing that the interests of all shareholders are given due consideration.



Globaltrans’ policies include, inter alia:

Corporate documents and policies

- Articles of Association
- Appointment Policy for the Board of Directors and its committees
- Audit Committee — terms of reference
- Board of Directors — terms of reference
- Dividend Policy
- ESG (Environmental, Social and Governance) Committee — terms of reference
- Nomination Committee — terms of reference
- Policy on assessment of independence and objectivity of external auditor
- Remuneration Committee — terms of reference

Business ethics

- Anti-Fraud Policy
- Business Continuity Policy
- Code of Ethics and Conduct
- Corporate Diversity and Inclusion Policy
- Environmental and Energy Policy
- ESG Policy
- Freedom of Association Policy
- Human Rights Policy
- Policy on reporting and investigating allegations of suspected improper activities (Whistleblowing Policy)
- Supplier Code of Conduct

Disclosure, transparency and market abuse regulation

- Continuing Obligations Policy
- Corporate policy on the treatment of the rights of minority shareholders
- Disclosure Policy
- Internal control rules for insider information
- List of insider information
- Securities Dealing Code and the PDMR Securities Dealing Code

Privacy

- Privacy Policy



For the Group’s corporate governance documents and policies, please visit our corporate website at: <https://globaltrans.com/governance/corporate-documents>.

The Board responsibilities and activities

Globaltrans’ Board of Directors is accountable to the Company’s shareholders for standards of governance across the Group’s activities. The Board is committed to providing effective, transparent and ethical oversight of the Group so that the Board can take decisions which it believes benefit all its stakeholders and communities and create value for the Group.

Responsibilities

- Providing leadership, setting the overall strategy and ensuring that the necessary components are in place for the Group to meet its objectives.
- Setting Group values and standards, and ensuring that obligations to all stakeholders are understood and met.
- Monitoring and reviewing the performance of the Group and its management.
- Maintaining an effective system of internal control and risk management to safeguard shareholders’ rights and interests and the Group’s assets.
- Ensuring an effective governance framework and compliance with relevant regulations.
- Assessing from time to time whether the Independent Non-executive Directors continue to demonstrate independence.

Board members are nominated based on their industry knowledge, expertise and experience in areas such as accounting, finance, business management and strategic planning.

In selecting candidates for the Board, the Group seeks to create an effective and complementary Board whose capability is appropriate for the scale, complexity and strategic positioning of the business. Non-executive Directors are drawn from a wide range of industries and backgrounds including infrastructure, transport audit and financial services, and have appropriate experience working with and for large international organisations. In addition, the Group selects Independent Directors intending to ensure that the views of the free-float shareholders are represented and that the interests of all stakeholders are taken into account.

The Board comprises 15 members, eleven of whom are Non-executive Directors. Four of the Non-executive Directors are independent. Globaltrans separates the positions of Chairperson and CEO to ensure appropriate segregation of roles and a clear division of responsibilities.

Membership

The process for Board appointments is led by the Nomination Committee and members of the Board are elected at the General Meeting.

In 2020, members of the Board of Directors held 16,326,121 shares and GDRs in Globaltrans.

Diversity

The Board does not operate a formal diversity policy concerning age, gender or educational and professional backgrounds. However, in line with best practice, the Board does take into account these aspects when making new Board appointments and considering the composition of the Board.

There are 2 female members on the Board, equivalent to about 13% of the Board. The Board ranges in age from 40 to over 70 years old, with the average age being 52.5 years. Board members have experience across the following areas: the transportation and port industry, audit, accounting, economics and finance, the banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management.

Corporate Governance Report

Induction and professional development

The Chairman is responsible for ensuring that there is a properly constructed and timely induction for new directors upon joining the Board. Directors have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities.

Performance evaluation

The Board’s performance is assessed annually and the evaluation process is conducted through a combination of self-assessment and annual appraisals. The Chairman’s performance is evaluated by the Non-executive Directors.

Activities

The Board meets at least four times a year. Fixed meetings are scheduled at the end of each quarter, while ad hoc meetings are called when there are pressing matters requiring the Board’s consideration in between the scheduled meetings.

The Board met

18 times

during 2020 and considered **79** items including the following:

Regular meetings

- Review of the Group’s financial and operational performance.
- Approval of the annual budget.
- Review of the Group’s performance against the approved annual budget.
- Approval of the annual and semi-annual financial statements and the respective regulatory announcements.
- Review of the results of risk assessments.
- Approval of the Annual General Meeting agenda, including dividend proposals and Board reappointments.
- Approval of appointments to the Board of Directors of subsidiaries.
- Approval of the interim dividend of the Company.

Ad hoc meetings

- Approval of change of the GDR depository bank and transfer of GDR Programme.
- Approval of material borrowings and pledges by subsidiaries.
- Approval of the contracts of the Company.
- Approval of Company policies.
- Approval of the remuneration of key management and executive directors.
- Appointment of the key management of the Group.
- Approval of dividend distribution by subsidiaries.
- Review and consideration of various business development opportunities and major transactions.
- Approval of the buyback of the Company’s GDRs from the market.
- Approval for the listing of the Company’s GDRs on MOEX.
- Changes in the responsibilities of Board members and other matters.

THE BOARD AND THE BOARD COMMITTEES MEETINGS IN 2020 AND THE ATTENDANCE OF DIRECTORS

	Board of Directors		Nomination Committee		Remuneration Committee		Audit Committee	
	E	A	E	A	E	A	E	A
Sergey Maltsev (Chairman)	18	18						
John Carroll Colley	18	18	1	1	3	3	4	4
Dr. Johann Franz Durrer	18	18	1	1	3	3		
Alexander Eliseev	18	17						
Andrey Gomon	18	18						
Vasilis Hadjivassiliou	18	18						
Elia Nicolaou	18	18					4	4
George Papaioannou	18	18					4	4
Melina Pyrgou	18	18						
Konstantin Shirokov	18	18						
Alexander Storozhev	18	18						
Alexander Tarasov	18	18						
Michael Thomaidis	18	17						
Marios Tofaros	18	18						
Sergey Tolmachev	18	18						

E Eligible

A Attended

Remuneration of the Board and the management

Directors serve on the Board under letters of appointment which specify their terms of appointment and remuneration. Appointments are effective until the following Annual General Meeting. Remuneration levels for Non-executive Directors reflect their expertise, time commitment, responsibilities and membership of any Board Committees. Directors are also reimbursed for expenses associated with the discharge of their duties.

Non-executive Directors are not eligible for bonuses, retirement benefits or participation in any incentive plans operated by the Group. The Group’s shareholders approved the remuneration of Board members for 2020 at the Annual General Meeting held on 30 April 2020. For details of the remuneration paid to the Board and key executives in 2020, please refer to Note 35a of the Group’s Consolidated Management Report and Consolidated Financial Statements included in the Financial Statements section of this Annual Report.

The total gross remuneration of the members of the Board of Directors paid by the Group in 2020 amounted to RUB 433 mln.

Corporate Governance Report

Board committees

In 2020, in order to assist the Board and ensure transparency and impartiality in specific areas, Globaltrans had 3 Board committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. The Chairperson of each committee is an Independent Director. In January 2021, the Group also established the ESG Committee.

All committees are advisory bodies. While these committees have the authority to examine particular issues and report back with recommendations, the ultimate decision-making responsibility for all matters lies with the full Board. Each committee has written terms of reference, approved by the Board, that summarise the committee's role and responsibilities.

4
Board
committees¹

Audit Committee

The role of the Audit Committee is to ensure the integrity of the Group's published financial information and the effectiveness of the internal audit function and the systems for internal control and risk management, as well as the external audit process.

	Number of members	Members as at 31 December 2020	Minimum meetings a year	Number of meetings in 2020
Members and meetings	 3 members 2 independent	John Carroll Colley , Independent Non-executive Director (Chairman) Elia Nicolaou , Non-executive Director George Papaioannou , Independent Non-executive Director	4	4

Responsibilities	<ul style="list-style-type: none">Integrity of the Group's financial statements.Effectiveness of the Group's internal control and risk management systems.Relationship with the Group's external auditors, including the audit process and reports.Terms of the auditor's appointment and remuneration.Implementation of codes of conduct.Assessment of the Chairman of the Board's performance.
Issues considered in 2020	<ul style="list-style-type: none">Review of the Group's Consolidated Financial Statements for 2019 and interim financial results for the six months ended 30 June 2020.Review of the external auditor's report to the Audit Committee following its full-year audit for 2019 and review for the six months ended 30 June 2020.Review of the Group's external auditor and terms of reappointment for 2020. The Committee recommended reappointment of the external auditors to the Board which, in turn, proposed their reappointment at the Annual General Meeting of the Group held on 30 April 2020.Review of the report of the external auditor on the audit strategy for 2020.Review of regulatory announcements by the Group.Review of internal controls and risk management processes.Approval of non-audit services to be provided to the Group by the external auditor.Review of the internal audit function and reports on its activities, and on the internal audit model and plan.

THE AUDIT COMMITTEE MEETINGS IN 2020


	Eligible	Attended
John Carroll Colley	4	4
Elia Nicolaou	4	4
George Papaioannou	4	4

¹ Including an ESG Committee established in January 2021.

Corporate Governance Report

Nomination Committee


The role of the Nomination Committee is to monitor and review the composition and balance of the Board and its committees to ensure Globaltrans has the right structure, skills and diversity for the effective management of the Group.

	Number of members	Members as at 31 December 2020	Minimum meetings a year	Number of meetings in 2020
Members and meetings	 2 members 2 independent	Johann Franz Durrer , Senior Independent Non-executive Director (Chairman) John Carroll Colley , Independent Non-executive Director	1	1
Responsibilities	<ul style="list-style-type: none">Preparation of selection criteria and appointment procedures for Board members.Regular review of the Board's structure, size and composition.Future Board appointments.Recommendations regarding the membership of the Audit and Remuneration Committees.			
Issues considered in 2020	<ul style="list-style-type: none">Advice to the Annual General Meeting on the appointment of Board members.Recommendation on appointment of a Director to the Board of the Company.			

THE NOMINATION COMMITTEE MEETINGS IN 2020		
	Eligible	Attended
Dr. Johann Franz Durrer	1	1
John Carroll Colley	1	1

Remuneration Committee

The role of the Remuneration Committee is to ensure that executive remuneration aligns appropriately with the business strategy and that the Remuneration Policy remains appropriate.

	Number of members	Members as at 31 December 2020	Minimum meetings a year	Number of meetings in 2020
Members and meetings	 2 members 2 independent	Johann Franz Durrer , Senior Independent Non-executive Director (Chairman) John Carroll Colley , Independent Non-executive Director	1	3
Responsibilities	<ul style="list-style-type: none">Remuneration of Executive Directors (Chairman and Executive Directors determine the remuneration for independent members).Review of the Group's Remuneration Policy.			
Issues considered in 2020	<ul style="list-style-type: none">Approval of bonuses to the Chief Strategy Officer and the Chief Financial Officer.			

THE REMUNERATION COMMITTEE MEETINGS IN 2020		
	Eligible	Attended
Dr. Johann Franz Durrer	3	3
John Carroll Colley	3	3

Corporate Governance Report

Establishment of the ESG Committee

The Board's strategy and business model aims to deliver sustainable growth for all stakeholders and the consideration of environmental, social and governance (ESG) issues has a central role to play. Companies increasingly are expected by stakeholders to explain how their business impacts on the environment, society and the people in it. The coronavirus pandemic has only served to intensify debate around sustainability and increase calls for greater transparency.

The Group takes its ESG responsibilities seriously and in January 2021 the Board established an ESG Committee to lead its thinking on ESG matters and ensure that ESG issues are integrated into the Group's long-term strategy.

The ESG Committee will also monitor the development of the Group's sustainability strategy, review and recommend ESG disclosures for Board approval and approve the Group's sustainability reports.

The ESG Committee is comprised of 2 Board members: Elia Nicolaou, Non-executive Director, who will serve as the Chair, and John Carroll Colley, Independent Non-executive Director.

The ESG Committee will meet at least 2 times a year. As the Committee was established at the start of 2021, further information about its activities will be published in the Group's Annual Report for 2021.

Shareholder engagement

The Board places great importance on its relationships with the Company's shareholders. It continually strives to provide high levels of transparency and build trust, recognising that engaging with shareholders is key to creating long-term, sustainable shareholder value. The Board engages with shareholders in a variety of ways. The CEO and CFO meet regularly with the Group's institutional investors to hear their views and provide updates on the Group's strategy and business performance. The Group has a dedicated Investor Relations team that acts as the primary point of contact with the investor community.

Management undertakes a regular schedule of meetings, presentations, conference calls and webcasts with institutional investors and sell-side analysts.

The Group's commitment to open and constructive communication has been particularly important in the last year in light of the coronavirus pandemic. The Board and management worked hard to maintain open channels of communications, maintaining a full investor relations contact programme using remote communications tools to interact with investors. The Group's new website was also launched in 2020, providing easy-to-navigate access and an enhanced investor relations experience.

In connection with the Group's secondary listing on MOEX, the Company arranged 7 interactive events and seminars for Russian retail investors to introduce them to the Company, and set out the investment case. These events were well supported by retail investors in Russia.

There are currently 11 sell-side analysts who monitor Globaltrans. Corporate information, including annual reports, Company announcements and presentations is available on the corporate website at www.globaltrans.com/investors.



Internal control and audit

The Board is primarily responsible for establishing a framework of prudent and effective internal controls and risk management in relation to the financial reporting process for the undertakings included in the Group consolidation that enables risks to be assessed and managed and financial reports to be prepared.

The Audit Committee reviews and assesses the Group's internal control and risk management processes. The system of controls is designed to manage rather than eliminate the risks relevant to the

Group's operations and, therefore, can only provide reasonable, and not absolute, assurance against material errors, losses, fraud or breaches of laws and regulations.

At Globaltrans, the body responsible for internal audit is the Internal Audit Service (IAS). It tests the Group's systems of risk management, internal control and corporate governance to obtain reasonable assurance that:

- the risk management system functions efficiently;
- material financial, management and operating information is accurate, reliable and up-to-date;
- the actions of employees and management bodies comply with the Group's policies, standards and procedures and applicable laws;
- resources are procured reasonably and used efficiently and their safekeeping is fully guaranteed;
- Group companies conduct their business in compliance with applicable laws.

Every year the Audit Committee approves an internal audit plan, which is developed by identifying the audit universe, performing a risk analysis and obtaining input from management relative to risks, controls and governance processes. The internal auditor regularly reports to the Audit Committee on the progress of planned audits. If any material internal control deficiencies are identified, they are immediately communicated to the Audit Committee and consequently to the Board.

External auditor

The Audit Committee manages the relationship with the external auditor on behalf of the Board. Each year it considers the reappointment of the external auditor, reviews requirements of the rotation of the audit partner and the audit firm when applicable, as well as its remuneration and other terms of engagement, and makes a recommendation to the Board. Shareholders are then asked to approve the appointment at the Annual General Meeting.

The Group has a formal policy on assessing the independence and objectivity of the external auditor. It regulates the terms of appointment of the external auditor and the nature of audit and permitted non-audit services provided to the Group. External auditors periodically (at least annually) provide written confirmation to the Committee that, in their professional judgement, they are independent of the Group. The Committee is satisfied that the independence and objectivity of the external auditors is not impaired and that the external audit process remains effective.

The Audit Committee recommended the reappointment of PricewaterhouseCoopers as the Group's external auditor for 2020 and 2021. The appointment for 2020 was approved by the Group's shareholders at the Annual General Meeting on 30 April 2020.



In 2020, Globaltrans' Investor Relations team held

260 meetings
with investors
and shareholders,

participated in

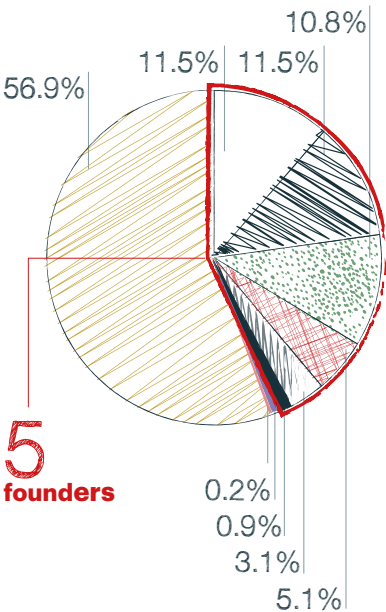
7 investor conferences,

arranged

3 roadshows

Share Capital

OWNERSHIP STRUCTURE, AS OF 30 MARCH 2021



- Marigold Investments Ltd²
- Onyx Investments Ltd²
- Maple Valley Investments Ltd²
- Litten Investments Ltd³
- Goldriver Resources Ltd⁴
- Transportation Investments Management Ltd⁵
- Directors and management
- Treasury shares
- Free float¹

¹ For these purposes, the free float consists of the ordinary shares and GDRs held by investors not affiliated or associated with Globaltrans.
² A. Filatov, N. Mishin and K. Nikolaev are co-founders of Globaltrans and are beneficiaries with regard to 11.5%, 11.5%, 10.8% respectively of Globaltrans' ordinary share capital each through their respective SPVs (Marigold Investments Ltd, Onyx Investments Ltd and Maple Valley Investments Ltd).
³ Beneficially owned by Alexander Eliseev, Non-executive Director and co-founder of Globaltrans.
⁴ Beneficially owned by Sergey Maltsev, Chairman of the Board of Directors, Chief Strategy Officer and co-founder of Globaltrans.
⁵ Beneficially owned by Andrey Filatov, Nikita Mishin and Konstantin Nikolaev, co-founders of Globaltrans.

Globaltrans was formed in 2004 when a group of like-minded entrepreneurs brought their freight rail businesses together to form the Company, giving it the scale, governance and focus to become one of the leading players in the region.

Those founders continue to be shareholders today with a combined stake of about 43% in total and their entrepreneurial spirit remains at the heart of the Group's culture and approach. In addition, other directors and management of Globaltrans are shareholders in the Company representing about 0.2% of the issued share capital.

In 2008, Globaltrans' founders recognised the benefits of an international listing and undertook an Initial Public Offering on the London Stock Exchange, becoming the first freight rail company serving Russian cargo flows to be listed internationally. In October 2020 Globaltrans' GDRs were admitted to trading on the Moscow Exchange.

Today, the majority of the Company's shares are in the hands of the public with Globaltrans' free float amounting to approximately 56.9%¹ of the issued share capital.

The issued share capital of Globaltrans consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of Global Depositary Receipts ("GDRs"). The GDRs represent one ordinary share each and have been traded on the Main Market of LSE (ticker symbol: GLTR) since May 2008 and on the Level One quotation list of MOEX since October 2020 (ticker symbol: GLTR). Citibank N.A. is the depositary bank for the GDR programme of Globaltrans.

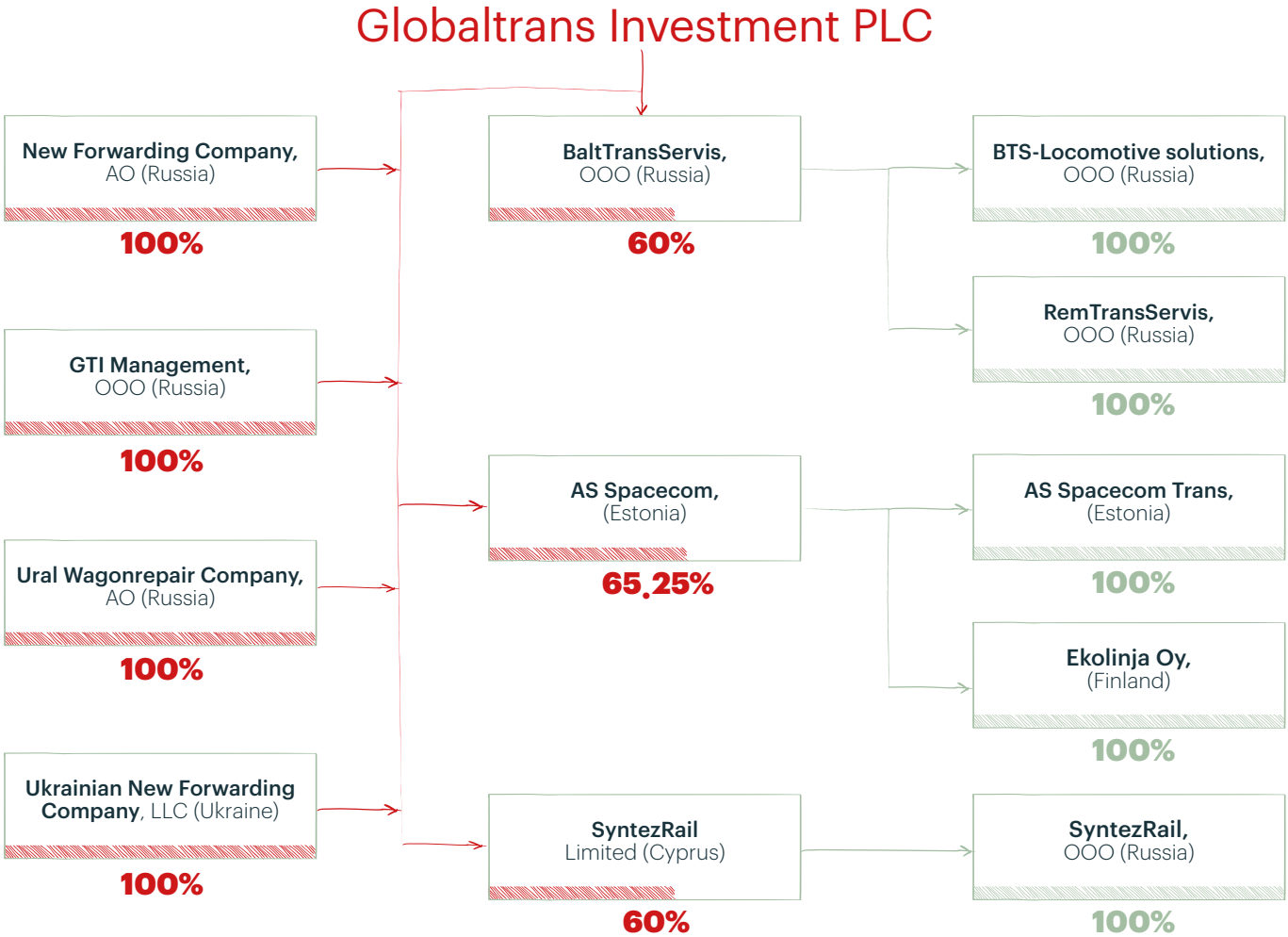
Corporate Structure

Globaltrans provides freight rail transportation, railcar leasing and other ancillary services to clients in Russia, the CIS and Baltic countries through its subsidiaries – New Forwarding Company, BaltTransServis, GTI Management, SyntezRail, Spacecom, Spacecom Trans and Ukrainian New Forwarding Company.

The Group's corporate structure ensures efficient asset management and operational control while creating logical business segments.

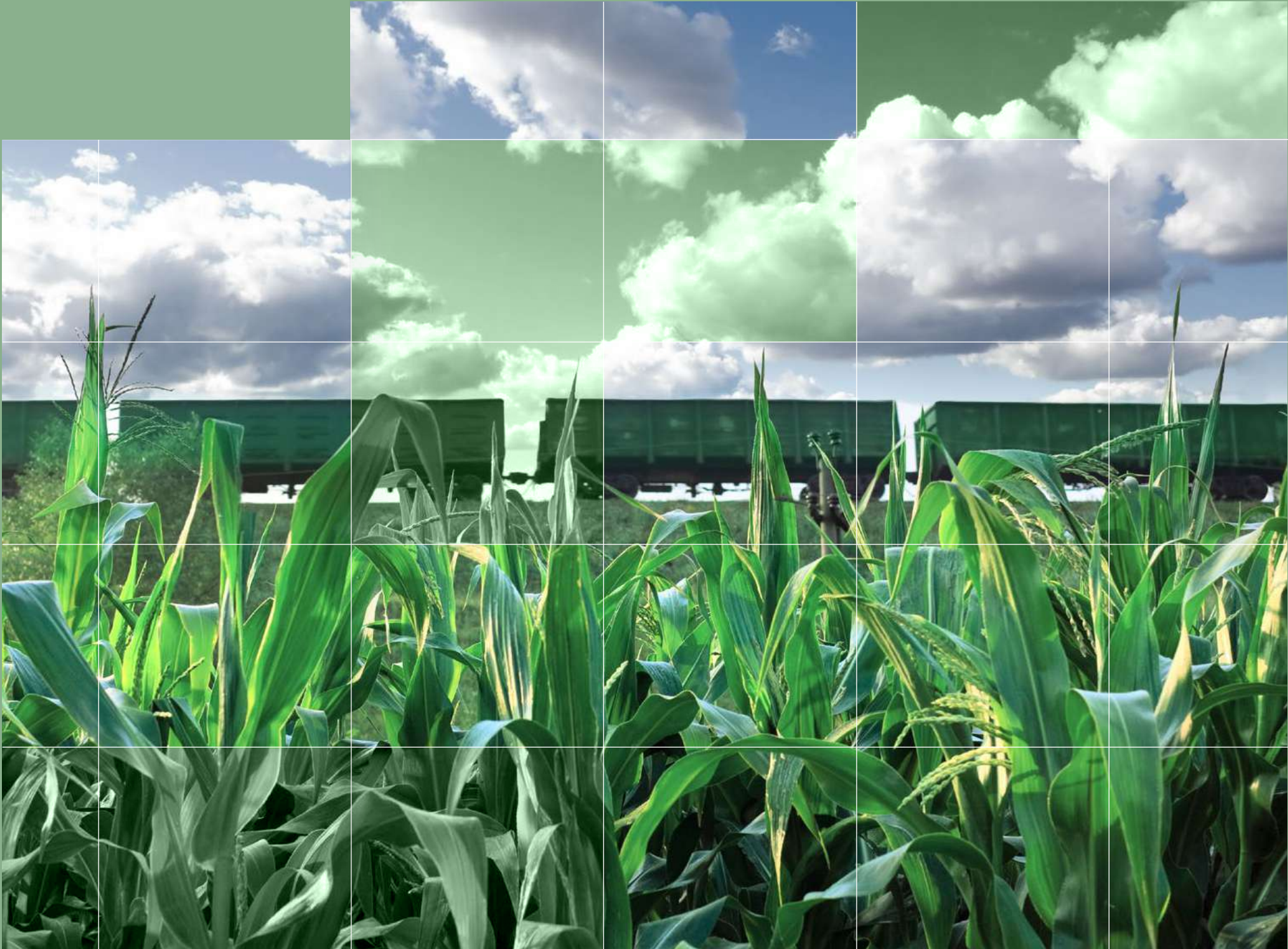


CORPORATE STRUCTURE, AS OF 31 DECEMBER 2020



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Board of Directors and other officers

Board of Directors

Dr. Johann Franz Durrer

Senior Independent Non-Executive Director
Chairman of the Remuneration Committee
Chairman of the Nomination Committee

Mr. Vasilis Hadjivassiliou

Independent Non-Executive Director
Member of the Audit Committee (since January 2021)

Mr. John Carroll Colley

Independent Non-Executive Director
Chairman of the Audit Committee
Member of Remuneration Committee
Member of Nomination Committee
Member of ESG Committee (since January 2021)

Mr. George Papaioannou

Independent Non-Executive Director
Member of the Audit Committee

Ms. Elia Nicolaou

Non-executive Director
Chairwoman of the ESG Committee (since January 2021)
Member of the Audit Committee (until January 2021)
Company Secretary
Secretary of the Board
Alternate Director: Mr. Marios Tofaros

Mr. Michalakis Thomaides

Non-Executive Director

Ms. Melina Pyrgou

Non-executive Director

Mr. Marios Tofaros

Non-executive Director

Mr. Sergey Maltsev

Chairman of the Board of Directors
Executive Director
Alternate director: Mr. Yuri Isaev

Mr. Sergey Tolmachev

Executive Director

Mr. Alexander Storozhev

Executive Director
Alternate Director: Ms. Elia Nicolaou

Mr. Konstantin Shirokov

Executive Director

Mr. Alexander Eliseev

Non-executive Director
Alternate Director: Ms Ekaterina Golubeva

Mr. Andrey Gomon

Non-executive Director
Alternate Director: Ms. Melina Pyrgou

Mr. Alexander Tarasov

Non-executive Director

Board support

The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures. Also a procedure is in place to enable Directors, if they so wish, to seek independent professional advice at the Company's expense.

Company Secretary

Ms. Elia Nicolaou

Dimitriou Karatasou, 15
Anastasio Building, 6th floor, Office 601
Strovolos, 2024, Nicosia, Cyprus



Assistant secretary: Mr. Marios Tofaros



Registered office

20 Omirou Street
Agios Nicolaos
CY-3095 Limassol, Cyprus

Consolidated Management Report

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2020. The Group’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

The principal activities of the Group, which are unchanged from last year, are the provision of railway transportation services, using own and leased rolling stock and fleet engaged from third party rail operators, as well as the operating lease of rolling stock.

Review of developments, position and performance of the Group’s business

Although the Group’s financial results were inevitably impacted by the weak markets and the unprecedented trading conditions of 2020, the Group was nonetheless able to deliver a solid performance in 2020. The weak pricing conditions in the gondola segment were partially offset by a less volatile Russian tank car segment and growing revenues from specialised containers and the railcar leasing businesses resulting in the Group delivering increased free cash flow and solid dividends for the Company’s shareholders.

IFRS financial information

Management considers amongst others the following IFRS measures in analysing the performance of the Group.

The Group’s Total revenue decreased 28% year on year to RUB 68,367,404 thousand in 2020 (2019: RUB 94,993,874 thousand). Operating profit decreased 41% year on year to RUB 18,811,071 thousand in 2020 (2019: RUB 32,119,830 thousand). The Profit for the year ended 31 December 2020 decreased 46% year on year to RUB 12,186,847 thousand (2019: RUB 22,653,332 thousand).

On 31 December 2020 the total assets of the Group were RUB 98,327,207 thousand (2019: RUB 99,574,549 thousand) and net assets were RUB 52,773,813 thousand (2019: RUB 56,526,065 thousand).

On 31 December 2020 the total debt of the Group was RUB 32,015,239 thousand and increased by 6% as compared to end of 2019 which amounted to RUB 30,095,218 thousand. Total cash and cash equivalents on 31 December 2020 decreased by 24% and amounted to RUB 4,978,322 thousand (31 December 2019: 6,521,543 thousand).

Non-IFRS financial information

Amongst others, management analyses the following key non-IFRS measures. These non-IFRS measures are marked with capital letters and their definitions are provided at the end of this section in alphabetical order.

Adjusted Revenue decreased 20% year on year to RUB 54,933,713 thousand (2019: RUB 68,839,669 thousand) primarily reflecting weak pricing conditions in the gondola segment and partially offset by a less volatile tank car segment and growing revenues from specialised containers and railcar leasing businesses. Total Operating Cash Costs were down 1% year on year to RUB 29,121,210 thousand (2019: RUB 29,408,565 thousand).

Adjusted EBITDA decreased 32% year on year to RUB 26,807,224 thousand (2019: RUB 39,551,913 thousand) with the Adjusted EBITDA Margin reduced to 49% (2019: 57%), mainly impacted by weak pricing conditions in the gondola segment. The Group’s Free Cash Flow was RUB 15,103,243 thousand, a 14% increase compared RUB 13,250,559 thousand in 2019.

The Group had a strong balance sheet with Net Debt to Adjusted EBITDA increasing to 1.01x (2019 end: 0.60x). Net Debt rose by 15% to RUB 27,036,917 thousand (2019 end: RUB 23,573,675 thousand). As at 31 December 2020 and 31 December 2019 100% of the Group’s debt was denominated in Russian roubles.

In 2020, management continued to make disciplined decisions on capital allocation whilst pursuing cost improvement and productivity measures. The Total Capex decreased 49% year on year to RUB 6,941,159 thousand (2019: RUB 13,516,817 thousand). This lower capital expenditure was largely due to the decrease in expansion CAPEX, reflecting moderate investments together with lower maintenance CAPEX, largely reflecting decrease in the number of depot repairs, wheel pairs and locomotive repairs and prices for certain spare parts and repair works. In 2020, the Group acquired 300 flat cars to support the growing niche business of freight rail transportation of specialised containers (for petrochemicals and high grade steel compared to 2,502 units (including 1,154 specialised containers, 700 flat cars, 638 gondola cars and 10 locomotives in the previous year).

Operational information

In 2020, Freight Rail Turnover (excluding Engaged Fleet) increased 2.2% year on year and the Group’s Transportation Volume (excluding Engaged Fleet) decreased 3%. The Freight Rail Turnover amounted to 150.3 billion tonnes-km (2019: 147.1 billion tonnes-km) and the Group’s Transportation Volume was 88.9 million tones in 2020 (2019: 91.6 million tones).

The Average Number of Loaded Trips per Railcar decreased by 5% year on year and the Average Distance of Loaded Trips increased by 6% year on year, mainly reflecting changed logistics and volatility in demand for rail transportation specifically in the tank car segment.

Average Price per Trip reduced 19% year on year to RUB 36,909 (2019: RUB 45,807), with solid pricing in tank cars partially compensating for continued weak pricing in the gondola segment.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

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The increase in the Empty Run Ratio for gondola cars to 45% (2019: 42%) on the back of substantial volatility in client cargo flows and routes due to the unprecedented COVID-19 lockdowns resulting in increase in the Total Empty Run Ratio to 51% (2019: 49%).

Total Fleet increased by 1% to 71,688 units (2019 end: 70,720 units) primarily reflecting the increase in number of leased-in fleet.

The financial position, development and performance of the Group as presented in the financial statements is considered satisfactory.

Definitions to Non-IFRS financial measures

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

Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Adjusted Revenue is calculated as “Total revenue” less the following “pass through” items “Infrastructure and locomotive tariffs: loaded trips” and “Services provided by other transportation organisations”.

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. Net Revenue from Operation of Rolling Stock is defined as the sum of “Revenue from railway transportation - operators services (tariff borne by the Group)” and “Revenue from railway transportation - operators services (tariff borne by the client)” less “Infrastructure and locomotive tariffs: loaded trips”, “Services provided by other transportation organisation” and net revenue from engaged fleet.

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 tank containers used in petrochemical business).

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

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, platforms and tank containers used in petrochemical business).

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 is calculated as “Cash generated from operations” (after “Changes in working capital”) less “Tax paid”, “Purchases of property, plant and equipment”, “Purchases of intangible assets”, “Acquisition of subsidiary undertakings - net of cash acquired”, “Interest paid on 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 includes volumes transported by the engaged fleet and excludes performance of petrochemical tank container segment.

Net Debt is defined as the sum of total borrowings (including interest accrued) less “Cash and cash equivalents”.

Net revenue from engaged fleet represents the net sum of the price charged for transportation to clients by the Group utilising Engaged Fleet less the loaded railway tariff charged by OAO “Russian Railways” (included in “Infrastructure and locomotive tariffs: loaded trips”) less the cost of attracting fleet from third-party operators (included in “Services provided by other transportation organisations”).

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

Total CAPEX calculated on a cash basis as the sum of “Purchases of property, plant and equipment”, “Purchases of intangible assets”, “Acquisition of subsidiary undertakings — net of cash acquired”.

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, platforms and tank containers used in petrochemical business) 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 petrochemical tank containers, unless otherwise stated, and excludes engaged fleet.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

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Total Operating Cash Costs 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”, “Reversal of impairment/(impairment) of property, plant and equipment” and “Net loss/(gain) 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 million tonnes. It excludes volumes transported by Engaged Fleet and the performance of petrochemical tank container segment.

Changes in group structure

There were no changes in the Group structure of the Company during the year ended 31 December 2020. For the principal subsidiaries of the Company, refer to Note 20 of the consolidated financial statements.

Non-Financial Information and Diversity Statement

The Group will be publishing its Non-Financial Information and Diversity Statement within its Annual report that will be issued within four months after the balance sheet date and will be available on the Company’s website, www.globaltrans.com



Environmental matters

Rail is one of the most environmentally friendly modes of transport. Nonetheless, any commercial activity has an environmental impact and Globaltrans strives to minimise those from its operations where possible. To this end, the Group ensures that its activities fully comply with local environmental regulations. It also aims to help business and nature co-exist by focusing on applying modern technology in its operations and using natural resources rationally.

In January 2021, the Board established the ESG Committee to analyse and oversee risks related to the environmental, social and governance issues.

Human resources

Globaltrans considers the wellbeing of employees central to its success and strives to maintain exemplary working standards, ensure job satisfaction and create opportunities for professional growth. The Group’s personnel policy focuses on creating a positive atmosphere at all offices and facilities to maximise productivity. As part of this, it offers medical insurance, support for education, opportunities to obtain additional qualifications and training, and financial aid in particularly difficult times.

The Group’s future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team. Competition in Russia for such personnel with relevant expertise is intense due to the small number of qualified individuals with suitable practical experience in the rail industry.

Adequate remuneration packages, which are in line with or in excess of market levels, are offered to all employees and key managers and remuneration is linked to the Group’s financial results. The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group’s remuneration packages are adequate.

Principal risks and uncertainties

The Group faces a number of diverse potential and actual risks to its business. The Board has adopted a formal process to identify, evaluate and manage principal risks and uncertainties faced by the Group.

To identify, evaluate and mitigate these, the Group has established an in-house system to monitor and control uncertainties and threats throughout its activities. This is overseen by a dedicated Risk Management function, which works directly with the Board of Directors in this area.

The Group has grouped the risks that it considers to be significant into key categories — strategic, operational, compliance and financial — and they are presented below.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated Management Report

Strategic risks

The strategic risks faced by the Group that pose risks that influence the Group’s ability to achieve its strategy include the general economic situation and operating environment in Russia, Kazakhstan, Ukraine, CIS and Baltic countries in which the Group operates; the regulatory risk relating to the operation of the Russian railway transportation market, including railway tariff regulation and technical requirements for fleet maintenance; the highly competitive Russian rail transportation market with unregulated operator’s services tariffs; the significant concentration of the Group’s customer base with the top 10 customers (including their affiliates and suppliers) accounting for around 72% of the Group’s Net Revenue from the operation of rolling stock in 2020; cost of borrowing and/or deterioration in market conditions with potential impacts on the profitability and recoverability of investments; and reliance on RZD for issuing permits allowing the Group to operate locomotives.

The Group operates mainly in Russia and other emerging markets. Emerging markets, such as Russia, Kazakhstan and Ukraine, are subject to greater risks than more developed markets, including significant economic, political, social, legal and legislative uncertainties. Moreover, the Group’s business depends on the demand in the Russian freight rail transportation market, which in turn depends on certain key commodity sectors and, accordingly, on economic conditions in Russia, Europe and elsewhere. A decrease in production and demand for key commodities in Russia, or in adjacent countries where the commodities of the Group’s key customers are shipped by rail, as a result of a technological shift, economic downturn, political crisis or other event in Russia or another relevant country, negatively impacts the Group’s business and growth prospects.

The management of the Group constantly monitors the developments in the operating environment and regulatory regime of the railway transportation market in the countries in which the Group operates. The Group’s business model is to maintain a balanced fleet between universal gondola cars, adaptable to the demand for transportation of various bulk cargoes and rail tank cars, which are used for the transportation of oil products and oil. Further, the Group has long-term, established relationships with its key customers and their affiliates and suppliers and in some cases, the Group becomes an integrated part of its customers’ operations. Around 64% of the Group’s Net Revenue from the Operation of Rolling Stock in 2020 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding transport volumes for the Group. In addition, the Group’s marketing function regularly monitors competitors’ strategies, their use of technology, their price strategies and industry trends.

In addition to the human impact, the spread of Coronavirus (COVID-19) continues to affect global businesses and may lead to further and/or continued lockdowns, trade wars and turbulence in different currencies. The Group’s outlook for 2021 may be further impacted by the Coronavirus outbreak, which continues to cause uncertainty. The freight rail market may experience reduced demand stemming from the effects of COVID-19. The Company cannot predict the full impact of COVID-19 on its markets, business or prospects although they may be materially adversely impacted by the rapidly evolving situation. In addition, the appearance of new pandemics or other dangerous illnesses could seriously affect the global and local business environment and lead to negative consequences for Group’s business. Significant levels of COVID-19 illness in the Group or its key clients could interfere with stability of Group’s operations.

Management is closely monitoring the implications of the global outbreak of COVID-19 and acts depending on the development of the situation. The Group constantly evaluates and implements options for distant work for its workforce to mitigate risks of spreading and catching COVID-19 illness.

Operational risks

The operational risks faced by the Group that could influence the Group’s operational efficiency include the physical state of the Russian, Ukrainian, CIS and Baltic countries railway infrastructure which may negatively impact the condition of the Group’s rolling stock and the performance of the Group; the impact of inflation in Russia on the Group’s costs with limited opportunities to increase tariffs to customers; the competition for personnel with relevant expertise and experience in Russia and the impact on the Group’s ability to continue to attract, retain and motivate key employees and qualified personnel; reliance on RZD for locomotive traction and infrastructure usage and the impact of this on the quality of the Group’s freight transportation services and therefore customer satisfaction; IT availability and continuity considerations due to reliance on specialised trail transport and logistics software for ensuring efficient and effective logistics, dispatching and rolling stock tracking services; and risks of terrorist attacks, natural disasters or other catastrophic events beyond the Group’s control.

The Group is managing operational risk by ensuring that practically all of the Group’s rolling stock is insured against damage. Further, the Group monitors its rolling stock through the Group’s dispatch centre on a 24/7 basis and plans routes accordingly to minimise the risks of disruption. The Group monitors FAS initiatives with the aim of detecting possible changes in tariff-setting methodology and tries to reflect respective changes in contracts with customers. Among the Group’s key objectives are to increase operational efficiency and to focus on control and reduction of costs. The Group continuously monitors its costs to maintain efficiency. The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group’s remuneration packages are adequate. Customer satisfaction is one of the key metrics that the Group’s management monitors, with customer feedback being analysed and appropriate follow-up actions being taken. Local IT specialists have introduced solutions to maintain the availability of IT services and ensure their recovery in case of disruption. The IT function and Internal Audit function monitor all IT-related activities and performance for compliance with IT policies and procedures. Further the Group permanently monitors any disruptive events and applies a Business Continuity Policy to ensure the safety of employees and human life; maintain continuity of time-critical services; minimise disruptions to clients and partners; and minimise operational, financial and reputational impact.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated Management Report

Compliance risks

The Group is also subject to compliance risk, being the risks that influence the Group’s adherence to relevant laws and regulations, including the regulations of the London Stock Exchange (“LSE”) and the Moscow Exchange (“MOEX”), where Company’s GDR are admitted to trading. The Group is involved in legal actions from time to time. Some of it may have an adverse effect on the Group. The ambiguity of the law in Russia and CIS countries creates regulatory uncertainty and might result in claims from different government authorities. Local tax, currency and customs legislation, especially in Russia, other emerging markets and Cyprus, may be subject to varying interpretations, inconsistencies between federal laws, regional and local laws, rules and regulations, frequent changes and a lack of judicial and administrative guidance on interpreting legislation.

The Group runs its operations in compliance with tax, currency, labour, customs, antimonopoly and other applicable legislation and constantly monitors any changes in the regulatory environment as well as compliance with the terms of its agreements. Standard forms of agreements are used for transportation services, and various controls are in place to ensure that the terms of agreements are adhered to. All contracts are subject to rigorous review by all of the Group functions concerned and a formal approval process prior to execution. The Group has controls in place, including highly qualified and experienced personnel, to monitor changes in legislation and determine the appropriate action needed to minimise the risk of a challenge to such treatments by the authorities. For complex matters, the Group retains external consultants.

Financial risks

The Group’s activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial results.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in the currency different from the functional currency of each of the entities of the Group.

The Group is exposed to the effects of currency fluctuations between (i) the Russian Rouble and the US Dollars in relation to US Dollar denominated balances held in the Company and the Cypriot and Russian subsidiaries of the Group having the Russian Rouble as their functional currency; (ii) the Euro and the US Dollar for US Dollar denominated balances held in the Estonian subsidiaries of the Group which have the Euro as their functional currency and (iii) the Ukrainian Hryvnia and the US Dollar for the US Dollar denominated balances held in the Ukrainian subsidiary of the Group which has the Ukrainian Hryvnia as its functional currency.

The Group does not have formal arrangements for hedging foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

Cash flow and fair value interest rate risk

The Group’s income and operating cash flows are exposed to changes in market interest rates. The Group obtains borrowings at current market interest rates and does not use any hedging instruments to manage interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, trade receivables, loans and other receivables as well as finance lease receivables.

Liquidity risk

The Group has an excess of current liabilities over current assets of RUB 2,842,697 thousand as at 31 December 2020. Due to availability of committed credit lines amounting to, together with long-term borrowings (Note 28) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long-term perspective, the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures.

Further details on the Group’s exposure to financial risks are presented in Note 6 to the consolidated financial statements.

Contingencies

The Group’s contingencies are disclosed in Note 33 to the consolidated financial statements.

Future developments

The Board of Directors does not expect any significant changes in the activities of the Group for the foreseeable future.

The Group’s strategic objective is to strengthen its position as a leading private freight rail group in Russia.

Results

The Group’s results for the year are set out on pages 146 and 147. The Board of Directors recommends the payment of a dividend as detailed below and the remaining net profit for the year is retained.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated Management Report

Dividends

Pursuant to its Articles of Association, the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (GDRs) on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to declare dividends in Russian Roubles and pay such dividends in US Dollars. If dividends are not paid in US Dollars, except as otherwise described under “Terms and Conditions of the Global Depositary Receipts — Conversion of Foreign Currency”, they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company’s subsidiaries is restricted to the total accumulated retained earnings of the relevant subsidiary, determined according to the law.

In April 2020, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR (US Dollar equivalent of US\$ 110,787 thousand).

In August 2020, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including interim dividend in the amount of RUB 3,083,281 thousand or RUB 17.25 per ordinary share/GDR and a special interim dividend in the amount of RUB 5,237,109 thousand or RUB 29.30 per ordinary share/GDR (US Dollar equivalent US\$ 111,293 thousand).

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2020 in the amount of 28.0 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 5,004,746 thousand, including final dividend for 2020 in the amount of RUB 2,931,351 thousand or RUB 16.4 per ordinary share/GDR and a special final dividend in the amount of RUB 2,073,395 thousand or RUB 11.60 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 29 April 2021 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for five business days in Russia from 22 April 2021 to 28 April 2021 inclusive.

Share capital

As at 31 December 2020 the issued share capital of the Company which remains unchanged from the prior year, comprised 178,740,916 ordinary shares with a par value of US\$0.10 per share.

Treasury shares

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company’s GDRs, each representing one ordinary share of the Company with a par value of US\$0.10 per share, and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2021 and May 2021. The total number of purchased GDRs shall not exceed 5% of the Company’s share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). The buyback programme allows the Company to take advantage of opportunities, if any, when its return criteria are better met by way of a GDR buyback than through investment in fleet expansion.

As at 31 December 2020 the Company has purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand).

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

Research and development activities

The Group has not undertaken any research and development activities during the year ended 31 December 2020.

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 36 to the consolidated financial statements.

Branches

The Group operates through branches and representative offices, maintaining eight branches and eight representative offices during 2020 (eight branches and eight representative offices during 2019).

Going concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group’s budget for 2021, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated Management Report

Auditors

The Independent Auditor, PricewaterhouseCoopers Limited, has expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Corporate governance

Globaltrans’ Board of Directors adopted the Company’s Code of Corporate Governance (the “Code”), guaranteeing that the interests of all shareholders are given due consideration. Although the Code is based on principles recommended by the UK Corporate Governance Code (formerly the Combined Code), this does not constitute voluntary compliance with such governance code.

Globaltrans’ corporate governance policies and practices are designed to ensure that the Group upholds its responsibilities to shareholders. As such, all employees are required to comply with these guidelines and the Group’s management team takes responsibility for ensuring that all departments adhere to these standards. These key principles are promoted and applied across all levels of the Group in order to establish effective and transparent corporate governance. In January 2010, the Board supplemented its Code of Corporate Governance with a corporate policy on the treatment of the rights of its non-controlling shareholders; this aims to ensure fair treatment of the rights of non-controlling shareholders of the Company.

Full details of our governance policies can be found at <https://globaltrans.com/governance/corporate-documents>.

The role of the Board of Directors



The Group is managed by the Board of Directors which is collectively responsible to the shareholders for the success of the Group.

The Board sets the strategic objectives and ensures that the necessary resources are in place to enable these objectives to be met. The Board is fully involved in decision making in the most important areas of business and conducts regular reviews of the Group’s operational and financial performance. One of the Board’s key responsibilities is to ensure that there is in place a system of prudent and effective risk controls that enable risks to be identified, assessed and managed appropriately.

Members of the Board of Directors

As at 31 December 2020 and at the date of this report, the Board comprises 15 members (2019: 15 members), 11 (2019: 11 members) of whom are non-executive directors. Four (2019: four) of the non-executive directors are independent, they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2020 and at the date of this report are shown on page 112. All of them were members of the Board throughout the year 2020.

There were no significant changes in the assignment of responsibilities of the Board of Directors.

There is no provision in the Company’s Articles of Association for retirement of Directors by rotation; however, in accordance with the Terms of reference of the Board of Directors all board members are required to submit for re-election at least once every three years. Should a non-executive Director serve any term beyond six years, his/her re-election would be subject to particularly rigorous review. In practice, all current appointments are for one year and all directors will stand for re-election at the forthcoming Annual General Meeting of shareholders of the Company.

The total gross remuneration of the members of the Board of Directors incurred by the Group in 2020 amounted to RUB 433,063 thousand (2019: RUB 507,802 thousand).

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated Management Report

Board performance

The Board held 18 meetings in 2020. The Directors’ attendance is presented in the table below.

	Eligible	Attended
Sergey Maltsev (Chairman)	18	18
John Carroll Colley	18	18
Dr. Johann Franz Durrer	18	18
Alexander Eliseev	18	17
Andrey Gomon	18	18
Vasilis Hadjivassiliou	18	18
Elia Nicolaou	18	18
George Papaioannou	18	18
Melina Pyrgou	18	18
Konstantin Shirokov	18	18
Alexander Storozhev	18	18
Alexander Tarasov	18	18
Michael Thomaides	18	17
Marios Tofaros	18	18
Sergey Tolmachev	18	18

The Board Committees

During 2020 the Board had three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. In January 2021 the Board has established the ESG Committee. A brief description of the terms of reference of the committees is set out below.

Audit Committee

The Audit Committee comprises of three Directors and meets at least four times each year. As of 31 December 2020 two members Audit Committee were independent and the Audit Committee was chaired by Mr. J. Carroll Colley and was also attended by Mr. Papaioannou and Ms. Nicolaou. In January 2021 Mr. Vasilis Hadjivassiliou became a member of the Audit Committee and Ms. Nicolaou resigned from the Audit Committee and was appointed to the ESG Committee, as a result since January 2021 the Audit Committee comprises of three independent Directors. The Audit Committee is responsible for considering, among other matters: the integrity of the Company’s financial statements, including its annual and interim accounts, and the effectiveness of the Company’s internal controls and risk management systems; auditors’ reports and the terms of appointment and remuneration of the auditor.

The Committee supervises, monitors and advises the Board on risk management and control systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the submission by the Company of financial information and a number of other audit-related issues. The Audit Committee is also responsible for assessing the efficiency of the performance of the Chairman of the Board.

The Audit Committee manages the relationship with the external auditor on behalf of the Board. It considers the reappointment of the external auditor each year, as well as remuneration and other terms of engagement, and makes a recommendation to the Board. Shareholders are asked to approve the reappointment of the auditor each year at the Annual General Meeting.

The Internal Audit function is carried out internally by the Group’s Internal Audit Service (“IAS”). IAS is responsible for testing the systems of risk management, internal control and corporate governance of the Group.

Nomination Committee

The Nomination Committee comprises of two Independent Directors and meets at least once a year. The Nomination Committee is chaired by Dr. Durrer and Carroll Colley is the other member. The Committee’s remit is to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board, given the Company’s stage of development, and makes recommendations to the Board as to any changes. The Committee also considers future appointments in respect of the Board’s composition and makes recommendations regarding the membership of the Audit and Remuneration Committees.

Remuneration Committee

The Remuneration Committee comprises of two Independent Directors and meets at least once a year. The Remuneration Committee is chaired by Dr. Durrer and Carroll Colley is the other member. The Committee’s responsibility is the determination and review of, among other matters, the remuneration of Executive Directors, and

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated Management Report

the review of the Company’s remuneration policies. The remuneration of Independent Directors is a matter for the Chairman of the Board and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

ESG Committee

In January 2021 the Board of Directors established an ESG Committee to lead its thinking on ESG matters and ensure that ESG issues are integrated into the Group’s long-term strategy. The ESG Committee will also monitor the development of the Group’s sustainability strategy, review and recommend ESG disclosures for Board approval and approve the Group’s sustainability reports. The ESG Committee is comprised of two Board members: Elia Nicolaou, Non-executive Director, who serves as the Chair, and John Carroll Colley, Independent Non-executive Director. The ESG Committee will meet at least two times a year.

Board and Management Remuneration

Non-executive directors serve on the Board pursuant to the letters of appointment which are subject to approval by the shareholders at the Annual General Meeting. Such letters of appointment specify the terms of appointment and the remuneration of non-executive directors. Appointments are for one year.

Levels of remuneration for Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties.

The shareholders of the Company approved the remuneration of the members of the Board of Directors at the Annual General Meeting of shareholders held on 30 April 2020.

Refer to Note 35 of the consolidated financial statements for details of remuneration of directors and other key management personnel.

Diversity policy

The Company does not have a formal Board diversity policy to aspects such as age, gender or educational and professional backgrounds, but, following best practice, while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.

As of the date of publication of these financial statements the Board has 2 females representing approximately 13.3% from the total number of directors. The age of the members of the Board of Directors starts from over 40 years, with the average age of directors being 52 years. The Board members have the following educational backgrounds: transportation and ports industry, accounting, economics and financial, banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management. The Board has a necessary balance of skills and expertise to run the Company and the Group.

Further details of the corporate governance regime of the Company can be found on the website:
<https://globaltrans.com/governance/corporate-documents>.



Regulations with regards to the amendment of the article of association

The Articles of Association of the Company may be amended from time to time by special resolution at the General Meeting of the Shareholders.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated Management Report

Company’s internal control and risk management systems in relation to the financial reporting process

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

The Board is primarily responsible for establishing a framework of prudent and effective controls that enables risks to be assessed and managed.

The Audit Committee assists the Board in this task by reviewing and assessing the Group’s internal control and risk management processes in relation to Group’s financial reporting process.

The system of controls is designed to manage rather than eliminate the risks relevant to the Group’s operations and, therefore, can only provide reasonable, and not absolute, assurance against material errors, losses, fraud or breaches of laws and regulations.

At Globaltrans, the body responsible for internal audit is the Internal Audit Service (IAS). It tests the Group’s systems of risk management, internal control and corporate governance to obtain a reasonable assurance that:

- The risk management system functions efficiently;
- Material financial, management and operating information is accurate, reliable and up-to-date;
- The actions of employees and management bodies are in compliance with the Group’s policies, standards and procedures and the applicable laws;
- Resources are procured reasonably and used efficiently and their safekeeping is fully guaranteed; and
- Group companies conduct their business in compliance with applicable laws.

Each year, the Audit Committee approves an internal audit plan, which is developed by identifying the audit universe, performing a risk analysis and obtaining input from management relative to risks, controls and governance processes. The internal auditor regularly reports to the Audit Committee on the progress of planned audits. If any material internal control deficiencies are identified, they are communicated to the Audit Committee, and consequently to the Board, at once.

Significant direct or indirect holdings (including indirect shareholding though structures or cross shareholdings)

The issued share capital of the Company consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of Global Depositary Receipts (GDRs). The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange and, from October 2020, in the Moscow Exchange, under the ticker GLTR. The free float of Globaltrans amounts to approximately 56.9%1 of the issued share capital. In June 2020 the Company changed the depositary bank for the GDR programme of the Company from the Bank of New York Mellon to Citibank N.A.

The shareholder structure of the Company as at 31 December 2020 was as follows:

Onyx Investments Ltd ²	11.5%
Marigold Investments Ltd ²	11.5%
Maple Valley Investments Ltd ²	10.8%
Litten Investments Ltd ³	5.1%
Goldriver Resources Ltd ⁴	4.0%
Controlled by Directors and management of Globaltrans	0.2%
Free float ¹	56.9%

¹ For these purposes, the free float consists of the ordinary shares and GDRs held by investors not affiliated or associated with the Company.

² Nikita Mishin, Andrey Filatov and Konstantin Nikolaev are co-founders of the Company and beneficiaries with regard to 11.5%, 11.5% and 10.8% respectively of Globaltrans’ ordinary share capital each through their respective SPVs (Onyx Investments Ltd, Marigold Investments Ltd and Maple Valley Investments Ltd).

³ Beneficially owned by Alexander Eliseev, Non-Executive Director and co-founder of the Company.

⁴ Beneficially owned by Sergey Maltsev, Chairman of the Board, Executive Director, Chief strategy officer and co-founder of the Company.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated Management Report

Directors’ interests

The interests in the share capital of Globaltrans Investment PLC and its Group companies, both direct and indirect, of those who were Directors of the Company as at 31 December 2020 and 31 December 2019 are shown below:

Name	Type of holding	2020	2019
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	9,065,790
Sergey Maltsev	Indirect holding of ordinary shares and GDRs	7,099,725	7,099,725
Johann Franz Durrer	Holding of GDRs	160,606	160,606

The holders of special titles that provide special control rights and description of such rights

The Company does not have any titles with special rights.

Any restrictions in exercising of voting rights of shares

There are no restrictions in the exercising of voting rights of shares issued by the Company.

By Order of the Board



Sergey Tolmachev
Director

Limassol, 26 March 2021

Directors' responsibility

The Company's Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

This responsibility includes selecting appropriate accounting policies and applying them consistently; and making accounting estimates and judgements that are reasonable in the circumstances.

In preparing the consolidated financial statements, the Board of Directors is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Directors' confirmations

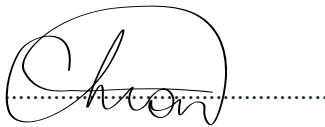
Each of the directors, whose names and functions are listed in page 112 confirms that, to the best of his or her knowledge:

- (a) the consolidated financial statements, which are presented on pages 146 to 255, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- (b) the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces/they face.

Further, each of the Directors confirms that, to the best of their knowledge:

- (i) adequate accounting records have been maintained which disclose with reasonable accuracy the financial position of the Group and explain its transactions;
- (ii) all information of which they are aware that is relevant to the preparation of the consolidated financial statements, such as accounting records and all other relevant records and documentation, has been made available to the Company's auditors;
- (iii) the consolidated financial statements disclose the information required by the Cyprus Companies Law, Cap.113 in the manner so required;
- (iv) the Consolidated Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the consolidated financial statements;
- (v) the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Consolidated Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements; and
- (vi) the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

By order of the Board



Sergey Tolmachev
Director

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Independent Auditor's Report

To the Members of Globaltrans Investment PLC



Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Globaltrans Investment PLC (the “Company”) and its subsidiaries (together the “Group”) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 146 to 255 and comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

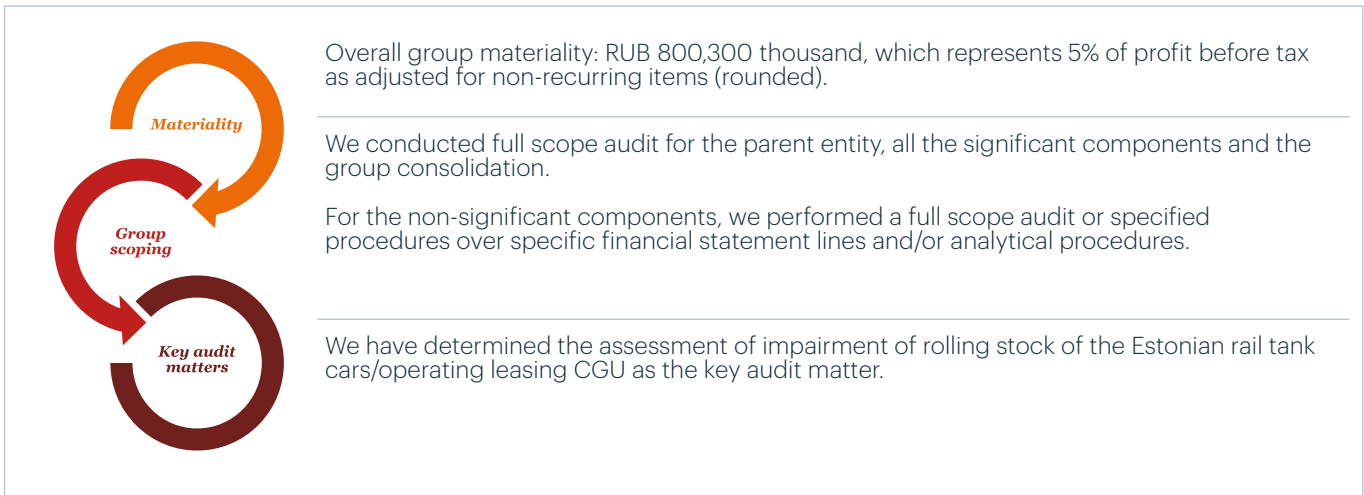
Independence

We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Independent Auditor's Report



Overall group materiality	RUB 800,300 thousand
How we determined it	5% of profit before tax as adjusted for non-recurring items (rounded)
Rationale for the materiality benchmark applied	We chose the adjusted profit before tax as the benchmark, because in our view, it is the benchmark against which the performance of the Group is most commonly measured by the users of the consolidated financial statements and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RUB 40,000 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Assessment of impairment of rolling stock of the Estonian rail tank cars/operating leasing CGU</i>	
Based on the requirements of the applicable accounting standards and in line with the Group's accounting policy for impairment of non-financial assets, as set out in Note 4 to the consolidated financial statements, the Board of Directors assessed whether there were any indications of impairment of the Group's rolling stock as of 31 December 2020.	For the Estonian rail tank cars/operating leasing CGU, we obtained and evaluated the analysis of indications of impairment performed by the Board of Directors.
The Company's Board of Directors considered the deterioration of the economic environment, the prevailing industry conditions and the COVID-19 pandemic related uncertainties, as these are set out in Note 33 to the consolidated financial statements, as indications of impairment of the Group's cash generating units ("CGUs") and proceeded to perform impairment assessments to determine if there is an impairment loss.	We further evaluated the valuation methodology and calculations used by the Board of Directors in determining the CGU's recoverable amount, including the underlying inputs used. In particular, we examined the valuation technique applied by the Board of Directors as to whether this incorporated all factors and inputs that market participants would consider in setting a price for the specific rolling stock in the CGU.



Key Audit Matter	How our audit addressed the Key Audit Matter
We focused our audit effort on the Board of Directors' impairment assessment for the Estonian rail tank cars/ operating leasing CGU, due to: <ul style="list-style-type: none">the size of the CGU's rolling stock balance of RUB12,786,087 thousand as at 31 December 2020; andthe fact that the Board of Director's impairment assessment indicated a narrow headroom between the recoverable amount and the carrying amount of the said CGU.	We also compared the prices included in the model to publicly available quoted prices. We lastly evaluated the fair presentation of the disclosures made in Note 17 of the consolidated financial statements. Based on the evidence obtained, we found that the methodology and inputs used and the related disclosures included in the consolidated financial statements are appropriate.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report, including the Corporate Governance Statement, and the Directors' responsibility, which we obtained prior to the date of this auditor's report, and the Company's complete Annual Report, including the Non-Financial Information and Diversity Statement, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company's complete Annual Report, including the Non-Financial Information and Diversity Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Independent Auditor's Report



Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company in 2005 by shareholders' resolution for the audit of the financial statements for the year ended 31 December 2004. Our appointment has been renewed annually since then, by shareholders' resolution. In 2008 the Company was listed in the Main Market of the London Stock Exchange and accordingly the first financial year that the Company qualified as a European Union Public Interest Entity was the year ended 31 December 2008. Since then, the total period of uninterrupted engagement appointment was 13 years.



Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Independent Auditor's Report



Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 25 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.



Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

26 March 2021

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
		RUB'000	RUB'000
Revenue	10	68,367,404	94,993,874
Cost of sales	11	(47,065,999)	(58,833,383)
Gross profit		21,301,405	36,160,491
Selling and marketing costs	11	(204,666)	(216,298)
Administrative expenses	11	(3,393,665)	(3,858,549)
Other income		1,000,232	133,508
Other gains/(losses) — net	12	107,765	(99,322)
		18,811,071	32,119,830
Finance income	14	263,968	533,857
Finance costs	14	(2,510,495)	(2,529,098)
Net foreign exchange transaction gains/(losses) on financing activities	14	147,008	(379,824)
Finance costs — net	14	(2,099,519)	(2,375,065)
Profit before income tax		16,711,552	29,744,765
Income tax expense	15	(4,524,705)	(7,091,433)
Profit for the year		12,186,847	22,653,332
Profit attributable to:			
Owners of the Company		10,586,535	20,807,651
Non-controlling interest		1,600,312	1,845,681
		12,186,847	22,653,332
Weighted average number of ordinary shares in issue (thousand)	32	178,705	178,741
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share) ¹	32	59.24	116.41

¹ 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 year.

! The notes on pages 154 to 255 of these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	RUB'000	RUB'000
Profit for the year	12,186,847	22,653,332
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	2,050,512	(925,000)
Losses on cash flow hedge reserve	(475,042)	—
Reclassification to the income statement	475,042	—
Items that will not be reclassified to profit or loss		
Currency translation differences attributable to non-controlling interest	1,066,715	(493,622)
Other comprehensive income for the year, net of tax	3,117,227	(1,418,622)
Total comprehensive income for the year	15,304,074	21,234,710
Total comprehensive income for the year attributable to:		
— owners of the Company	12,637,047	19,882,651
— non-controlling interest	2,667,027	1,352,059
	15,304,074	21,234,710

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 notes on pages 154 to 255 of these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated balance sheet

AT 31 DECEMBER 2020			
	Note	31 December 2020, RUB'000	31 December 2019, RUB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	84,420,941	80,532,645
Right-of-use assets	18	1,080,415	1,410,448
Intangible assets	19	1,460	61,316
Other assets	23	549,493	336,416
Trade receivables	22	236,165	197,284
Loans and other receivables	22	3,887	10,374
Total non-current assets		86,292,361	82,548,483
Current assets			
Inventories	24	691,033	1,722,781
Other assets	23	2,586,593	5,190,504
Loans and other receivables	22	47,483	37,645
Trade receivables	22	3,465,381	3,012,282
Current income tax assets		266,024	501,087
Cash and cash equivalents	25	4,978,322	6,521,543
		12,034,836	16,985,842
Assets classified as held for sale		10	40,224
Total current assets		12,034,846	17,026,066
TOTAL ASSETS		98,327,207	99,574,549
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	26	516,957	516,957
Share premium	26	27,929,478	27,929,478
Treasury shares		(31,496)	—
Common control transaction reserve		(10,429,876)	(10,429,876)
Translation reserve		5,443,187	3,392,675
Capital contribution		2,694,851	2,694,851
Retained earnings		20,724,107	26,774,750
Total equity attributable to the owners of the Company		46,847,208	50,878,835
Non-controlling interest		5,926,605	5,647,230
Total equity		52,773,813	56,526,065

	Note	31 December 2020, RUB'000	31 December 2019, RUB'000
Non-current liabilities			
Borrowings	28	21,084,067	22,294,914
Other lease liabilities	29	720,487	881,706
Trade and other payables	31	—	90,742
Contract liabilities	10	8,710	11,191
Deferred tax liabilities	30	8,862,587	7,592,182
Total non-current liabilities		30,675,851	30,870,735
Current liabilities			
Borrowings	28	10,931,172	7,800,304
Other lease liabilities	29	684,109	649,177
Trade and other payables	31	2,197,994	2,355,872
Contract liabilities	10	964,042	1,244,702
Current tax liabilities		100,226	127,694
Total current liabilities		14,877,543	12,177,749
TOTAL LIABILITIES		45,553,394	43,048,484
TOTAL EQUITY AND LIABILITIES		98,327,207	99,574,549

! The notes on pages 154 to 255 of these consolidated financial statements are an integral part of these consolidated financial statements.

On 26 March 2021, the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

By order of the Board



Sergey Tolmachev
Director



Konstantin Shirokov
Director

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2019											
Note	Attributable to the owners of the Company			Translation reserve, RUB'000	Capital contribution, RUB'000	Retained earnings, RUB'000	Total, RUB'000	Non-controlling interest, RUB'000	Total, RUB'000		
	Share capital, RUB'000	Share premium, RUB'000	Common control transaction reserve, RUB'000								
Balance at 1 January 2019	516,957	27,929,478	(10,429,876)	4,317,675	2,694,851	22,598,941	47,628,026	5,897,408	53,525,434		
<i>Comprehensive income</i>											
Profit for the year	—	—	—	—	—	20,807,651	20,807,651	1,845,681	22,653,332		
<i>Other comprehensive income</i>											
Currency translation differences	—	—	—	(925,000)	—	—	(925,000)	(493,622)	(1,418,622)		
Total comprehensive income for 2019	—	—	—	(925,000)	—	20,807,651	19,882,651	1,352,059	21,234,710		
<i>Transactions with owners</i>											
Dividends to owners of the Company	27	—	—	—	—	(16,631,842)	(16,631,842)	—	(16,631,842)		
Dividends to non-controlling interest	27	—	—	—	—	—	—	(1,602,237)	(1,602,237)		
Total transactions with owners	—	—	—	—	—	(16,631,842)	(16,631,842)	(1,602,237)	(18,234,079)		
Balance at 31 December 2019	516,957	27,929,478	(10,429,876)	3,392,675	2,694,851	26,774,750	50,878,835	5,647,230	56,526,065		
FOR THE YEAR ENDED 31 DECEMBER 2020											
Note	Attributable to the owners of the Company				Cash flow hedge reserve, RUB'000	Translation reserve, RUB'000	Capital contribution, RUB'000	Retained earnings, RUB'000	Total, RUB'000	Non-controlling interest, RUB'000	Total, RUB'000
	Share capital, RUB'000	Share premium, RUB'000	Treasury shares, RUB'000	Common control transaction reserve, RUB'000							
Balance at 1 January 2020	516,957	27,929,478	—	(10,429,876)	—	3,392,675	2,694,851	26,774,750	50,878,835	5,647,230	56,526,065
<i>Comprehensive income</i>											
Profit for the year	—	—	—	—	—	—	—	10,586,535	10,586,535	1,600,312	12,186,847
<i>Other comprehensive income</i>											
Currency translation differences	—	—	—	—	—	2,050,512	—	—	2,050,512	1,066,715	3,117,227
Losses on cash flow hedge reserve	—	—	—	—	(475,042)	—	—	—	(475,042)	—	(475,042)
Reclassification to the income statement	—	—	—	—	475,042	—	—	—	475,042	—	475,042
Total comprehensive income for 2020	—	—	—	—	—	2,050,512	—	10,586,535	12,637,047	2,667,027	15,304,074
<i>Transactions with owners</i>											
Dividends to owners of the Company	27	—	—	—	—	—	—	(16,637,178)	(16,637,178)	—	(16,637,178)
Dividends to non-controlling interest	27	—	—	—	—	—	—	—	—	(2,387,652)	(2,387,652)
Purchase of treasury shares	26	—	—	(31,496)	—	—	—	—	(31,496)	—	(31,496)
Total transactions with owners	—	—	(31,496)	—	—	—	—	(16,637,178)	(16,668,674)	(2,387,652)	(19,056,326)
Balance at 31 December 2020	516,957	27,929,478	(31,496)	(10,429,876)	—	5,443,187	2,694,851	20,724,107	46,847,208	5,926,605	52,773,813

! The notes on pages 154 to 255 of these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Consolidated cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RUB'000	2019 RUB'000
<i>Cash flows from operating activities</i>			
Profit before tax		16,711,552	29,744,765
Adjustments for:			
Depreciation of property, plant and equipment	17	6,968,694	5,794,912
Depreciation of right-of-use assets	18	655,070	424,220
Amortisation of intangible assets	19	59,856	696,725
Net loss on sale of property, plant and equipment	17	316	10,047
Loss on derecognition arising on capital repairs	17	419,982	471,746
Reversal of impairment of property, plant and equipment	17	—	(64,889)
Net impairment losses on trade and other receivables	11	5,511	12,699
Interest income	14	(263,968)	(533,857)
Interest expense and other finance costs	14	2,510,495	2,529,098
Net foreign exchange transaction (gains)/losses on financing activities	14	(147,008)	379,824
Other losses		11,496	41,197
		26,931,996	39,506,487
<i>Changes in working capital:</i>			
Inventories		816,127	(394,213)
Trade receivables		(427,317)	(712,934)
Other assets		1,438,733	(1,299,140)
Other receivables		9,979	9,816
Trade and other payables		(208,134)	(270,224)
Contract liabilities		(283,141)	(1,417,574)
Cash generated from operations		28,278,243	35,422,218
Tax paid		(3,051,888)	(6,018,371)
Net cash from operating activities		25,226,355	29,403,847
<i>Cash flows from investing activities</i>			
Loans repayments received from third parties		4,301	2,728
Purchases of property, plant and equipment		(6,941,159)	(13,515,985)

Purchases of intangible assets		—	(832)
Proceeds from sale of property, plant and equipment	17	66,765	91,649
Interest received		263,968	533,857
Receipts from finance lease receivable		77,870	123,598
Net cash used in investing activities		(6,528,255)	(12,764,985)
<i>Cash flows from financing activities</i>			
Proceeds from bank borrowings	28	23,265,000	10,408,000
Proceeds from issue of non-convertible unsecured bonds	28	—	5,000,000
Repayments of borrowings	28	(19,603,415)	(10,736,723)
Principal elements of lease payments for leases with financial institutions	28	(1,715,794)	(488,723)
Principal elements of lease payments for other lease liabilities	28	(672,432)	(339,597)
Interest paid on bank borrowings and non-convertible unsecured bonds	28	(2,314,937)	(2,017,915)
Interest paid on leases with financial institutions	28	(80,813)	(167,048)
Interest paid on other lease liabilities	28	(113,771)	(111,911)
Dividends paid to owners of the Company	27	(16,637,178)	(16,631,842)
Dividends paid to non-controlling interests in subsidiaries	27	(2,271,815)	(1,602,237)
Payments from non-controlling interest for share capital increase of subsidiary		—	200,060
Purchase of treasury shares		(31,496)	—
Payments to non-controlling interest	20	(180,281)	(450,934)
Net cash used in financing activities		(20,356,932)	(16,938,870)
Net decrease in cash and cash equivalents		(1,658,832)	(300,008)
Exchange losses on cash and cash equivalents		115,611	(308,367)
Cash and cash equivalents at beginning of year	25	6,521,543	7,129,918
Cash and cash equivalents at end of year	25	4,978,322	6,521,543

Principal non-cash investing and financing transactions

The principal non-cash investing and financing transactions consist of finance leases with the Group acting as a lessor (Note 23) and leases with the Group acting as the lessee (Notes 28 and 29).

! The notes on pages 154 to 255 of these consolidated financial statements are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Country of incorporation

Globaltrans Investment Plc (“the Company”) is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 and converted into a public company on 15 April 2008. The address of its registered office is 20 Omirou Street, CY-3095 Limassol, Cyprus. The Group’s principal place of business is at Nizhnyaya Krasnoselskaya st. 39, bld. 1, Moscow, Russia.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 26 March 2021.

Global Depositary Receipts

Global Depositary Receipts, each representing one ordinary share of the Company, are listed on the London Stock Exchange International Main Market and, since October 2020, on the Moscow Exchange. Furthermore, Russian Rouble denominated bonds, issued by the Company’s subsidiary New Forwarding Company, AO, for a total amount of RUB 10 billion, out of a RUB 100 billion registered program, are listed on the Moscow Exchange.

Principal activities

The principal activities of the Group, which are unchanged from last year, are the provision of railway transportation services, using own and leased rolling stock and fleet engaged from third party rail operators, as well as the operating lease of rolling stock.

2. Basis of preparation

The consolidated financial statements of Globaltrans Investment PLC have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law Cap. 113.

As of the date of the authorization of these financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are relevant to the Group’s operations and are effective as at 1 January 2020 have been adopted by the EU through the endorsement procedure established by the European Commission.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

3. Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and amended standards that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020. None of these had a significant impact on these financial statements.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations involving entities under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted using the predecessor basis of accounting. Under this method, the financial statements of the acquiree are included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies, on the assumption that the Group was in existence for all periods presented. The excess of the cost of acquisition over the carrying amount of the Group’s share of identifiable net assets is recorded in equity, as “common control transaction reserve”.

The acquisition method of accounting is used for the acquisitions of subsidiaries that do not involve entities or businesses under common control by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, equity instruments issued by the Group and liabilities incurred to the former owners of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest or the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Notes to the consolidated financial statements

Indemnification assets recognised at the acquisition date continue to be measured on the same basis as the related indemnified item subject to collectability and contractual terms until they are collected, sold, cancelled or expire in the post-combination period. The entity measures the indemnification asset on the same basis as the related item, subject to any restrictions in the contractual terms such as a ceiling on the amount payable and any adjustment for the seller creditworthiness. Measurement on the same basis includes recognising any gains or losses appropriately.

On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at the fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in the income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into compliance with those used by the Group.

All inter-company transactions, balances, income, expenses and unrealised gains and losses are eliminated on consolidation. Profits and losses from intra-group transactions that are recognised in assets are also eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners in their capacity as equity owners of the Group. For purchases from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity attributable to owners of the Company. Gains or losses on disposals to non-controlling interests are also recorded in equity attributable to the owners of the Company.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

Revenue recognition

Recognition and measurement. Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. Revenue is recognised net off discounts and estimates for rebates that are in accordance with the contracts entered into with the customers. The Group includes in the transaction price an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Group's experience with similar contracts and forecasted sales to the customer.

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers, as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the income statement in the period in which the circumstances that give rise to the revision become known by management.

Revenues earned by the Group are recognised on the following bases:

Revenue from railway transportation services — using own, leased or engaged rolling stock

(i) Operator's services

The Group organises transportation services for clients using its own, leased or engaged rolling stock. There are four types of operator's services contracts:

- The Group has a contractual relationship with the client and sets the terms of the transactions, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is borne by the Group. Total proceeds from clients are included in the Group's revenue.
- The Group has a contractual relationship with the client and sets the terms of the transactions, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is borne by the Group and recharged to the customer as a reimbursement but the Group bears the variability in tariffs. Total proceeds from clients are included in the Group's revenue.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Notes to the consolidated financial statements

- The Group has a contractual relationship with the client and sets the terms of the transaction, excluding the OAO “Russian Railways” tariff, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO “Russian Railways” tariff is paid by the Group and recharged to the customer as a reimbursement. Under these arrangements the Group recognises revenue net of OAO “Russian Railways” tariff.
- The Group has a contractual relationship with the customer and sets the terms of the transaction, excluding the OAO “Russian Railways” tariff, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The tariff is paid directly by the customer to OAO “Russian Railways”. Under these arrangements the Group recognises revenue net of OAO “Russian railways” tariff.

(ii) Freight rail transportation services using specialised tank containers

The Group provides freight rail transportation services using specialised tank containers for clients using its own, leased or engaged rolling stock (platforms).

Revenue for all of the above types of contracts is recognised over time while the Group satisfies its performance obligation by transferring control over the promised services to the customer in the accounting period in which the services are rendered. In particular, revenue is recognised in accordance with the stage of completion of the transaction, determined based on the actual trip days lapsed against the total estimated number of trip days for the entire trip, since the customer receives and consumes the benefits from the services simultaneously.

Customers are invoiced on a regular basis and in accordance with pre-agreed payment terms with credit periods not exceeding one year. If the services rendered by the Group exceed the payment and the Group does not have the unconditional right to consideration for the services rendered, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Identification of performance obligations. The Group assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a good or service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is, the good or service is capable of being distinct) and the Group’s promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the promise to transfer the good or service is distinct within the context of the contract).

In assessing whether two or more promises to transfer goods and/or services to a customer are separate performance obligations, the Group considers, amongst others, whether it provides a significant service of integrating the good or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted (that is, the Group is using the goods or services as inputs to produce or deliver the combined output or outputs specified by the customer), whether one or more of the goods and/or services significantly modifies or customises, or is significantly modified or customised by, one or more of the other goods or services promised in the contract or whether the good or services are highly interdependent or highly interrelated. The Group considers that all of the above operator’s services contracts contain a single performance obligation.

Financing component. In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing. In these circumstances, the contract contains a significant financing element.

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group elected to use the practical expedient provided by IFRS 15 and does not adjust any of the transaction prices for the effect of the financing component for the time value of money.

Contract assets and contract liabilities. In case the goods transferred or services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the goods transferred or services rendered, a contract asset is recognised. If the payments made by a customer exceed the goods transferred or services rendered under the relevant contract, a contract liability is recognised. The Group recognises any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required before the payment is due.

The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires lifetime expected credit losses to be recognised from initial recognition of the contract asset. Impairments of contract assets are measured, presented and disclosed on the same basis as as for trade receivables. Contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due.

Costs to obtain or fulfil contracts with customers. To the extent that these are recoverable, incremental costs incurred by the Group to obtain a contract and incremental costs incurred to fulfil a contract are capitalised and amortised on a straight-line basis over the term of the specific contract — consistent with the pattern of the transfer of the goods and/or services to which they relate to — and assessed for impairment. Incremental costs of obtaining contracts are those costs that the Group incurs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

The Group does not have any contracts where the period of transfer of the goods and/or provision of the services (that is, the period between the start and completion of a trip) exceeds one year. Accordingly, the Group recognises the incremental costs of obtaining a contract as an expense when incurred since the amortization period of the asset that it would otherwise have recognised is less than one year.

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Notes to the consolidated financial statements

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Company and of the majority of its subsidiaries is the Russian Rouble (RUB). The consolidated financial statements are presented in Russian Roubles (RUB) (“the presentation currency”) because this is the currency better understood by the principal users of the financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of foreign exchange differences that relate to qualifying cash flow hedges which are deferred in equity.

Net foreign exchange differences arising from borrowings and other liabilities and from cash and cash equivalents and other monetary assets are presented on the face of the income statement in the line “net foreign transaction gains/(losses) on financing activities”, with the appropriate disclosure of the split between the two in the note “Finance income and costs”.

All other foreign exchange gains and losses are presented in the income statement within “Other gains/(losses) — net”.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate existing at the date of the balance sheet presented;
- Income and expense items at the average yearly rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- Share capital, share premium and all other reserves are translated using the historic rate.

All exchange differences resulting from the above translation are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, including foreign exchange differences on long-term loans receivable designated as part of the net investment in foreign operations, are recognised in other comprehensive income. When a foreign operation is disposed of or sold and control or significant influence is lost, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal. On a partial disposal of a foreign operation, the proportionate share of the cumulative amount of the exchange differences recorded in equity relating to the amount disposed is reclassified in the income statement. The Group assesses whether there is a partial disposal of a foreign operation on the basis of the change in the Group’s proportionate ownership interest in the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Hedging activities

The Group is exposed to foreign exchange risk arising from dividends declared in Russian Roubles and paid in US Dollar at the rate set at the date of the declaration. The Group uses foreign currency cash deposits denominated in US Dollars to hedge this foreign exchange risk exposure.

In particular, the US Dollar denominated cash deposits are designated by the Group as hedging instruments in hedging the foreign exchange risk associated with the highly probable dividend payment and the resulting payable. At inception of the hedge relationship, the Group documents, amongst others, the economic relationship between the hedging instrument and hedged item, including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of the hedged item. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

As a result of the application of hedge accounting for the first time within the year 2020, the foreign exchange difference on the hedging instrument is recognised in other comprehensive income in the “Cash flow hedge reserve” within equity. Amounts recognised in equity are reclassified to the income statement, within “Finance income and costs”, in the same period or periods during which the hedged item impacts the income statement, being once foreign exchange differences are recognised on the hedged item.

Accordingly, in the cash flow statement “Dividends paid to the owners of the Company” are disclosed net-off foreign exchange differences on the relevant cash deposits (i.e. at the amounts declared) and the “Exchange gains/(losses) on cash and cash equivalents” do not include the impact from the relevant cash deposits used for hedging. In the income statement the amounts included in “Finance income and costs” (Note 14) within “Net foreign exchange transaction gains/(losses) on cash and cash equivalents and other monetary assets” and “Net foreign exchange transaction gains on borrowings and other liabilities” are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging).

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Property, plant and equipment

Property, plant and equipment are recorded at purchase or construction cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Land is not depreciated.

Depreciation on property, plant and equipment begins when it is available for use and is calculated using the straight-line method to allocate their cost, less residual value, over their estimated useful lives, as follows:

	Number of years, range
Buildings	30
Rolling stock: (except locomotives)	
Gondola cars	22
Rail tank cars	32
Rail tank cars (specialised types)	30–40
Hoppers	15–26
Flat cars	20–32
Tank containers	20
Locomotives	9–45
Mounted wheels	7
Motor vehicles and other property, plant and equipment	3 to 10

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Assets under construction are not depreciated until they are completed and brought into use, at which time they are reclassified in the relevant class of property, plant and equipment and depreciated accordingly.

Borrowing costs to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they are incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced cost is derecognised.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with carrying amount and these are included within operating profit as part of operating expenses.

Rolling stock repair and maintenance costs

Repair and maintenance costs relating to periodical capital repairs of locomotives and other rolling stock and periodical middle repairs of locomotives constitute major repairs that result in enhancement of the economic benefits of the rolling stock and as such are capitalised by the Group.

In particular, the cost of each major periodic capital repair is recognised in the carrying amount of the relevant item of rolling stock repaired and separately depreciated over the expected period until the next periodic capital repair or until the end of the useful economic life of the item of rolling stock, if earlier. Significant components replaced as part of periodic major capital repairs are capitalised and depreciated separately over their useful economic life. Simultaneously with the capitalisation of the costs of the new periodic major capital repair, the carrying amount of the repaired rolling stock that is attributable to the previous periodic capital repair and/or significant component replaced, if any, is derecognised and debited in ‘cost of sales’ in the income statement as ‘loss on derecognition arising on capital repairs’.

If it is not practicable for the Group to determine the carrying amount of the repaired rolling stock that is attributable to the previous periodic capital repair and/or significant component replaced to be derecognised, the Group uses the cost of the current periodic major capital repair or replaced part as an indication of what the cost of the replaced part was at the time the rolling stock was acquired.

Other types of repairs of rolling stock, such as current repairs and depot repairs, are viewed by the Group as routine repairs and maintenance and thus their cost is charged in the Group’s income statement as and when incurred.

Upon initial recognition of rolling stock, the Group’s accounting policy is not to separately identify and depreciate the element of its cost that is reflecting the maintenance element of the periodic major capital repair of the rolling stock on initial recognition. The cost attributed to significant components, such as wheel pairs, is separately identified and depreciated over their useful economic life.

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Intangible assets

(a) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships relate to a transportation services contract with MMK Group. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Customer relationships are being amortised using the straight-line method over an estimated useful life from five to seven years from the date of their acquisition. The useful lives of the customer relationships are reviewed, and adjusted if appropriate, at the end of each reporting period.

(b) Computer software

The costs of acquiring computer software for internal use are capitalised as intangible assets where the software supports a significant business system and the expenditure leads to the creation of a durable asset. Computer software is capitalised at cost and amortised over three years, which reflects its estimated useful life, using straight-line method commencing when the asset is available for its intended use. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Impairment of non-financial assets

Assets that have indefinite useful life and goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of impairment whenever there is an indication that an impairment recognised in prior periods may no longer exist or may have decreased.

Leases

(a) The Group is the lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, with limited exceptions as set out below. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option, if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Contracts may contain both lease and non-lease components. The Group accounts for each lease component within such contracts as a lease separately from the non-lease components. The consideration in the contract is allocated to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components. The consideration for non-lease components relating to services is recognised as an expense in the income statement.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

The Group is exposed to potential future increases in variable lease payments based on an index or a rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right-of-use asset. The adjustment can be positive or negative.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Right-of-use assets are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an expense on a straight-line basis in the income statement. Short-term leases are leases with a lease term of 12 months or less.

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Right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet, except for right-of-use assets and associated lease liabilities arising from leases with financial institutions that include purchase options that are reasonably certain to be exercised due to the exercise price being a nominal amount compared to the fair value of the leased asset on the exercise date. The latter are presented within the same line item as the corresponding underlying assets would be presented if they were owned and within borrowings, respectively. Management believes that this presentation best reflects the substance of the leases with financial institutions, being similar to that of purchases via collateralised borrowings.

Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset.

The accounting of a sale and leaseback transaction depends on whether the transfer of the asset qualifies as a sale. In making this assessment, the Group assesses whether the buyer-lessor obtained control of the underlying asset.

If the transfer qualifies as a sale of the asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the fair value of the consideration for the sale of the asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group accounts for any below-market terms as a prepayment of lease payments; and any above-market terms as additional financing provided by the buyer-lessor to the Group. This is measured on the basis of the more readily determinable of the difference between the fair value of the consideration for the sale and the fair value of the asset; and the difference between the present value of the contractual payments for the lease and the present value of payments for the lease at market rates.

If the transfer does not qualify as a sale, the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds.

(b) The Group is the lessor *Finance leases*

Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. The income is recognised over the term of the lease using the net investment method (before income tax and other taxes) which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in the income statement.

Impairment of lease receivables

The Group recognises credit loss allowance on lease receivables in accordance with IFRS 9 using the simplified approach permitted by the standard, which requires expected credit losses to be recognised from initial recognition of the lease receivable at an amount equal to lifetime ECL. The ECL is determined in the same way as for trade receivables and is recognised through an allowance account to write down the lease receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet based on the nature of the asset. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

Revenues from operating leasing

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Financial instruments

(a) Financial assets

Recognition and derecognition. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade-date; being the date on which the Group commits to purchase or sell the asset. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising upon their derecognition is recognised directly in the income statement.

Classification. The classification depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets. Management determines the classification of financial assets at initial recognition.

The Group classifies its financial assets at amortised cost. Financial assets at amortised cost are held for collection of contractual cash flows and their cash flows represent solely payments of principal and interest. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's financial assets at amortised cost comprise of trade receivables, loans and other receivables and cash and cash equivalents on the balance sheet.

Reclassification. Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

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Measurement. At initial recognition, the Group measures financial assets classified at amortised cost at their fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently, these are measured at amortised cost.

Interest income. Interest income on financial assets at amortised cost is recognised using the effective interest rate method and is included within “finance income” in the income statement. In particular, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset; that is after deduction of the loss allowance. The Group’s definition of credit-impaired assets is explained in Note 6, Credit risk section.

Impairment. The Group assesses on each reporting date and on a forward looking basis the expected credit losses (“ECL”) associated with its debt financial assets carried at amortised cost. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money, and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within “selling and marketing costs”. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

The impairment methodology applied by the Group for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Group applies the simplified approach permitted by IFRS 9 for calculating expected credit losses, which requires lifetime expected losses to be recognised from initial recognition of the financial assets. The assessment is done on an individual basis.
- For all its other debt financial assets carried at amortised cost, the Group applies the general approach. In particular, the Group applies the three stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition. A financial instrument that is not credit -impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. Refer to Note 6, Credit risk section for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group’s definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

Write-off. Financial assets are written-off, in whole or in part, when the Group has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against ‘selling and marketing costs’ in the income statement.

Classification as trade receivables. Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in a normal operating cycle of the business, if longer than one year) they are classified as current assets, if not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds its trade receivables with the objective to collect the contractual cash flows and their contractual cash flows represent solely payments of principal and interest and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

Classification as loans and other receivables. These amounts generally arise from transactions outside the usual operating activities of the Group. These are held with the objective to collect their contractual cash flows and their contractual cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Loans and other receivables are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Classification as cash and cash equivalents. In the cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturity of three months or less, less bank overdrafts, if any. Cash and cash equivalents are carried at amortised cost using the effective interest method, less provision for impairment. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

(b) Financial liabilities

Classification. The Group’s financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost.

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statement as other income or finance costs. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts, including costs or fees incurred for the modification, is recognised in profit or loss within finance costs. When the terms of the existing

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financial liability are not substantially modified, the existing liability is not derecognised and the gain/loss arising on the modification, including costs or fees incurred for the modification, is recognised in the income statement within finance costs.

Modifications. An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other income or finance costs.

Borrowing costs. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

Trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Inventories

Group entities usually maintain a store of spare parts and servicing equipment. These are carried as inventory and recognised in the income statement as consumed, unless they meet the definition of property, plant and equipment in which case they are classified as such. Major spare parts are also recognised within property, plant and equipment when they meet the definition of property, plant and equipment. Spare parts in inventory as well as other inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less the cost of completion and applicable variable selling expenses and takes into account, amongst others, evidence of damage or obsolescence.

Cash flow statement

Cash flow statement is prepared under the indirect method. Purchases of property, plant and equipment, including prepayments for property, plant and equipment, are included within cash flows from investing activities and finance lease payments are included within cash flows from financing activities and are shown net of VAT. Related input VAT is included in movement in changes of working capital, within trade and other receivables.

When the Group enters into a sale and lease back arrangement which constitutes collateralised borrowing, the proceeds received are included within cash flows from financing activities. Receipts from finance lease receivables are included within cash flows from investing activities.

Share capital, share premium and treasury shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

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Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders within a separate reserve 'treasury shares' until the shares are cancelled or re-issued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders within retained earnings. The consideration initially paid for treasury shares which are subsequently re-issued is transferred from "treasury shares" to retained earnings.

Capital contribution

Capital contribution constitutes contributions made by the Company's shareholders other than for the issue of shares by the Company in their capacity as equity owners of the Company for which the Company has no contractual obligation to repay them. Such contributions are recognised directly in equity as they constitute transactions with equity owners in their capacity as equity owners of the Company.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are only used to cover those expenses which they had been set up for. Other possible or present obligations that arise from past events but it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligations, or the amount cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. In accounting for the tax effects of on-balance sheet leases, the Group considers the right-of-use asset and lease liability separately and recognises deferred tax on the net temporary difference.

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except where the Group can control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when the income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

Russian Value Added Tax (VAT)

Russian output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Employee benefits

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses and other benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group. These are included in staff costs and the Group has no further obligations once the contributions have been paid.

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

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Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Share based payment transactions

The Group operates a cash-settled share-based compensation plan. In accordance with compensation plan, key management personnel and selected employees of the Group are entitled to receive cash compensations based on the weighted average market quotations of the fixed number of global depository receipts (“GDR”) of the Company. The fair value of the employee services received in exchange for the grant of the equivalent GDR instruments is recognised as an expense over the vesting period.

At each balance sheet date, if required by the terms of the compensation plan, the Group revises its estimates of the monetary equivalent of GDRs that are expected to vest. It recognises the impact of the revision of original estimates, including number of instruments expected to vest and fair values, in profit or loss, with a corresponding adjustment to share-based payment liability.

Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved and are no longer at the discretion of the Company. More specifically, interim dividends are recognised when approved by the Board of Directors whereas in case of final dividends, these are recognised at the time when they are approved by the Company’s shareholders.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Other income

Other income generally represents amounts received from transactions that are outside the Group’s principal activities. This is recognised in the income statement over the period it relates to, based on the terms of the arrangement. Other income that it is not linked to the Group’s future performance and/or satisfaction of any future obligations is recognised in the period in which the Group is entitled to receive it.

5. New accounting pronouncements

Certain new standards, amendments to existing standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2020. Items marked with * have not been endorsed by the European Union (EU). The Group will only be able to apply the new standards, amendments to existing standards or interpretations when these are endorsed by the EU.

- Classification of liabilities as current or non-current — Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*. These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. In addition, the amendments clarify the classification requirements for debt a company might settle by converting it into equity. “Settlement” is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity’s own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.
- Classification of liabilities as current or non-current, deferral of effective date — Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*. The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.
- Proceeds before intended use, Onerous contracts — cost of fulfilling a contract, Reference to the Conceptual Framework — narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018–2020 — amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)*. The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset. The amendment to IAS 37 clarifies the meaning of “costs to fulfil a contract”. IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*. IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*. The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

None of the new standards, amendments to existing standards or interpretations is expected to have a significant effect on the consolidated financial statements.

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6. Financial risk management

Financial risks factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results.

Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in the currency different from the functional currency of each of the entities of the Group.

As of 31 December 2020, 100% of the Group's long-term borrowings are denominated in Russian Rouble. Further, a large proportion of the Group's expenses and revenues are denominated and settled in Russian Roubles. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency.

During the year 2020 there was increased volatility in currency markets and the Russian Rouble has depreciated against some major currencies. As of the end of December 2020 the Russian Rouble has decreased against the US Dollar from 61.9057 as of 31 December 2019 to 73.8757 Russian Roubles (19.3% revaluation) and against the Euro from 69.377 as of 31 December 2019 to 90.6824 Russia Roubles (30.7% revaluation).

The Group is exposed to the effects of currency fluctuations between (i) the Russian Rouble and the US Dollars in relation to US Dollar denominated balances held in the Company and the Cypriot and Russian subsidiaries of the Group having the Russian Rouble as their functional currency; (ii) the Euro and the US Dollar for US Dollar denominated balances held in the Estonian subsidiaries of the Group which have the Euro as their functional currency and (iii) the Ukrainian Hryvnia and the US Dollar for the US Dollar denominated balances held in the Ukrainian subsidiary of the Group which has the Ukrainian Hryvnia as its functional currency.

The carrying amounts of monetary assets and liabilities denominated in US Dollars as at 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
	RUB'000	RUB'000
Assets	922,145	468,321
Liabilities	142,777	9,038

Had US Dollar exchange rate strengthened/weakened by 20% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2020, would have increased/decreased by RUB 84,057 thousand (2019: 10% change, effect RUB 21,831 thousand) and equity would have increased/decreased by RUB 503,185 thousand (2019: 10% change, effect RUB 210,073 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of cash and cash equivalents and accounts payable denominated in US Dollars for the Group entities with Russian Rouble being their functional currency. The impact on equity is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

Had Euro exchange rate strengthened/weakened by 30% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2020, would have increased /decreased by RUB 86,122 thousand (2019: 10% change, effect RUB 20,698 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of payable balances and cash and cash equivalents and accounts receivable denominated in US Dollars for the Estonian subsidiaries of the Group.

Had US Dollar exchange rate strengthened/weakened by 20% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group would have remained unchanged (2019: 10% change, no effect on post-tax profit) and the equity of the Group for the year ended 31 December 2020, would have decreased/increased by RUB 503,185 thousand (2019: 10% change, effect RUB 210,073 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

The Group does not have formal arrangements for hedging foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

The impact of application of hedge accounting has been to disclose in the cash flow statement "Dividends paid to the owners of the Company" net-off RUB 475,042 thousand foreign exchange losses and the "Exchange gains/(losses) on cash and cash equivalents" does not include the equivalent impact from the relevant cash deposits used for hedging. Furthermore, in the income statement the amounts included in "Finance income and costs" within "Net foreign exchange transaction gains/(losses) on cash and cash equivalents and other monetary assets" and "Net foreign exchange transaction gains on borrowings and other liabilities" are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging of RUB 475,042 thousand).

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates arising mainly from floating rate borrowings. In addition, the Group is exposed to fair value interest rate risk through market value fluctuations of borrowings and bank deposits with fixed interest rates. However, any potential change in the market rates of interest will not have an impact on the carrying amount of the fixed rate financial instruments and hence on the Group's post tax profit or equity as these instruments are carried at amortised cost.

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Long-term borrowing contracts of the Group are concluded to finance the purchase of rolling stock. While analysing new investment projects and concluding credit facility agreements, loan agreements and lease contracts, issues of bonds and various scenarios are developed taking into account terms of refinancing and alternative financing sources. Based on these scenarios the Group measures the impact of a definite change in interest rate on profit or loss and selects the financing model that allows maximizing the estimated future profit.

As at 31 December 2020 and 31 December 2019, the Group did not have any Russian Rouble or US Dollar credit facilities at floating interest rates, therefore any reasonably possible change in market interest rates would not have any significant impact on the post-tax profit or equity of the Group.

The Group obtains borrowings at current market interest rates and does not use any hedging instruments to manage interest rate risk. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, trade receivables, loans and other receivables as well as finance lease receivables.

(i) Risk management

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Management assesses the credit quality of the Group's customers, taking into account their financial position, past experience and other factors. These policies allow the Group to reduce its credit risk. However, the Group's business is heavily dependent on a few large key customers, with the top ten customers accounting for 70.95% of the Group's trade receivables as at 31 December 2020 (2019: 70.71%).

For banks and financial institutions, the Group has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of 'Ba2'. These policies enable the Group to reduce its credit risk significantly.

(ii) Impairment of financial assets

The Group has four types of assets that are subject to the expected credit loss model:

- trade receivables;
- finance lease receivables;
- loans and other receivables; and
- cash and cash equivalents.

The impairment methodology applied by the Group for calculating expected credit losses depends on the type of assets assessed for impairment. All assets are assessed for impairment on an individual basis. Specifically:

- For trade receivables and finance lease receivables the Group applies the simplified approach permitted by IFRS 9 for calculating expected credit losses, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.
- For loans and other receivables and cash and cash equivalents, the Group applies the general approach. In particular, the Group applies the three-stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Significant increase in credit risk. The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable balances. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

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Default and credit-impaired. A default on a financial asset is when the financial asset meets one or more of the following criteria: (i) the borrower is more than 90 days past due on its contractual payments, (ii) the borrower is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due, (iii) the Group, for economic or contractual reasons relating to the borrower’s financial difficulty, granted to the borrower a concession(s) that it would not otherwise consider. The Company considers defaulted assets to be credit-impaired so that Stage 3 represents all debt financial assets which are considered defaulted.

Write-off. Assets are written-off, in whole or in part, when the Group has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against ‘selling and marketing costs’ in the income statement.

The Group does not have any material debt financial assets that are subject to the impairment requirements of IFRS 9 and their contractual cash flows have been modified.

The Group’s exposure to credit risk for each class of asset subject to the expected credit loss model is set out below:

Trade receivables and finance lease receivables

The Group assesses, on an individual basis, its exposure to credit risk arising from trade receivables and finance lease receivables. This assessment is based on the credit history of the customers with the Group as well as the period the trade receivable or finance lease receivable is past due (in days).

The following table contains an analysis of the gross carrying amount of the Group’s trade receivables and finance lease receivables by reference to the days past due. This basis is aligned with the Group’s internal credit risk grades for these assets.

	Trade receivables	Finance lease receivables
	RUB’000	RUB’000
As at 31 December 2020		
Current (not past due)	2,444,086	422,972
1–30 days past due	693,461	—
31–90 days past due	304,793	—
more than 90 days past due	394,330	—
Total	3,836,670	422,972
As at 31 December 2019		
Current (not past due)	2,184,210	279,070
1–30 days past due	741,905	—
31–90 days past due	76,027	-
more than 90 days past due	346,339	-
Total	3,348,481	279,070

The gross carrying amounts, as per above, represent the Group’s maximum exposure to credit risk on these assets as at 31 December 2020 and as at 31 December 2019 without taking into account any collateral held. The Group does not hold any collateral as security for any trade receivable balances. Finance lease receivables are effectively secured as the rights to the leased asset revert to the Group in the event of default.

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The movement in the credit loss allowance for trade receivables during the years 2020 and 2019 is presented in the table below:

	Trade receivables	
	2020	2019
	RUB'000	RUB'000
Opening balance as at 1 January	(138,915)	(146,042)
New assets originated or purchased	(11,643)	(4,461)
Net loss allowance of financial assets at the start of the year	(4,739)	(5,269)
Receivables modified during the year	(1,625)	(9,300)
Assets written off during the year as uncollectible	18,583	13,791
Recoveries	9,510	9,196
Other	(6,295)	3,170
Closing balance as at 31 December	(135,124)	(138,915)

The estimated expected credit loss allowance on finance lease receivables as at 31 December 2020 and as at 31 December 2019 was immaterial. This assessment takes into consideration the presence of the leased asset, which acts as a collateral for the finance lease receivable.

Loans and other receivables

The Group assesses, on an individual basis, its exposure to credit risk arising from loans and other receivables. This assessment takes into account, amongst others, the period the loan receivable or other receivable balance is past due (in days) and history of defaults in the past, adjusted for forward looking information.

The following table contains an analysis of the credit risk exposure other receivables on the basis of the Group's internal credit risk rating grades. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2020 and 2019:

Internal credit risk rating grade	Company definition of category	2020	2019
		RUB'000	RUB'000
Performing	Stage 1 — Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	32,612	20,071
Under-performing	Stage 2 — Customers for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	14,872	20,107
Non-performing or Credit-impaired	Stage 3 — Interest and/or principal repayments are more than 90 days past due	20,194	29,341

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2020 and as at 31 December 2019 without taking into account any collateral held. The Group does not hold any collateral as security for any loans receivable or other receivable balances.

The movement in the credit loss allowance for other receivables during the years 2020 and 2019 is presented in the table below:

	Non-performing	
	2020	2019
	RUB'000	RUB'000
Opening balance as at 1 January	(29,341)	(49,652)
Assets written off during the year as uncollectible	6,195	13,358
Other	2,951	6,953
Closing balance as at 31 December	(20,195)	(29,341)

The estimated expected credit loss allowance on loans receivable as at 31 December 2020 and as at 31 December 2019 was immaterial.

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Cash and cash equivalents

The Group assesses, on an individual basis, its exposure to credit risk arising from cash at bank based on ratings from external credit rating institutions and internal ratings if external are not available.

The following table contains an analysis of the gross carrying amount of the Group’s cash at bank by reference to the credit risk ratings assigned by external credit rating agencies. The gross carrying amounts below represent the Group’s maximum exposure to credit risk on these assets as at 31 December 2020 and 2019:

	Rating	2020	2019
		RUB’000	RUB’000
Moody’s ¹	A3 – Aaa	1,225,758	1,021,969
Moody’s ¹	Ba1 – Baa1	3,704,823	5,462,852
Moody’s ¹	B1	16,204	—
Moody’s ¹	Caa1 - Caa3	—	—
Standard & Poor’s ²	B - BB+	30,831	31,373
Fitch ³	BBB- BBB+	37	619
Other external non-rated banks — satisfactory credit quality (performing)		295	4,628
Total cash at bank and bank deposits ⁴		4,977,948	6,521,441

¹ International rating agency Moody’s Investors Service
² International rating agency Standard & Poor’s
³ International rating agency Fitch Rating
⁴ The rest of the balance sheet item ‘cash and cash equivalents’ is cash on hand.

The Group does not hold any collateral as security for any of the above balances.

The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2020 and as at 31 December 2019 based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2020 and as at 31 December 2019.

Liquidity risk

The Group has an excess of current liabilities over current assets of RUB 2,842,697 thousand as at 31 December 2020 (2019: excess of current assets over current liabilities RUB 4,848,317 thousand).

The Group has predictable cash flows which allow the Group to repay its liabilities when they fall due. The Group also has successful credit and refinancing history and maintains enough flexibility ensuring the ability to attract necessary funds through committed credit facilities. Due to availability of committed credit lines amounting to RUB 29,449,091 thousand as of 31 December 2020 (2019: RUB 4,665,000 thousand), together with long-term borrowings (Note 28) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long-term perspective, the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures.

The table below summarises the analysis of financial liabilities of the Group by maturity as of 31 December 2020 and 31 December 2019. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one month	Between one month and three months	Between three and six months	Between 6 months and less than one year	Between 1 and 2 years	Between 2 and 5 years	Total
	RUB’000	RUB’000	RUB’000	RUB’000	RUB’000	RUB’000	RUB’000
31 December 2020							
Borrowings	628,404	2,197,010	2,831,036	6,836,340	12,720,064	10,163,762	35,376,616
Trade and other payables	989,317	41,546	78,802	—	—	—	1,109,665
Lease liabilities with financial institutions	—	—	—	—	—	—	—
Other lease liabilities	71,618	116,864	186,957	376,826	508,047	248,577	1,508,889
	1,689,339	2,355,420	3,096,795	7,213,166	13,228,111	10,412,339	37,995,170

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	Less than one month	Between one month and three months	Between three and six months	Between 6 months and less than one year	Between 1 and 2 years	Between 2 and 5 years	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
31 December 2019							
Borrowings	360,617	1,691,040	2,280,662	4,605,615	9,955,939	13,748,473	32,642,346
Trade and other payables	849,725	29,986	28,251	78,922	—	—	986,884
Lease liabilities with financial institutions	59,219	104,168	154,532	302,194	573,499	781,441	1,975,053
Other lease liabilities	63,280	130,273	213,761	346,615	409,252	578,619	1,741,800
	1,332,841	1,955,467	2,677,206	5,333,346	10,938,690	15,108,533	37,346,083

Note: statutory liabilities are excluded as the analysis is provided for financial liabilities only.

(a) Capital risk management

The Group's main objective when managing capital is to maintain the ability to continue as a going concern in order to ensure the required profitability of the Group, maintain optimum equity structure and reduce its cost of capital.

Defining capital, the Group uses the amount of net assets attributable to the Company's equity owners and the Group's borrowings.

The Group manages the capital based on borrowings to total capitalisation ratio. Borrowings include loan liabilities. To maintain or change its equity structure, the Company may vary the amount of dividend paid or sell assets in order to reduce debts.

Total capitalisation is calculated as the sum of the total Group borrowings and total equity attributable to the equity owners of the Company. The management does not currently have any specific target for the rate of borrowings to total capitalisation.

The rate of borrowings to total capitalisation as at 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
	RUB'000	RUB'000
Total borrowings	32,015,239	30,095,218
Total capitalisation	78,862,447	80,974,053
Total borrowings to total capitalisation ratio (percentage)	40.60%	37.17%

External requirements are imposed on the capital of the Group as defined by management in relation to long-term loans provided by financial institutions to the Company and certain subsidiaries of the Company. The Group analyses compliance with external requirements to the capital at each reporting date and when entering into new loan agreements and lease contracts. There were no instances of non-compliance with externally imposed capital requirements during 2020 and 2019. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values of financial instruments have been determined by the Group, using available market information, where it exists, appropriate valuation methodologies and assistance of experts. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore do not always represent the fair values of financial instruments. The Group has used all available market information in estimating the fair value of financial instruments.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

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The fair values in level 2 and level 3 of fair value hierarchy were estimated using discounted cash flows valuation techniques. The fair value of unquoted fixed and floating interest rate instruments which are not quoted in an active market was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Financial assets at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

The fair values of financial assets do not materially differ from their carrying amounts as the impact of discounting is not significant.

Financial liabilities carried at amortised cost. Fair values of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2020 and 31 December 2019 there were no fixed or floating interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble.

The fair value as at 31 December 2020 and 31 December 2019 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2020 and 31 December 2019, respectively. The discount rate used was 6.3% p.a. (2019: 7.5% p.a.) (Note 28). The fair value as at 31 December 2020 and 31 December 2019 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

The fair value of liabilities repayable on demand or after a notice period (“demandable liabilities”) is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

7. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 33).

(b) Critical judgements in applying in Group’s accounting policies

The Group also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

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Revenue recognition

The assessment of the accounting treatment of certain of the Group's revenue contracts requires management to make certain critical judgments. The judgments that had the most significant effect on management's conclusion are the following:

- Identification of performance obligations
Operator's services contracts involve the provision by the Group of a wide range of services. Management believes that, although some of these services can be obtained by the clients from the market separately and different combinations of services can be provided to different customers, in the context of each individual contract with a customer, the services provided by the Group are highly dependent and interrelated with each other and, therefore, are not distinct. In making this assessment, management noted that, despite the fact that the Group's contracts contain a promise to deliver multiple services, the nature of the promise within the context of the contracts and the economic substance of the transaction is that the customers are purchasing integrated operator's services to which the individual services promised are inputs rather than separate services and consequently this is considered to constitute a single performance obligation.
- Assessment as to whether the Group is acting as an agent or principal for certain operator's services contracts
Operator's services are rendered using own or leased rolling stock. In those cases when the Group's customers do not interact with OAO "Russian Railways", a full service is charged by the Group to its customers and the OAO "Russian Railways" tariff is borne by the Group with or without further recharge to its customers. There are certain characteristics indicating that the Group is acting as an agent in these arrangements, particularly the fact that OAO "Russian Railways" tariffs are available to the public and therefore are known to the customer. However, the services are rendered with the use of own or leased rolling stock and the Group bears the OAO "Russian Railways" tariff to bring the rolling stock back or to the next destination. The Group is independent in its pricing policy and considers its potential loss for empty run tariff.

Management's position is that the Group acts as a principal in these arrangements and the Group accounts for full receipts from customers as sales revenue and the OAO "Russian Railways" tariff is also included in cost of sales. Management believes that the Group is acting as a principal in these arrangements as it is the party that controls the services prior these are transferred to the customers and, through separate arrangements with OAO "Russian Railways", obtains the right to direct them to provide services on its behalf.

Had OAO "Russian Railways" tariff directly attributable to such services been excluded from revenues and cost of sales for the year ended 31 December 2020 both would have decreased by RUB 10,957,305 thousand (2019: RUB 22,019,963 thousand).

8. Segmental information

The chief operating decision-maker has been identified as the Board of Directors of the Company. 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, the Board reviews revenues with no further analysis of the underlying cost components. From the type of rolling stock used perspective, the Board assesses the performance of each type of rolling stock at the level of adjusted revenue. In particular, the Board reviews discrete financial information for gondola cars and rail tank cars, whereas all other types of rolling stock (such as hopper cars and platforms) are reviewed together.

Adjusted revenue for reportable segments is the measure of profit looked at by the chief operating decision-maker and this includes the revenues derived from the relating type of rolling stock used less infrastructure tariff paid for the loaded trips of the relevant rolling stock and services provided by other transportation organisations. Further, the Board receives information in respect of depreciation charges for rolling stock and right-of-use assets relating to rolling stock, amortisation charges for customer relationships, impairment charges/reversals of impairment in respect of rolling stock, right-of-use assets relating to rolling stock and customer relationships and loss on derecognition arising on capital repairs. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

The Board also reviews additions to segment assets. Segment assets consist of rolling stock, right-of-assets relating to rolling stock and customer relationships. Unallocated assets comprise all the assets of the Group except for rolling stock, right-of-assets relating to rolling stock and customer relationships, as included within segment assets. Liabilities are not segmented since they are not reviewed from that perspective by the chief operating decision maker. Capital expenditure comprises additions of rolling stock to property, plant and equipment and additions of right-of-use assets relating to rolling stock.

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The Group does not have transactions between different business segments.

	Gondola cars	Rail tank cars	Other railcars	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Year ended 31 December 2020				
Total revenue — operator's services	39,043,539	24,050,218	774,017	63,867,774
Total revenue — operating lease	28,857	1,747,274	156,136	1,932,267
Inter-segment revenue	—	—	—	—
Revenue (from external customers)	39,072,396	25,797,492	930,153	65,800,041
less Infrastructure and locomotive tariffs — loaded trips	(5,757,613)	(4,789,170)	(177,087)	(10,723,870)
less Services provided by other transportation organisations	(2,460,601)	(4,373)	—	(2,464,974)
Adjusted revenue for reportable segments	30,854,182	21,003,949	753,066	52,611,197
Depreciation and amortisation	(5,114,046)	(1,644,343)	(421,989)	(7,180,378)
Loss on derecognition arising on capital repairs	(135,742)	(284,224)	(16)	(419,982)
Additions to non-current assets (included in reportable segment assets)	6,177,481	1,676,870	835,829	8,690,180
Reportable segment assets	53,059,276 ¹	24,740,326	4,072,741	81,872,343

¹ Includes RUB Nil thousand of intangible assets representing customer relationships.

	Gondola cars	Rail tank cars	Other railcars	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Year ended 31 December 2019				
Total revenue — operator's services	62,009,387	27,955,714	1,194,311	91,159,412
Total revenue — operating lease	148,207	1,434,219	51,340	1,633,766
Inter-segment revenue	—	—	—	—
Revenue (from external customers)	62,157,594	29,389,933	1,245,651	92,793,178
less Infrastructure and locomotive tariffs — loaded trips	(14,596,983)	(6,856,635)	(566,345)	(22,019,963)
less Services provided by other transportation organisations	(4,046,206)	(85,793)	(2,243)	(4,134,242)
Adjusted revenue for reportable segments	43,514,405	22,447,505	677,063	66,638,973
Depreciation and amortisation	(4,958,834)	(1,259,444)	(302,671)	(6,520,949)
Impairment of property, plant and equipment	—	—	64,889	64,889
Loss on derecognition arising on capital repairs	(133,987)	(336,103)	(1,656)	(471,746)
Additions to non-current assets (included in reportable segment assets)	6,720,628	4,760,126	2,215,587	13,696,341
Reportable segment assets	52,534,359 ¹	21,925,369	3,769,887	78,229,615

¹ Includes RUB 57,903 thousand of intangible assets representing customer relationships.

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

	2020	2019
	RUB'000	RUB'000
Adjusted revenue for reportable segments	52,611,197	66,638,973
Other adjusted revenues	2,322,516	2,200,696
Total adjusted revenue	54,933,713	68,839,669
Cost of sales (excl. Infrastructure and locomotive tariffs — loaded trips, services provided by other transportation organisations, reversal of impairment of property, plant and equipment, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and loss on derecognition arising on capital repairs)	(25,756,357)	(25,523,727)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	(3,365,169)	(3,894,885)
Depreciation and amortisation	(7,683,620)	(6,915,857)
Net impairment losses on trade and other receivables	(5,511)	(12,699)
Reversal of impairment of property, plant and equipment	—	64,889
Loss on derecognition arising on capital repairs	(419,982)	(471,746)
Other income	1,000,232	133,508
Other gains/(losses) — net	107,765	(99,322)
	18,811,071	32,119,830
Finance income	263,968	533,857
Finance costs	(2,510,495)	(2,529,098)
Net foreign exchange transaction gains/(losses) on financing activities	147,008	(379,824)
Profit before income tax	16,711,552	29,744,765

Segment assets and liabilities are reconciled to the Group assets and liabilities as follows:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	RUB'000	RUB'000	RUB'000	RUB'000
Segment assets/ liabilities	81,872,343	—	78,229,615	—
Unallocated:				
Deferred tax liabilities	—	8,862,587	—	7,592,182
Current income tax assets/liabilities	266,024	100,226	501,087	127,694
Property, plant and equipment	3,078,585	—	3,187,618	—
Right-of-use assets	550,428	—	583,763	—
Intangible assets	1,460	—	3,413	—
Assets classified as held for sale	10	—	40,224	—
Other assets	3,136,086	—	5,526,920	—
Trade receivables	3,701,546	—	3,209,566	—
Loans and other receivables	51,370	—	48,019	—
Inventories	691,033	—	1,722,781	—
Cash and cash equivalents	4,978,322	—	6,521,543	—
Borrowings	—	32,015,239	—	30,095,218
Other lease liabilities	—	1,404,596	—	1,530,883
Trade and other payables	—	2,197,994	—	2,446,614
Contract liabilities	—	972,752	—	1,255,893
Total	98,327,207	45,553,394	99,574,549	43,048,484

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Geographic information

Revenues from external customers

The revenue information above is based on the location where the sale has originated, i.e. on the location of the respective subsidiary of the Group.

	2020	2019
	RUB'000	RUB'000
Revenue		
Russia	66,460,662	93,365,285
Estonia	1,732,640	1,288,712
Ukraine	174,102	339,877
	68,367,404	94,993,874

In the periods set out below, certain customers, included within the revenue generated in Russia, accounted for greater than 10% of the Group's total revenues:

	2020		2019	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A — rail tank cars segment	15,073,614	22	17,913,115	19
Customer B — gondola cars segment	12,582,629	18	11,684,413	12
Customer C — gondola cars segment	8,730,718	13	28,837,359	30

The table below presents the Group's non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts:

	2020	2019
	RUB'000	RUB'000
Non-current assets		
Russia	72,389,098	71,440,343
Estonia	12,822,936	10,163,687
Ukraine	530,449	524,024
Cyprus	13,311	11,716
	85,755,794	82,139,770

Notes to the consolidated financial statements

9. Non-IFRS financial information

In addition to financial information under IFRS, the Group also use certain measures not recognised by EU IFRS or IFRS (referred to as “non-IFRS measures”) as supplemental measures of the Group’s operating and financial 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. These might not be consistent with measures (of similar description) used by other entities.

Adjusted Revenue

Adjusted Revenue is 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 OAO “Russian Railways”, 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 following table provides details of Adjusted revenue for 2020 and 2019 and its reconciliation to Total revenue.

	2020	2019
	RUB’000	RUB’000
Total revenue	68,367,404	94,993,874
Minus “pass through” items		
Infrastructure and locomotive tariffs: loaded trips	(10,957,305)	(22,019,963)
Services provided by other transportation organisations	(2,476,386)	(4,134,242)
Adjusted Revenue	54,933,713	68,839,669

Total Operating Cash Costs and Non-cash Costs

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 into Operating cash costs and Operating non-cash costs.

Total Operating Cash Costs 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”, “Depreciation of right-of-use assets”, “Amortisation of intangible assets”, “Net impairment losses on trade and other receivables”, “Reversal of impairment/(impairment) of property, plant and equipment”, “Net loss/(gain) on sale of property, plant and equipment” and “Loss on derecognition arising on capital repairs”.

Total Operating Non-cash Costs include cost items such as “Depreciation of property, plant and equipment”, “Depreciation of right-of-use assets”, “Amortisation of intangible assets”, “Loss on derecognition arising on capital repairs”, “Net impairment losses on trade and other receivables” “Reversal of impairment/(impairment) of property, plant and equipment” and “Net loss/(gain) on sale of property, plant and equipment”.

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

	2020	2019
	RUB’000	RUB’000
“Pass through” cost items	(13,433,691)	(26,154,205)
Infrastructure and locomotive tariffs: loaded trips	(10,957,305)	(22,019,963)
Services provided by other transportation organisations	(2,476,386)	(4,134,242)
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for “pass through” cost items)	(37,230,639)	(36,754,025)
Total Operating Cash Costs	(29,121,210)	(29,408,565)
Infrastructure and locomotive tariffs — empty runs and other tariffs	(16,797,608)	(15,739,194)
Repairs and maintenance	(4,261,067)	(4,403,342)
Employee benefit expense	(4,153,507)	(4,483,225)

Notes to the consolidated financial statements

Expense relating to short-term leases — rolling stock	(824,487)	(721,529)
Fuel and spare parts — locomotives	(1,629,874)	(1,914,447)
Engagement of locomotive crews	(420,905)	(774,990)
Other Operating Cash Costs	(1,033,762)	(1,371,838)
Advertising and promotion	(34,814)	(38,992)
Auditors’ remuneration	(55,262)	(54,780)
Communication costs	(26,375)	(34,776)
Information services	(15,506)	(18,666)
Legal, consulting and other professional fees	(69,055)	(48,469)
Expense relating to short-term leases — tank containers	(23,572)	—
Expense relating to short-term leases — office	(109,482)	(139,214)
Taxes (other than on income and value added taxes)	(24,687)	9,031
Other expenses	(675,009)	(1,045,972)
Total Operating Non-Cash Costs	(8,109,429)	(7,345,460)
Depreciation of property, plant and equipment	(6,968,694)	(5,794,912)
Depreciation of right-of-use assets	(655,070)	(424,220)
Amortisation of intangible assets	(59,856)	(696,725)
Loss on derecognition arising on capital repairs	(419,982)	(471,746)
Net impairment losses on trade and other receivables	(5,511)	(12,699)
Reversal of impairment of property, plant and equipment	—	64,889
Net loss on sale of property, plant and equipment	(316)	(10,047)
Total cost of sales, selling and marketing costs and administrative expenses	(50,664,330)	(62,908,230)

Adjusted EBITDA

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

EBITDA 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”, “Depreciation of right-of-use assets” and “Amortisation of intangible assets”.

The following table provides details on Adjusted EBITDA for 2020 and 2019 and its reconciliation to EBITDA and Profit for the year:

	2020	2019
	RUB'000	RUB'000
Profit for the year	12,186,847	22,653,332
Plus (Minus)		
Income tax expense	4,524,705	7,091,433
Finance costs — net	2,099,519	2,375,065
Net foreign exchange transaction gains/(losses) on financing activities	147,008	(379,824)
Amortisation of intangible assets	59,856	696,725
Depreciation of right-of-use assets	655,070	424,220
Depreciation of property, plant and equipment	6,968,694	5,794,912
EBITDA	26,641,699	38,655,863
Plus (Minus)		
Loss on derecognition arising on capital repairs	419,982	471,746
Net foreign exchange transaction gains/(losses) on financing activities	(147,008)	379,824
Other gains/(losses) — net	(107,765)	99,322
Net loss on sale of property, plant and equipment	316	10,047
Reversal of impairment of property, plant and equipment	—	(64,889)
Adjusted EBITDA	26,807,224	39,551,913

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Free Cash Flow

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

Total CAPEX calculated on a cash basis as the sum of “Purchases of property, plant and equipment”, “Purchases of intangible assets” and “Acquisition of subsidiary undertakings - net of cash acquired”.

The **Attributable Free Cash Flow** means Free Cash Flow less Adjusted profit attributable to non-controlling interests.

Adjusted Profit Attributable to Non-controlling Interests 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.

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

	2020	2019
	RUB'000	RUB'000
Cash generated from operations	28,644,415	35,422,218
Tax paid	(3,051,888)	(6,018,371)
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,314,937)	(2,017,915)
Interest paid on leases with financial institutions	(80,813)	(167,048)
Interest paid on other lease liabilities	(113,771)	(111,911)
Purchases of property, plant and equipment	(6,941,159)	(13,515,985)
Principal elements of other lease payments	(672,432)	(339,597)
Purchases of intangible assets	—	(832)
Total CAPEX	6,941,159	13,516,817
Free Cash Flow	15,103,243	13,250,559
Attributable Free Cash Flow	13,502,931	11,404,878

Net Debt and Net Debt to Adjusted EBITDA

Net Debt is defined as the sum of total borrowings (including interest accrued) less “Cash and cash equivalents”.

Total Debt is defined as total borrowings (including interest accrued)

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

	2020	2019
	RUB'000	RUB'000
Total debt	32,015,239	30,095,218
Minus		
Cash and cash equivalents	4,978,322	6,521,543
Net Debt	27,036,917	23,573,675
Net Debt to Adjusted EBITDA	1.01x	0.60x

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10. Revenue

(a) Disaggregation of revenue

	2020	2019
	RUB'000	RUB'000
Railway transportation — operator’s services (tariff borne by the Group)	27,197,234	49,141,357
Railway transportation — operator’s services (tariff borne by the client)	36,670,540	42,018,055
Revenue from specialised container transportation	2,167,613	1,814,551
Other	399,750	386,145
Total revenue from contracts with customers recognised over time	66,435,137	93,360,108
Operating lease of rolling stock	1,932,267	1,633,766
Total revenue	68,367,404	94,993,874

Note: Revenue from railway transportation — operators services (tariff borne by the Group) includes infrastructure and locomotive tariffs for loaded trips for the year ended 31 December 2020 amounting to RUB 10,957,305 thousand (for the year ended 31 December 2019: RUB 22,019,963 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 2,476,386 thousand (2019: RUB 4,134,242 thousand).

(b) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers as of 31 December 2019 and 31 December 2020:

	31 December 2020	31 December 2019	1 January 2019
	RUB'000	RUB'000	RUB'000
Contract liabilities relating to railway transportation contracts (current)	964,042	1,244,702	2,673,467
Contract liabilities relating to railway transportation contracts (non-current)	8,710	11,191	—
Total contract liabilities	972,752	1,255,893	2,673,467

Contract liabilities represent advances from customers for transportation services.

(c) Revenue recognised in relation to contract liabilities

The Group's revenue for the year ended 31 December 2020 includes the entire contract liability balance of RUB 1,230,616 thousand as of 1 January 2020 (year ended 31 December 2019: RUB 2,673,467 as of 1 January 2019).

The Group does not have any contracts where the period of provision of the services (that is, the period between the start and completion of a trip) exceeds one year. As permitted under IFRS 15, the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations as of the balance sheet date is not disclosed.

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11. Expenses by nature

	2020	2019
	RUB'000	RUB'000
<i>Cost of sales</i>		
Infrastructure and locomotive tariffs: loaded trips	10,957,305	22,019,963
Infrastructure and locomotive tariffs: empty run trips and other tariffs	16,797,608	15,739,194
Services provided by other transportation organisations	2,476,386	4,134,242
Expense relating to short-term leases (rolling stock)	824,487	721,529
Expense relating to short-term leases — tank containers	23,572	—
Employee benefit expense	1,517,573	1,511,766
Repairs and maintenance	4,261,067	4,403,342
Depreciation of property, plant and equipment	6,888,459	5,735,069
Depreciation of right-of-use assets	507,671	316,818
Loss on derecognition arising on capital repairs	419,982	471,746
Amortisation of intangible assets	59,839	696,707
Fuel and spare parts — locomotives	1,629,874	1,914,447
Engagement of locomotive crews	420,905	774,990
Loss/(gain) on sale of property, plant and equipment	6,585	11,495
(Reversal of impairment)/impairment of property, plant and equipment	—	(64,889)
Other expenses	274,686	446,964
Total cost of sales	47,065,999	58,833,383

	2020	2019
	RUB'000	RUB'000
<i>Selling, marketing and administrative expenses</i>		
Depreciation of property, plant and equipment	80,235	59,843
Depreciation of right-of-use assets	147,399	107,402
Amortisation of intangible assets	17	18
Gain on sale of property, plant and equipment	(6,269)	(1,448)
Employee benefit expense	2,635,934	2,971,459
Net impairment losses on trade and other receivables	5,511	12,699
Expense relating to short-term leases (office)	109,482	139,214
Auditors' remuneration	55,262	54,780
Legal, consulting and other professional fees	69,055	48,469
Advertising and promotion	34,814	38,992
Communication costs	26,375	34,776
Information services	15,506	18,666
Taxes (other than income tax and value added taxes)	24,687	(9,031)
Other expenses	400,323	599,008
Total selling, marketing and administrative expenses	3,598,331	4,074,847

Notes to the consolidated financial statements

	2020	2019
	RUB'000	RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 17)	6,968,694	5,794,912
Depreciation of right-of-use assets (Note 18)	655,070	424,220
Loss on derecognition arising on capital repairs (Note 17)	419,982	471,746
Amortisation of intangible assets (Note 19)	59,856	696,725
Reversal of impairment of property, plant and equipment (Note 17)	—	(64,889)
Net loss on sale of property, plant and equipment (Note 17)	316	10,047
Employee benefit expense (Note 13)	4,153,507	4,483,225
Net impairment losses on trade and other receivables	5,511	12,699
Expense relating to short-term leases (rolling stock)	824,487	721,529
Expense relating to short-term leases (office)	109,482	139,214
Repairs and maintenance	4,261,067	4,403,342
Fuel and spare parts — locomotives	1,629,874	1,914,447
Engagement of locomotive crews	420,905	774,990
Infrastructure and locomotive tariffs: loaded trips	10,957,305	22,019,963
Infrastructure and locomotive tariffs: empty run trips and other tariffs	16,797,608	15,739,194

Services provided by other transportation organisations	2,476,386	4,134,242
Expense relating to short-term leases — tank containers	23,572	—
Auditors’ remuneration	55,262	54,780
Legal, consulting and other professional fees	69,055	48,469
Advertising and promotion	34,814	38,992
Communication costs	26,375	34,776
Information services	15,506	18,666
Taxes (other than income tax and value added taxes)	24,687	(9,031)
Other expenses	675,009	1,045,972
Total cost of sales, selling and marketing costs and administrative expenses	50,664,330	62,908,230

¹ Depreciation of property, plant and equipment for the year ended 31 December 2020 includes RUB 90,047 thousand (2019: RUB 216,114 thousand) relating to depreciation of right-of-use assets presented within property, plant and equipment (Note 17). The entire amount is recognised within ‘Cost of sales’.

Note: The auditors’ remuneration stated above includes fees of RUB 18,486 thousand (2019: RUB 16,398 thousand) for statutory audit services and RUB 5,139 thousand (2019: RUB 4,762 thousand) for other assurance services charged by the Company’s statutory audit firm. The rest of the auditors’ remuneration relates to fees for audit services charged by the auditors of the subsidiaries of the Company.

Legal, consulting and other professional fees include RUB 737 thousand for the year 2020 (RUB 502 thousand for the year 2019) in relation to fees paid to the Company’s statutory audit firm for tax consultancy services.

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Notes to the consolidated financial statements

12. Other gains/(losses) — net

	2020	2019
	RUB'000	RUB'000
Other gains	350,475	37,245
Other losses	(323,683)	(217,289)
Net foreign exchange gains (Note 16)	80,973	80,722
Total other gains/(losses) — net	107,765	(99,322)

13. Employee benefit expense

	2020	2019
	RUB'000	RUB'000
Wages and salaries	2,392,160	2,199,520
Termination benefits	7,238	5,212
Bonuses	998,505	1,454,292
Share based payment expense (Note 21)	28,931	83,319
Social insurance costs	726,673	740,882
Total employee benefit expense	4,153,507	4,483,225
Average number of employees during the year	1,664	1,569

14. Finance income and costs

	2020	2019
	RUB'000	RUB'000
<i>Interest expense:</i>		
Bank borrowings	(1,482,228)	(1,456,246)
Non-convertible bonds	(808,258)	(743,298)
Interest expenses on loans	(5,193)	(5,207)
Other interest expense	(1,887)	(9,039)
Total interest expense calculated using the effective interest rate method	(2,297,566)	(2,213,790)
Leases with financial institutions	(74,468)	(165,242)
Other lease liabilities	(113,099)	(117,589)
Total interest expense	(2,485,133)	(2,496,621)
Other finance costs	(25,362)	(32,477)
Total finance costs	(2,510,495)	(2,529,098)
<i>Interest income:</i>		
Bank balances	189,505	122,278
Short term deposits	27,083	374,302
Loans to third parties	120	616
Total interest income calculated using the effective interest rate method	216,708	497,196
Finance leases — third parties	47,260	36,661
Total finance income	263,968	533,857
Net foreign exchange transaction (losses)/gains on borrowings and other liabilities	(5,509)	206,966
Net foreign exchange transaction gains/(losses) on cash and cash equivalents and other monetary assets	152,517	(586,790)
Net foreign exchange transaction gains/(losses) on financing activities (Note 16)	147,008	(379,824)
Net finance costs — net	(2,099,519)	(2,375,065)

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Notes to the consolidated financial statements

15. Income tax expense

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2020	2019
	RUB'000	RUB'000
Current tax:		
Corporation tax	2,185,948	4,767,114
Withholding tax on dividends	1,073,231	1,017,005
Defence contribution	2	—
Total current tax	3,259,181	5,784,119
Deferred tax (Note 30):		
Origination and reversal of temporary differences	1,265,524	1,307,314
Total deferred tax	1,265,524	1,307,314
Income tax expense	4,524,705	7,091,433

	2020	2019
	RUB'000	RUB'000
Profit before tax	16,711,552	29,744,765
Tax calculated at domestic tax rates applicable to profits in the respective countries	3,599,477	6,484,368
Tax effects of:		
Expenses not deductible for tax purposes	63,554	234,253
Allowances and income not subject to tax	(120,269)	(3,476)
Tax effect of tax losses for which no deferred tax asset was recognised	(84,724)	(14,427)
Defence contribution	2	—
Withholding taxes:		
Estonian income tax arising on distribution ⁽¹⁾	260,929	23,656
Dividend withholding tax provision in relation to intended dividend distribution of subsidiaries	805,736	367,059
Tax charge	4,524,705	7,091,433

⁽¹⁾ Estonian tax law calls for profits to be taxed at the time of distribution and not during the year in which they arise. During the years 2020 and 2019, the Group incurred taxes on distributions from Estonian subsidiaries.

The Company is subject to income tax on taxable profits at the rate 12.5%. Brought forward losses of the Company of only five years may be utilised.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%. Further, in certain cases dividends received by the Company from other Cyprus tax resident companies may also be subject to special contribution for defence. Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc.) are exempt from Cyprus income tax.

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For Russian subsidiaries, the annual profit is taxed at 20%. Withholding tax is applied to dividends distributed to the Company by its Russian subsidiaries at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected. Dividend withholding tax provision is recognised in the respective periods for the withholding taxes that would be payable by subsidiaries where there is an intention that earnings will be distributed to the Company in the form of dividends.

For subsidiaries in Estonia, the annual profit earned by enterprises is not taxed and thus no income tax arise. Instead of taxing the net profit, the distribution of statutory retained earnings is subject to a tax rate of 20% of net dividend paid which, under certain conditions, can decrease to 14%.

For the subsidiary in Ukraine the annual profit was taxed at a tax rate of 18%.

The Group has not recognised any tax in relation to other comprehensive income as all elements of other comprehensive income are not subject to tax.

16. Net foreign exchange losses

The exchange differences credited to the income statement are included as follows:

	2020	2019
	RUB'000	RUB'000
Finance income and costs (Note 14)	147,008	(379,824)
Other gains/(losses) — net (Note 12)	80,973	80,722
	227,981	(299,102)

17. Property, plant and equipment

	Rolling stock	Land and buildings	Motor vehicles	Other	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
At 1 January 2019					
Cost	107,436,162	347,949	201,242	2,662,667	110,648,020
Accumulated depreciation	(35,169,174)	(91,009)	(103,276)	(519,658)	(35,883,117)
Net book amount	72,266,988	256,940	97,966	2,143,009	74,764,903
Year ended 31 December 2019					
Opening net book amount	72,266,988	256,940	97,966	2,143,009	74,764,903
Additions	13,179,785	4,133	59,192	892,686	14,135,796
Disposals	(92,175)	—	(3,025)	(6,496)	(101,696)
Assets classified as held for sale	(40,224)	—	—	—	(40,224)
Depreciation charge (Note 11)	(5,546,150)	(12,446)	(34,022)	(202,294)	(5,794,912)
Transfers	4,526	103	(2,704)	(1,925)	—
Reversal of impairment charge (Note 11)	64,889	—	—	—	64,889
Transfer to inventories	(523,000)	—	(432)	(87)	(523,519)
Derecognition arising on capital repairs	(471,746)	—	—	—	(471,746)
Currency translation differences	(1,497,866)	(1,652)	(1,062)	(266)	(1,500,846)
Closing net book amount	77,345,027	247,078	115,913	2,824,627	80,532,645
At 31 December 2019					
Cost	113,371,461	349,562	218,066	3,491,879	117,430,968
Accumulated depreciation	(36,026,434)	(102,484)	(102,153)	(667,252)	(36,898,323)
Net book amount	77,345,027	247,078	115,913	2,824,627	80,532,645

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Notes to the consolidated financial statements

	Rolling stock	Land and buildings	Motor vehicles	Other	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
At 1 January 2020					
Cost	113,371,461	349,562	218,066	3,491,879	117,430,968
Accumulated depreciation	(36,026,434)	(102,484)	(102,153)	(667,252)	(36,898,323)
Net book amount	77,345,027	247,078	115,913	2,824,627	80,532,645
Year ended 31 December 2020					
Opening net book amount	77,345,027	247,078	115,913	2,824,627	80,532,645
Additions	8,389,050	19,375	53,531	163,834	8,625,790
Disposals	(63,288)	—	(18,927)	(916)	(83,131)
Assets classified as held for sale	40,214	—	—	—	40,214
Depreciation charge (Note 11)	(6,652,230)	(14,683)	(37,204)	(264,577)	(6,968,694)
Transfers	10,391	—	—	(10,391)	—
Transfer to inventories	(381,070)	—	(5,150)	(96)	(386,316)
Derecognition arising on capital repairs	(419,982)	—	—	—	(419,982)
Currency translation differences	3,074,244	3,484	2,070	617	3,080,415
Closing net book amount	81,342,356	255,254	110,233	2,713,098	84,420,941
At 31 December 2020					
Cost	123,222,340	374,471	207,796	3,642,951	127,447,558
Accumulated depreciation	(41,879,984)	(119,217)	(97,563)	(929,853)	(43,026,617)
Net book amount	81,342,356	255,254	110,233	2,713,098	84,420,941

The net carrying amount of rolling stock as at 1 January 2020 and for the year ended 31 December 2020 includes right-of-use assets relating to rolling stock held under leases with financial institutions that include purchase options that are reasonably certain to be exercised, in accordance with the Group's accounting policy for leases, as disclosed in Note 4.

The table below shows the movement in the said right-of-use assets within the years 2020 and 2019:

	2020	2019
	RUB'000	RUB'000
Opening net book amount	3,198,262	3,414,376
Transfer to owned rolling stock	(3,108,215)	—
Depreciation charge (Note 11)	(90,047)	(216,114)
Closing net book amount	—	3,198,262

Useful lives of rolling stock

The estimation of the useful lives of items of rolling stock is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. The Group assesses the remaining useful lives of its rolling stock as of each balance sheet date taking into account the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Based on management's assessment, the useful economic life of the Group's rolling stock as of 31 December 2020 is considered appropriate.

Impairment assessment of rolling stock as of 31 December 2020

The Group assesses at each balance sheet date whether there are indications for impairment of the Group's property, plant and equipment, in accordance with its accounting policy for impairment of non-financial assets, as set out in Note 4.

As of 31 December 2020, the management considered the deterioration of the economic environment, the weak prevailing industry conditions and the COVID-19 pandemic related uncertainties, as these are set out in Note 33, as indications of impairment of the Group's cash generating units ("CGUs") and proceeded to perform impairment assessments to determine if there is an impairment loss.

As a result of the impairment assessment, no impairment losses were noted. The impairment testing for all the CGUs, other than the Estonian rail tank cars/operating leasing CGU, indicated a significant headroom in the recoverable amount over the carrying amount of these CGUs.

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Estonian rail tank cars/operating leasing CGU

The recoverable amount of the Estonian rail tank cars/operating leasing CGU amounting to RUB 12,786,087 million was determined based on market approach using level 2 inputs.

The fair value less cost to sell was determined based on the prices quoted in RUB by major retailers of rail cars dealing in the second hand market of the specific rolling stock held by the CGU in the Russian Federation (being the primary market for these assets), adjusted to take into account the age of each specific asset in the possession of the CGU and expenses necessary to bring the assets to the location and condition that enables their current use, assessed by management as being their highest and best use.

If the selling price of the rolling stock had been 10% lower the recoverable amount would decrease resulting into an impairment loss of RUB 259 million to be recognised in respect of the rolling stock of this CGU.

If the year end exchange rate between RUB and EUR had devalued by 20%, the recoverable amount would decrease resulting into an impairment loss of RUB 1,175 million to be recognised in respect of the rolling stock of this CGU.

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2020	2019
	RUB'000	RUB'000
Net book amount	83,131	101,696
Loss on sale of property, plant and equipment (Note 11)	(316)	(10,047)
Consideration from sale of property, plant and equipment	82,815	91,649

The consideration from sale of property, plant and equipment is further analysed as follows:

	2020	2019
	RUB'000	RUB'000
Cash consideration received within year	66,765	91,649
Amount receivable	1,300	—
Movement in advances received for sales of property, plant and equipment	14,750	—
	82,815	91,649

The total net book value of pledged property, plant and equipment (included above) which are held as collateral for the borrowings and loans are as follows (Note 28):

	2020	2019
	RUB'000	RUB'000
Rolling stock	8,084,292	15,190,536
Other (tank-containers)	1,387,955	1,516,212
	9,472,247	16,706,748

Depreciation expense of RUB 6,888,459 thousand in 2020 (2019: RUB 5,735,069 thousand) has been charged to “cost of sales” and RUB 80,235 thousand in 2020 (2019: RUB 59,843 thousand) has been charged to “selling, marketing and administrative expenses”. Reversal of impairment charge of RUB 64,889 thousand in 2019 has been charged to “cost of sales”.

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Notes to the consolidated financial statements

18. Right-of-use assets

	Rolling stock	Land and buildings	Other	Total
	RUB'000	RUB'000	RUB'000	RUB'000
<i>Year ended 31 December 2019</i>				
Opening net book amount	590,656	27,421	102,803	720,880
Additions	516,556	685,589	—	1,202,145
Disposals through subleases	—	(85,474)	—	(85,474)
Depreciation charge (Note 11)	(279,984)	(107,939)	(36,297)	(424,220)
Currency translation differences	—	(2,340)	—	(2,340)
Other	(543)	—	—	(543)
As at 31 December 2019	826,685	517,257	66,506	1,410,448

	Rolling stock	Land and buildings	Other	Total
	RUB'000	RUB'000	RUB'000	RUB'000
<i>Year ended 31 December 2020</i>				
Opening net book amount	826,685	517,257	66,506	1,410,448
Additions	301,130	99,050	303,152	703,332
Disposals	(30,996)	—	—	(30,996)
Disposals through subleases	—	—	(255,447)	(255,447)
Change of terms of leases	(96,587)	9,195	(7,737)	(95,129)
Depreciation charge (Note 11)	(470,245)	(148,473)	(36,352)	(655,070)
Currency translation differences	—	3,277	—	3,277
As at 31 December 2020	529,987	480,306	70,122	1,080,415

Summarised information for the Group's right-of-use assets

In accordance with the Group's accounting policy for leases as disclosed in Note 4, right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet, except for right-of-use assets and associated lease liabilities arising from leases with financial institutions that include purchase options that are reasonably certain to be exercised due to the exercise price being a nominal amount compared to the fair value of the leased asset on the exercise date. The latter are presented within the same line item as the corresponding underlying assets would be presented if they were owned and within borrowings, respectively. Management believes that this presentation best reflects the substance of the leases with financial institutions, being similar to that of purchases via collateralised borrowings.

The net carrying amount of the Group's right-of-use assets as at 31 December 2019 and 31 December 2020 is as follows:

	Rolling stock	Land and buildings	Other	Total
	RUB'000	RUB'000	RUB'000	RUB'000
<i>31 December 2019</i>				
— recognised on the face of the balance sheet	826,685	517,257	66,506	1,410,448
— included within property, plant and equipment	3,198,262	—	—	3,198,262
Net book amount	4,024,947	517,257	66,506	4,608,710
<i>31 December 2020</i>				
— recognised on the face of the balance sheet	529,987	480,306	70,122	1,080,415
Net book amount	529,987	480,306	70,122	1,080,415

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The additions to the Group’s right-of-use assets and depreciation charge during the year ended 31 December 2019 and 31 December 2020 are as follows:

	Rolling stock	Land and buildings	Other	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Year ended 31 December 2019				
Additions				
— recognised on the face of the balance sheet	516,556	685,589	—	1,202,145
Total	516,556	685,589	—	1,202,145
Depreciation charge				
— recognised on the face of the balance sheet	(279,984)	(107,939)	(36,297)	(424,220)
— included within property, plant and equipment	(216,114)	—	—	(216,114)
Total	(496,098)	(107,939)	(36,297)	(640,334)
Year ended 31 December 2020				
Additions				
— recognised on the face of the balance sheet	301,130	99,050	303,152	703,332
Total	301,130	99,050	303,152	703,332
Depreciation charge				
— recognised on the face of the balance sheet	(470,245)	(148,473)	(36,352)	(655,070)
— included within property, plant and equipment	(90,047)	—	—	(90,047)
Total	(560,292)	(148,473)	(36,352)	(745,117)

The total cash outflow for leases in 2020 was RUB 2,897,814 thousand (2019: RUB 2,110,197 thousand).

19. Intangible assets

	Computer software	Customer relationships	Total
	RUB'000	RUB'000	RUB'000
At 1 January 2019			
Cost	10,934	4,863,734	4,874,668
Accumulated amortisation	(6,443)	(4,111,016)	(4,117,459)
Net book amount	4,491	752,718	757,209
Year ended 31 December 2019			
Opening net book amount	4,491	752,718	757,209
Amortisation charge (Note 11)	(1,910)	(694,815)	(696,725)
Additions	832	—	832
Closing net book amount	3,413	57,903	61,316
At 31 December 2019			
Cost	11,766	4,863,734	4,875,500
Accumulated amortisation	(8,353)	(4,805,831)	(4,814,184)
Net book amount	3,413	57,903	61,316
Year ended 31 December 2020			
Opening net book amount	3,413	57,903	61,316
Amortisation charge (Note 11)	(1,953)	(57,903)	(59,856)
Closing net book amount	1,460	—	1,460
At 31 December 2020			
Cost	11,766	—	11,766
Accumulated amortisation	(10,306)	—	(10,306)
Net book amount	1,460	—	1,460

Amortisation of RUB 59,839 thousand (2019: RUB 696,707 thousand) has been charged to cost of sales’ in the income statement and RUB 17 thousand (2019: RUB 18 thousand) to ‘administrative expenses’.

Notes to the consolidated financial statements

20. Principal subsidiaries

The Group had the following subsidiaries at 31 December 2020 and 31 December 2019:

Name	Place of business/ country of incorporation	Principal activities	Proportion of ordinary shares held by the Company (%)		Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by non-controlling interest (%)	
			2020	2019	2020	2019	2020	2019
New Forwarding Company, AO	Russia	Railway transportation	100	100	100	100	—	—
GTI Management, OOO	Russia	Railway transportation	100	100	100	100	—	—
Ural Wagonrepair Company, AO	Russia	Repair and maintenance of rolling stock	100	100	100	100	—	—
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	100	100	100	100	—	—
BaltTransServis, OOO	Russia	Railway transportation	60	60	60	60	40	40

BTS-Locomotive Solutions OOO ¹	Russia	Support activities for locomotive traction	—	—	60	60	40	40
RemTransServis, OOO ²	Russia	Repair and maintenance of rolling stock	—	—	59.4	59.4	40.6	40.6
SyntezRail LLC ³	Russia	Railway transportation	—	—	60	60	40	40
SyntezRail Ltd	Cyprus	Intermediary holding company	60	60	60	60	40	40
Spacecom AS	Estonia	Operating lease of rolling stock and provision of forwarding services	65.25	65.25	65.25	65.25	34.75	34.75
Ekolinja Oy ⁴	Finland	Operating sub-lease of rolling stock	—	—	65.25	65.25	34.75	34.75
Spacecom Trans AS ⁴	Estonia	Operating lease of rolling stock	—	—	65.25	65.25	34.75	34.75

¹ BTS-Locomotive Solutions, OOO is a 100% subsidiary of BaltTransServis.

² RemTransServis, OOO is a 99% subsidiary of BaltTransServis, OOO.

³ SyntezRail LLC is a 100% subsidiary of SyntezRail Ltd.

⁴ Ekolinja Oy and Spacecom Trans AS are 100% subsidiaries of Spacecom AS.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

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The accumulated non-controlling interest as of 31 December 2020 and 31 December 2019 comprised the following:

	2020	2019
	RUB'000	RUB'000
BaltTransServis, OOO (including RemTransservis, OOO and BTS-Locomotive Solutions, OOO)	1,289,933	1,931,282
Spacecom AS (including Spacecom Trans AS and Ekolinja Oy)	4,422,878	3,544,360
SyntezRail, OOO; SyntezRail Limited	213,794	171,588
Total	5,926,605	5,647,230

Transactions with non-controlling interests

During the year 2018, Spacecom AS acquired 100% of the shares of Spacecom Trans AS from the Company and the non-controlling shareholders, for a total consideration of Eur 30,100 thousand (equivalent to RUB 2,391,761 thousand), out of which RUB 837,116 thousand were attributed to the non-controlling interest. An amount of RUB 180,281 thousand was paid within 2020 (2019: RUB 450,934 thousand), which includes interest accrued on the balance payable, resulting in the full settlement of the amount due.

Significant restrictions

There are no significant restrictions, statutory, contractual, regulatory, or arising from protective rights of non-controlling interests, on the ability of the Group to access or use the assets and settle the liabilities of the Group.

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The financial information of Spacecom AS includes Spacecom Trans AS and Ekolinja Oy the financial information of BaltTransServis, OOO includes RemTransServis, OOO. No summarised financial information is presented for SyntezRail, OOO and SyntezRail Limited as their operations and financial position are not material to the Group.

SUMMARISED BALANCE SHEET				
	BaltTransServis OOO		Spacecom AS	
	2020	2019	2020	2019
	RUB'000	RUB'000	RUB'000	RUB'000
Current				
Assets	2,619,117	4,015,712	282,965	261,333
Liabilities	5,187,101	3,130,804	557,944	483,347
Total current net assets	(2,567,984)	884,908	(274,979)	(222,014)
Non-current				
Assets	8,682,673	8,345,817	13,006,551	10,368,791
Liabilities	2,889,856	4,402,519	60,302	7,879
Total non-current net assets	5,792,817	3,943,298	12,946,249	10,360,912
Net assets	3,224,833	4,828,206	12,671,270	10,138,898

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SUMMARISED INCOME STATEMENT				
	BaltTransServis OOO		Spacecom AS	
	2020	2019	2020	2019
	RUB'000	RUB'000	RUB'000	RUB'000
Revenue	23,841,123	27,994,828	1,732,640	1,288,712
Profit before income tax	4,169,195	5,170,098	959,753	578,549
Income tax expense	(832,568)	(1,063,438)	(312,459)	(23,656)
Post-tax profit from continuing operations	3,336,627	4,106,660	647,294	554,893
Other comprehensive income	-	-	3,099,987	(1,278,787)
Total comprehensive income	3,336,627	4,106,660	3,747,281	(723,894)
Total comprehensive income allocated to non-controlling interests	1,334,651	1,642,664	224,935	192,825
Dividends paid to non-controlling interest	(1,976,000)	(1,560,000)	(411,652)	(42,237)

SUMMARISED CASH FLOW STATEMENTS				
	BaltTransServis OOO		Spacecom AS	
	2020	2019	2020	2019
	RUB'000	RUB'000	RUB'000	RUB'000
Cash flows from operating activities				
Cash generated from operations	6,119,365	6,194,775	1,594,194	1,007,302
Income tax paid	(830,980)	(810,307)	(174,215)	(18,592)
Net cash generated from operating activities	5,288,385	5,384,468	1,419,979	988,710
Net cash generated from/(used in) investing activities	(1,085,015)	(3,324,236)	(539,000)	(982,034)
Net cash used in financing activities	(5,256,854)	(1,163,927)	(837,055)	(145,235)
Net increase/(decrease) in cash and cash equivalents	(1,053,484)	896,305	43,924	(138,559)
Cash and cash equivalents at beginning of year	1,891,351	995,046	38,288	195,513
Exchange differences on cash and cash equivalents	-	-	12,656	(18,666)
Cash and cash equivalents at end of year	837,867	1,891,351	94,868	38,288

The information above includes the amounts before inter-company eliminations.

Notes to the consolidated financial statements

21. Share-based payments

The Group maintains a remuneration program for some of the members of management, including members of key management of the Group. This includes, amongst other things, a three-year compensation scheme in accordance to which, members of management receive a yearly cash compensation calculated based on the weighted average market quotations of the GDRs of the Company. This compensation is set for a three-year period that matured by 31 December 2020 and is divided on three instalments to be paid after the end of each assessment period which equals to one year. The award is conditional on the performance of the participants and on meeting certain key performance indicators (“KPIs”) each year during the three years vesting period.

The scheme falls within the scope of IFRS 2 “Share-based payment” and has therefore been classified as a cash-settled share-based payment arrangement.

In accordance with the terms of the remuneration program, the compensation is calculated based on the weighted average fair value of the Company’s GDRs, quoted in US Dollar multiplied by the weighted average RUB/USD exchange rate for each period.

The Group recognised an employee benefit expense of RUB 28,931 thousand in this respect for the year ended 31 December 2020 (2019: RUB 83,319 thousand) and the Group’s liability in respect of this amounted to RUB 104,366 thousand as of 31 December 2020 (2019: RUB 205,604 thousand).

The share-based payment liability as of 31 December 2020 and 31 December 2019 was determined based on the assumption that all participants will remain with the Group and all KPIs will be met and that there will be no significant fluctuation in the value of the Company’s GDRs during the vesting period. The significant inputs into the valuation were the weighted average fair value of the Company’s GDRs and the weighted average USD/RUB exchange.

22. Financial assets

(a) Trade receivables

	2020	2019
	RUB'000	RUB'000
Trade receivables — third parties	3,836,670	3,348,481
Less: Provision for impairment of trade receivables	(135,124)	(138,915)
Trade receivables — net	3,701,546	3,209,566
Less non-current portion:		
Trade receivables — third parties	261,437	218,392
Less: Provision for impairment of trade receivables	(25,272)	(21,108)
Total non-current portion	236,165	197,284
Current portion	3,465,381	3,012,282

Trade receivables amounting to RUB 261,437 thousand as of 31 December 2020 (2019: RUB 218,392 thousand) related to a receivable from Georgian Railways for services rendered by the Group prior to 1 April 2015. The amount receivable is under dispute and the Group initiated a claim to the Georgian Court demanding the repayment of the entire balance due. Based on assessment performed as at 31 December 2020, the Group recognised a provision for impairment of RUB 25,272 thousand (2019: RUB 21,108 thousand) in order to account for the expected time until receipt of the amount due (Note 33).

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The carrying amounts of the Group’s trade receivables are denominated in the following currencies:

	2020	2019
	RUB'000	RUB'000
Currency:		
US Dollar	248,633	209,094
Russian Roubles	3,306,199	2,820,759
Euro	138,184	177,080
Ukrainian Hryvnia	8,530	2,633
	3,701,546	3,209,566

According to the management’s estimates, the fair values of trade receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

(b) Loans and other receivables

	2020	2019
	RUB'000	RUB'000
Loans receivables — third parties	3,887	7,841
Other receivables	67,678	69,519
Less: Provision for impairment of other receivables	(20,195)	(29,341)
Loans and other receivables — net	51,370	48,019
Less non-current portion:		
Loans receivables — third parties	3,887	7,820
Other receivables — third parties	—	2,554
Total non-current portion	3,887	10,374
Current portion	47,483	37,645

The carrying amounts of the Group’s loans and other receivables are denominated in the following currencies:

	2020	2019
	RUB'000	RUB'000
Currency:		
US Dollar	440	—
Russian Roubles	46,451	39,760
Ukrainian Hryvnia	591	416
Euro	1	2
Other	3,887	7,841
	51,370	48,019

According to the management’s estimates, the fair values of loans and other receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

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23. Other assets

	2020	2019
	RUB'000	RUB'000
Prepayments — third parties	1,760,966	3,805,346
Finance leases to third parties	422,972	279,070
VAT recoverable	952,148	1,442,504
Other assets	3,136,086	5,526,920
Less non-current portion:		
Finance leases to third parties	296,525	241,279
Prepayments for property, plant and equipment	252,968	95,137
Total non-current portion	549,493	336,416
Current portion	2,586,593	5,190,504

The Group's finance leases as at 31 December 2020 and 31 December 2019 are denominated in Russian Roubles. The finance lease receivables are scheduled as follows:

	Less than one year	Between 1 to 5 years	Over 5 years	Total
	RUB'000	RUB'000	RUB'000	RUB'000
At 31 December 2020				
Minimum lease receivable	146,532	327,222	—	473,754
Less: Unearned finance income	(20,085)	(30,697)	—	(50,782)
Present value of minimum lease receivables	126,447	296,525	—	422,972
At 31 December 2019				
Minimum lease receivable	64,499	297,795	—	362,294
Less: Unearned finance income	(26,708)	(56,516)	—	(83,224)
Present value of minimum lease receivables	37,791	241,279	—	279,070

According to the management's estimates, the fair values of finance lease receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

The effective interest rates on finance lease receivables at the balance sheet were as follows:

	2020	2019
	%	%
Finance leases to third parties	12.61	10.4

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24. Inventories

	2020	2019
	RUB'000	RUB'000
Raw materials, spare parts and consumables	691,033	1,722,781
	691,033	1,722,781

All inventories are stated at cost.

25. Cash and cash equivalents

	2020	2019
	RUB'000	RUB'000
Cash at bank and in hand	4,898,862	4,333,201
Short term bank deposits	79,460	2,188,342
Total cash and cash equivalents	4,978,322	6,521,543

The weighted average effective interest rate on short-term deposits was 2.27-4.85% in 2020 (2019: 4.20-5.80%) and these deposits have a maturity of 1 to 21 days (2019: 1 to 30 days).

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2020	2019
	RUB'000	RUB'000
Cash and cash equivalents	4,978,322	6,521,543
Total cash and cash equivalents	4,978,322	6,521,543

Cash and cash equivalents are denominated in the following currencies:

	2020	2019
	RUB'000	RUB'000
Russian Rouble	3,615,107	5,884,983
US Dollar	673,073	257,799
Euro	650,786	338,802
Ukrainian Hryvnia	39,356	39,959
Total cash and cash equivalents	4,978,322	6,521,543

The carrying value of cash and cash equivalents approximates their fair value.

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26. Share capital, share premium and treasury shares

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2019 /31 December 2019 / 1 January 2020 / 31 December 2020	178,740,916	17,875	949,471	967,346

	Number of shares	Share capital RUB'000	Share premium RUB'000	Total RUB'000
At 1 January 2019 /31 December 2019 / 1 January 2020 / 31 December 2020	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2020 was 233,918,128 shares with a par value of US\$0.10 per share (31 December 2019: 233,918,128 shares with a par value of US\$0.10 per share). All issued shares are fully paid.

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company’s Global Depositary Receipts (“GDRs”) and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2021 and May 2021. The total number of purchased GDRs shall not exceed 5% of the Company’s share capital (equivalent to 8,937,046 shares, with each GDR representing oxne ordinary share).

As at 31 December 2020 the Company has purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand).

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

27. Dividends

In April 2019, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2018 in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR (US Dollar equivalent of US\$ 129,727 thousand).

In August 2019, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including interim dividend in the amount of RUB 3,548,007 thousand or RUB 19.85 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,772,382 thousand or RUB 26.70 per ordinary share/GDR (US Dollar equivalent of US\$ 124,655 thousand).

In April 2020, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR (US Dollar equivalent of US\$ 110,787 thousand).

In August 2020, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including interim dividend in the amount of RUB 3,083,281 thousand or RUB 17.25 per ordinary share/GDR and a special interim dividend in the amount of RUB 5,327,109 thousand or RUB 29.30 per ordinary share/GDR (US Dollar equivalent US\$ 111,293 thousand).

During the years ended 31 December 2020 and 2019, the Group declared and paid dividends in favour of the equity holders of the Company and the non-controlling interests as detailed in the table below.

	2020 RUB'000	2019 RUB'000
Dividends declared to equity holders of the Company ¹	16,637,178	16,631,842
Dividends paid to equity holders of the Company ¹	16,637,178	16,631,842
Dividends declared to non-controlling interest	2,387,652	1,602,237
Dividends paid to non-controlling interest	2,271,815	1,602,237

¹ Dividends declared and paid to the equity holders of the Company within the year 2020 as per the table above excludes RUB 3,601 thousand relating to dividend declared and paid on the treasury shares.

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28. Borrowings

	2020	2019
	RUB'000	RUB'000
<i>Current</i>		
Bank borrowings	9,388,591	7,013,856
Non-convertible unsecured bonds	1,542,581	290,000
Loans from third parties	—	355
Lease liabilities with financial institutions	—	496,093
Total current borrowings	10,931,172	7,800,304
<i>Non-current</i>		
Bank borrowings	12,339,674	10,959,851
Non-convertible unsecured bonds	8,744,393	9,989,017
Loans from third parties	—	120,000
Lease liabilities with financial institutions	—	1,226,046
Total non-current borrowings	21,084,067	22,294,914
Total borrowings	32,015,239	30,095,218
<i>Maturity of non-current borrowings (excluding lease liabilities with financial institutions)</i>		
Between 1 and 2 years	11,554,709	8,528,123
Between 2 and 5 years	9,529,358	12,540,745
	21,084,067	21,068,868

Bank borrowings

Bank borrowings mature by 2025 (2019: by 2024) and bear average interest of 6.25% per annum (2019: 8.07% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2020 and 31 December 2019.

The current and non-current bank borrowings amounting to RUB 4,522,381 thousand and RUB 4,916,838 thousand respectively (2019: RUB 5,501,805 thousand and RUB 8,797,604 thousand respectively) are secured by pledge of rolling stock and tank-containers with a total carrying net book value of RUB 9,472,247 thousand (2019: RUB 16,706,748 thousand) (Note 17).

Non-convertible bonds

New Forwarding Company AO issued non-convertible Russian Rouble denominated bonds for amount of RUB 5 billion in 2018, priced at a coupon rate of 7.25% p.a. and with maturity in 2023 and for amount of RUB 5 billion in 2019, priced at a coupon rate of 8.8% p.a. and with maturity in 2024 out of a total RUB 100 billion registered program.

The Company acts as the guarantor for the bond issue.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	2020	2019
	RUB'000	RUB'000
6 months or less	4,983,084	3,917,181
6 to 12 months	5,948,087	3,875,216
1 to 5 years	21,084,068	22,302,821
	32,015,239	30,095,218

Note: The amounts above are based on the earliest of their contractual re-pricing dates and maturity dates

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Movements in borrowings are analysed as follows:					
	Bank borrowings and loans (excl. overdrafts)	Lease liabilities with financial institutions	Other lease liabilities	Non-convertible unsecured bonds	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Year ended 31 December 2019					
Opening amount as at 1 January 2019	18,399,624	2,212,668	678,695	5,116,619	26,407,606
Cash flows:					
Amounts advanced	10,408,000	—	—	5,000,000	15,408,000
Repayments of borrowings	(10,736,723)	(488,723)	(339,597)	—	(11,565,043)
Interest paid	(1,437,015)	(167,048)	(111,911)	(580,900)	(2,296,874)
Non-cash changes:					
Interest charged	1,461,453	165,242	117,589	743,298	2,487,582
Net foreign exchange	(394)	—	(10,956)	—	(11,350)
Other lease liability	—	—	1,197,063	—	1,197,063
Other	(883)	—	—	—	(883)
Closing amount as at 31 December 2019	18,094,062	1,722,139	1,530,883	10,279,017	31,626,101
Year ended 31 December 2020					
Opening amount as at 1 January 2020	18,094,062	1,722,139	1,530,883	10,279,017	31,626,101
Cash flows:					
Amounts advanced	23,265,000	—	—	—	23,265,000
Repayments of borrowings	(19,603,415)	(1,715,794)	(672,432)	—	(21,991,641)
Interest paid	(1,514,636)	(80,813)	(113,771)	(800,301)	(2,509,521)
Non-cash changes:					

Interest charged	1,487,421	74,468	113,099	808,258	2,483,246
Net foreign exchange	—	—	9,716	—	9,716
Other lease liability	—	—	668,622	—	668,622
Other	(167)	—	(131,521)	—	(131,688)
Closing amount as at 31 December 2020	21,728,265	—	1,404,596	10,286,974	33,419,835
The carrying amount and fair value of current and non-current borrowings are as follows:					

	Carrying amount		Fair value	
	2020	2019	2020	2019
	RUB'000	RUB'000	RUB'000	RUB'000
Bank borrowings	21,728,265	17,973,707	21,784,011	16,536,507
Non-convertible unsecured bonds	10,286,974	10,279,017	10,440,500	10,317,500
Loans from third parties	—	120,355	—	125,833
Lease liabilities with financial institutions	—	1,722,139	—	1,635,779
	32,015,239	30,095,218	32,224,511	28,615,619

The fair value as at 31 December 2020 and 31 December 2019 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2020 and 31 December 2019. The discount rate was 6.3% p.a. (2019: 7.5% p.a.). The fair value measurements are within level 2 of the fair value hierarchy (2019: level 2). The fair value as at 31 December 2020 and 31 December 2019 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

The fair value of liabilities repayable on demand or after a notice period (“demandable liabilities”) is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

	2020	2019
	RUB’000	RUB’000
Russian Rouble	32,015,239	30,095,218
	32,015,239	30,095,218

The Group has the following undrawn borrowing facilities:

	2020	2019
	RUB’000	RUB’000
Fixed rate:		
Expiring within one year	7,609,091	2,320,000
Expiring beyond one year	21,840,000	2,345,000
	29,449,091	4,665,000

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

	2020	2019
	%	%
Bank borrowings	6.3	8.1
Non-convertible unsecured bonds	8.1	8.1
Loans from third parties	—	9.0
Lease liabilities with financial institutions	—	8.4

29. Other lease liabilities

	2020	2019
	RUB’000	RUB’000
Other lease liabilities		
Current lease liabilities	684,109	649,177
Non-current lease liabilities	720,487	881,706
Total lease liabilities	1,404,596	1,530,883

	2020	2019
	RUB’000	RUB’000
Maturity of other lease liabilities		
Between 1 and 2 years	475,112	340,021
Between 2 and 5 years	239,943	535,144
Over 5 years	5,432	6,541
	720,487	881,706

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30. Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and fiscal authority.

The gross movement on the deferred income tax account is as follows:

	2020	2019
	RUB'000	RUB'000
Beginning of year	7,592,182	6,284,868
Income statement charge (Note 15)	1,265,524	1,307,314
Exchange differences	4,881	—
End of year	8,862,587	7,592,182

The movement on the deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Property, plant and equipment ¹	Withholding tax provision	Intangible assets	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Deferred tax liabilities				
At 1 January 2019	6,865,556	485,136	150,326	7,501,018
Charged/(credited) to:				
Income statement (Note 15)	1,156,002	30,308	(138,958)	1,047,352
At 31 December 2019	8,021,558	515,444	11,368	8,548,370
Charged/(credited) to:				
Income statement (Note 15)	445,194	153,433	(11,578)	587,049
Translation differences	—	4,881	—	4,881
At 31 December 2020	8,466,752	673,758	(210)	9,140,300

¹ The deferred tax liability arising from property, plant and equipment as at 31 December 2019 includes RUB 639 652 thousand relating to temporary differences arising from right-of-use assets recognised within property, plant and equipment (Note 17).

	Tax losses	Trade and other payables	Lease liabilities with financial institutions	Other assets/ liabilities	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Deferred tax assets					
At 1 January 2019	(59,012)	(186,470)	(823,341)	(147,327)	(1,216,150)
Charged/(credited) to:					
Income statement (Note 15)	10	(119,591)	108,990	270,553	259,962
At 31 December 2019	(59,002)	(306,061)	(714,351)	123,226	(956,188)
Charged/(credited) to:					
Income statement (Note 15)	5,586	108,696	593,783	(29,590)	678,475
At 31 December 2020	(53,416)	(197,365)	(120,568)	93,636	(277,713)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets in the amount of RUB 272,614 thousand (2019: RUB 312,221 thousand) for tax losses amounting to RUB 1,543,418 thousand (2019: RUB 1,668,111 thousand) available to be carried forward as it is not probable that future taxable profits will be available against which these tax losses can be utilised.

Withholding tax at the rate of 5% is applied to the dividends distributed by the Russian subsidiaries of the Group to the Company. In case the dividends are distributed by the Estonian subsidiaries the tax of 20% or, under certain conditions, 14% will be applied to gross amount of such distributions. The Group recognises provisions for such taxes based on management’s estimates and intention for future dividend distribution by each respective subsidiary out of profits of subsidiaries as of 31 December 2020.

Deferred income tax liabilities of RUB 1,446,802 thousand (2019: RUB 2,575,594 thousand) have not been recognised for the withholding taxes that would be payable in case unremitted earnings of certain subsidiaries are distributed to the Company in the form of dividends as it is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled to RUB 13,093,858 thousand as at 31 December 2020 (2019: RUB 22,679,368 thousand).

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31. Trade and other payables

	2020	2019
	RUB'000	RUB'000
<i>Current</i>		
Trade payables to third parties	843,703	659,891
Other payables to third parties	380,438	462,021
VAT payable and other taxes	534,738	561,393
Accrued expenses	79,680	133,482
Accrued key management compensation, including share-based payment (Note 35)	359,435	539,085
	2,197,994	2,355,872
<i>Non-current</i>		
Accrued key management compensation, including share-based payment (Note 35)	—	82,256
Accrued expenses	—	8,486
	—	90,742

The fair value of trade and other payables approximates their carrying amount at the balance sheet date.

32. 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 year, excluding treasury shares.

	2020	2019
Profit attributable to equity holders of the company (RUB thousand)	10,586,535	20,807,651
Weighted average number of ordinary shares in issue (thousand)	178,705	178,741
Basic and diluted earnings per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	59.24	116.41

33. Contingencies

Operating environment

The year 2020 was marked by the COVID-19 pandemic, widespread national lockdowns and sharp decline in economic conditions across the globe. Measures taken by various governments to contain the virus have severely impacted and could continue to negatively impact economic activity and supply chains, both globally and in the Russian Federation and the other territories in which the Group operates for an unknown period of time. Management has taken and continues to take necessary measures to ensure minimum disruption to and sustainability of the Group's operations and support the Group's employees, customers and suppliers.

The overall economic weakness and the spread of COVID-19 impacted the Russian freight rail transportation market which experienced weak and volatile demand along with weak pricing conditions especially in the gondola segment. Although the Group's operations and financial results were inevitably impacted by these unprecedented economic conditions, the Group was able to swiftly navigate the challenges and responded quickly to the market volatility by migrating between different cargoes, increasing the Group's freight rail turnover and focusing on cost optimisation measures.

The future effects of the COVID-19 pandemic and of the above measures on businesses, market participants, clients of the Group, as well as global economy and the Group's operating environment are difficult to predict. Consequently, the future financial performance, cash flows and financial position of the Group, are difficult to predict and management's current expectations and estimates could differ from actual results. The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current economic environment.

The management has analysed these economic conditions and concluded that these represent indications of impairment of the Group's cash generating units and proceeded to perform impairment assessments to determine if there is an impairment loss, as further set out in Note 17.

The Group and its subsidiaries mainly operate in the Russian Federation, Estonia, Finland and Ukraine.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Consolidated Management Report and Consolidated Financial Statements for the Year Ended 31 December 2020

Notes to the consolidated financial statements

Tax contingencies. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods..

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation. Management believes that its pricing policy used in 2020 and 2019 and preceding years is arm's length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies within the Group are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated in Cyprus, Russia, Ukraine, Estonia and Finland. The tax liabilities of the Group are determined on the assumption that these companies are tax residents in the countries where they are incorporated and are not subject to profits tax of other tax jurisdictions, because they do not have permanent establishments in other jurisdictions. The Company and the non-controlling shareholding companies holding interests in the Company's Russian subsidiaries are the only and full beneficial owners of the equity interests held directly and indirectly in these subsidiaries. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. Management will vigorously defend the positions and interpretations applied in determining taxes recognised in these financial statements if these are challenged by the authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Estonia and Finland. Estonia and Finland represent well-developed markets and economies with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine. Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The central bank of Ukraine, among other measures, imposed certain restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

Despite certain improvements in recent years, the final resolution and the ongoing effects of the political and economic situation are difficult to predict, but they may have further severe effects on the Ukrainian economy and the Group's business.

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including claims for early repayment. The Group is in compliance with covenants as of 31 December 2020 and 31 December 2019 (Note 28).

Insurance policies

The Group holds insurance policies in relation to all vehicles (rolling stock and motor vehicles) and in respect of public third-party liability. The Group does not have full insurance for business interruption or third-party liability in respect of environmental damage.

Environmental matters

The enforcement of environmental regulation in the countries in which the Group operates is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Legal proceedings

During the years ended 31 December 2020 and 31 December 2019, the Company's subsidiaries were involved as claimants and defendants in a number of court proceedings.

Georgian Railways case

In March 2016, Georgian Railways initiated a claim of approximately GEL 16,122 thousand against a subsidiary of the Company claiming compensation for storage costs incurred for wagons leased out to Georgian Railways that remained in Georgia for a period after 1 April 2015.

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Notes to the consolidated financial statements

As explained in Note 22, as at 31 December 2020 the Group has an outstanding receivable amounting to EUR 2,883 thousand/RUB 261,437 thousand (2019: EUR 3,150 thousand/RUB 218,392 thousand) from Georgian Railways relating to invoices issued for services rendered prior to 1 April 2015. The Group also issued invoices of EUR 1,555 thousand to Georgian Railways; the revenue of which has not been recognised as it was not assessed as probable at that time that future economic benefits would flow to the Group.

The Georgian Railways dispute the tariffs applied in computing the outstanding balance and thus have not proceeded with the repayment of the amount which remains outstanding.

The Group has initiated a claim to the Georgian Court demanding the repayment of the entire balance. Based on assessment performed as at 31 December 2020, management recognised a loss allowance of EUR 279 thousand/ RUB 25,272 thousand (2019: EUR 304 thousand/ RUB 21,108 thousand).

In March 2018, the Georgian Court ruled in favor of the Group an amount of US\$10 million. Both parties have appealed this decision. The Group has not recognised a receivable for the amount awarded as this might not constitute a final decision on the matter.

Claim in relation to sale of rolling of stock

In February 2018, the Group received a claim from a third party in relation to a sale of rolling stock. In March 2018, the third party initiated legal action claiming from the Group an amount of RUB 996 million. In May 2018, there was a court decision against the Group for an amount of RUB 684 million. Both parties appealed this decision and on 27 September 2018 the 2nd instance court cancelled the penalty in full amount. On 15 February 2019 the Moscow Arbitrary court cancelled all court decisions made and announced a new court hearing in September 2019. The amount of claim was decreased to RUB 727 million. Based on the results of the re-examination of the case in September 2019, the court of 1st instance ruled to partially satisfy the requirements of the third party in the amount of RUB 554 million, plus penalties in amount of RUB 27 million. Both parties appealed this decision and on 12 March 2019 the court appointed an independent expert to determine the current value of the disputed rolling stock. No provision was recognised in respect of this claim as the Group has received an unconditional irrevocable guarantee for the entire amount of this claim.

In September 2020, both parties agreed to voluntarily settle the dispute. This was approved by the Court within the year 2020 and as a result all legal proceedings were terminated. The Group did not suffer any loss as the Group had received an unconditional irrevocable guarantee for the entire amount of this claim.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 31 December 2020 and 2019 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 financial statements.

34. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2020	2019
	RUB'000	RUB'000
Property, plant and equipment	308,173	21,419

(b) Operating lease commitments — Group as lessor

The Group leases out rolling stock and locomotives under cancellable and non-cancellable operating lease agreements. The future aggregate minimum lease payments receivable under non-cancellable operating leases in which the Group is acting as the lessor are as follows:

	2020	2019
	RUB'000	RUB'000
Not later than 1 year	402,676	368,888
Later than 1 year not later than 5 years	156,395	—
	559,071	368,888

There were no contingent-based rents to be recognised in the income statement for the year ended 31 December 2020 and 31 December 2019.

Notes to the consolidated financial statements

35. Related party transactions

Litten Investments Ltd, controlled by a Director of the Company, has a shareholding in the Company of 5.1% as at 31 December 2020 (31 December 2019: 5.1%).

Goldriver Resources Ltd, controlled by a member of key management personnel of the Group, has a shareholding in the Company of 4.0% as at 31 December 2020 (31 December 2019: 4.0%).

As at 31 December 2020, another 0.2% (2019: 0.2%) of the shares of the Company is controlled by Directors and key management of the Company.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The following transactions were carried out with related parties:

(a) Key management compensation

	2020	2019
	RUB'000	RUB'000
Key management salaries and other short-term employee benefits	1,139,297	1,417,535
Share based compensation (Note 21)	28,931	83,319
	1,168,228	1,500,854

The key management compensation above includes directors’ remuneration paid to the directors of the Company both by the Company and by subsidiaries of the Company in respect of services provided to such subsidiaries amounting to RUB 433,063 thousand (2019: RUB 507,802 thousand) and analysed as follows:

	2020	2019
	RUB'000	RUB'000
Non-executive directors’ fees	25,535	20,868
Emoluments in their executive capacity	406,144	474,950
Share based compensation in their executive capacity	1,384	11,984
	433,063	507,802

(b) Year-end balances arising from sale of shares/purchases of services

	2020	2019
	RUB'000	RUB'000
Accrued key management remuneration — current (Note 31):		
Accrued salaries and other short-term employee benefits	255,069	415,737
Share based payment liability (Note 21)	104,366	123,348
	359,435	539,085

	2020	2019
	RUB'000	RUB'000
Accrued key management remuneration — non-current (Note 31):		
Share based payment liability (Note 21)	—	82,256
	—	82,256

36. Events after the balance sheet date

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2020 in the amount of 28.0 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 5,004,746 thousand, including final dividend for 2020 in the amount of RUB 2,931,351 thousand or RUB 16.4 per ordinary share/GDR and a special final dividend in the amount of RUB 2,073,395 thousand or RUB 11.60 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 29 April 2021 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for five business days in Russia from 22 April 2021 to 28 April 2021 inclusive.

There were no other material post balance sheet events which have a bearing on the understanding of these consolidated financial statements.

Independent Auditor’s Report on pages 138 to 145.

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Management report and parent company financial statements for the year ended 31 December 2020

Board of Directors and other officers

Board of Directors

Dr. Johann Franz Durrer
Senior Independent Non-Executive Director
Chairman of the Remuneration Committee
Chairman of the Nomination Committee

Mr. Vasilis Hadjivassiliou
Independent Non-Executive Director
Member of the Audit Committee (since January 2021)

Mr. John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee
Member of Remuneration Committee
Member of Nomination Committee
Member of ESG Committee (since January 2021)

Mr. George Papaioannou
Independent Non-Executive Director
Member of the Audit Committee

Ms. Elia Nicolaou
Non-executive Director
Chairwoman of the ESG Committee (since January 2021)
Member of the Audit Committee (until January 2021)
Company Secretary
Secretary of the Board
Alternate Director: Mr. Marios Tofaros

Mr. Michalakis Thomaides
Non-Executive Director

Ms. Melina Pyrgou
Non-executive Director

Mr. Marios Tofaros
Non-executive Director

Mr. Sergey Maltsev
Chairman of the Board of Directors
Executive Director
Alternate director: Mr. Yuri Isaev

Mr. Sergey Tolmachev
Executive Director

Mr. Alexander Storozhev
Executive Director
Alternate Director: Ms. Elia Nicolaou

Mr. Konstantin Shirokov
Executive Director

Mr. Alexander Eliseev
Non-executive Director
Alternate Director: Ms Ekaterina Golubeva

Mr. Andrey Gomon
Non-executive Director
Alternate Director: Ms. Melina Pyrgou

Mr. Alexander Tarasov
Non-executive Director

Board support

The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures. Also a procedure is in place to enable Directors, if they so wish, to seek independent professional advice at the Company’s expense.

Company Secretary

Ms. Elia Nicolaou
Dimitriou Karatasou, 15
Anastasio Building, 6th floor, Office 601
Strovolos, 2024, Nicosia, Cyprus



Assistant secretary: Mr. Marios Tofaros



Registered office

20 Omirou Street
Agios Nicolaos
CY-3095 Limassol, Cyprus

Management report and parent company financial statements for the year ended 31 December 2020

Management Report

The Board of Directors presents its report together with the audited parent company financial statements for the year ended 31 December 2020. The parent company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of financing to other Group companies.

Review of developments, position and performance of the Company's business

The Company's profit for the year increased to RUB 21,883,710 thousand compared to RUB 18,773,265 thousand for the year ended 31 December 2019. This was mainly the result of the increase in the dividend income earned from the subsidiaries from RUB 20,417,895 thousand during the year ended 31 December 2019 to RUB 22,283,992 thousand in the current year.

The net asset position of the Company has increased as of 31 December 2020 compared to 31 December 2019, with net assets as of 31 December 2020 amounting to RUB 48,194,373 thousand compared to RUB 42,979,337 thousand as of 31 December 2019.

The financial position, development and performance of the Company as presented in the financial statements is considered satisfactory.

Changes in group structure

There were no changes in the group structure of the Company during the year ended 31 December 2020. For the principal subsidiaries of the Company, refer to Note 18 of the financial statements.

Non-Financial Information and Diversity Statement

The Group will be publishing its Non-Financial Information and Diversity Statement within its Annual report that will be issued within four months after the balance sheet date and will be available on the Company's website, www.globaltrans.com

Environmental matters

Rail is one of the most environmentally friendly modes of transport. Nonetheless, any commercial activity has an environmental impact and Globaltrans strives to minimise those from its operations where possible. To this end, the Group ensures that its activities fully comply with local environmental regulations. It also aims to help business and nature co-exist by focusing on applying modern technology in its operations and using natural resources rationally.

In January 2021, the Board established the ESG Committee to analyse and oversee risks related to the environmental, social and governance issues.

Human resources

Globaltrans considers the wellbeing of employees central to its success and strives to maintain exemplary working standards, ensure job satisfaction and create opportunities for professional growth. The Group's personnel policy focuses on creating a positive atmosphere at all offices and facilities to maximise productivity. As part of this, it offers medical insurance, support for education, opportunities to obtain additional qualifications and training, and financial aid in particularly difficult times.

The Group's future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team. Competition in Russia for such personnel with relevant expertise is intense due to the small number of qualified individuals with suitable practical experience in the rail industry.

Adequate remuneration packages, which are in line with or in excess of market levels, are offered to all employees and key managers and remuneration is linked to the Group's financial results. The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate.

Principal risks and uncertainties

The Company faces a number of diverse potential and actual risks to its business. The Board has adopted a formal process to identify, evaluate and manage principal risks and uncertainties faced by the Company and its subsidiaries.

To identify, evaluate and mitigate these, the Company has established an in-house system to monitor and control uncertainties and threats throughout its activities. This is overseen by a dedicated Risk Management function, which works directly with the Board of Directors in this area.

The Company has grouped the risks that it considers to be significant into key categories — strategic, operational, compliance and financial — and they are presented below.

Management report and parent company financial statements for the year ended 31 December 2020

Management Report

Strategic risks

The strategic risks faced by the Company and its subsidiaries, together referred to as “Group”, that pose risks that influence the Group’s ability to achieve its strategy include the general economic situation and operating environment in Russia, Kazakhstan, Ukraine, CIS and Baltic countries in which the Group operates; the regulatory risk relating to the operation of the Russian railway transportation market including railway tariff regulation and technical requirements for fleet maintenance; the highly competitive Russian rail transportation market with unregulated operators’ services tariffs; the significant concentration of the Group’s customer base with the top 10 customers (including their affiliates and suppliers) accounting for around 72% of the Group’s Net Revenue from the operation of rolling stock in 2020; cost of borrowing and/or deterioration in market conditions with potential impacts on the profitability and recoverability of investments; and reliance on RZD for issuing permits allowing the Group to operate locomotives.

The Group operates mainly in Russia, other emerging markets and Estonia. Emerging markets, such as Russia, Kazakhstan and Ukraine, are subject to greater risks than more developed markets, including significant economic, political, social, legal and legislative uncertainties. Moreover, the Group’s business depends on the demand in the Russian freight rail transportation market, which in turn depends on certain key commodity sectors and, accordingly, on economic conditions in Russia, Europe and elsewhere. A decrease in production and demand for key commodities in Russia, or in adjacent countries where the commodities of the Group’s key customers are shipped by rail, as a result of a technological shift, economic downturn, political crisis or other event in Russia or another relevant country, negatively impacts the Group’s business and growth prospects.

The management of the Group constantly monitors the developments in the operating environment and regulatory regime of the railway transportation market in the countries in which the Group operates. The Group’s business model is to maintain a balanced fleet between universal gondola cars, adaptable to the demand for transportation of various bulk cargoes and rail tank cars, which are used for the transportation of oil products and oil. Further, the Group has long-term, established relationships with its key customers and their affiliates and suppliers and in some cases, the Group becomes an integrated part of its customers’ operations. Around 64% of the Group’s Net Revenue from the Operation of Rolling Stock in 2020 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding transport volumes for the Group. In addition, the Group’s marketing function regularly monitors competitors’ strategies, their use of technology, their price strategies and industry trends.

In addition to the human impact, the spread of Coronavirus (COVID-19) continues to affect global businesses and may lead to further and/or continued lockdowns, trade wars and turbulence in different currencies. The Group’s outlook for 2021 may be further impacted by the Coronavirus outbreak, which continues to cause uncertainty. The freight rail market may experience reduced demand stemming from the effects of COVID-19. The Company cannot predict the full impact of COVID-19 on its markets, business or prospects although they may be materially adversely impacted by the rapidly evolving situation. In addition, the appearance of new pandemics or other dangerous illnesses could seriously affect the global and local business environment and lead to negative consequences for Group’s business. Significant levels of COVID-19 illness in the Group or its key clients could interfere with stability of Group’s operations.

Management is closely monitoring the implications of the global outbreak of COVID-19 and acts depending on the development of the situation. The Group constantly evaluates and implements options for distant work for its workforce to mitigate risks of spreading and catching COVID-19 illness.

Operational risks

The operational risks faced by the Group that could influence the Group’s operational efficiency include the physical state of the Russian, Ukrainian, CIS and Baltic countries railway infrastructure which may negatively impact the condition of the Group’s rolling stock and the performance of the Group; the impact of inflation in Russia on the Group’s costs with limited opportunities to increase tariffs to customers; the competition for personnel with relevant expertise and experience in Russia and the impact on the Group’s ability to continue to attract, retain and motivate key employees and qualified personnel; reliance on RZD for locomotive traction and infrastructure usage and the impact of this on the quality of the Group’s freight transportation services and therefore customer satisfaction; IT availability and continuity considerations due to reliance on specialised trail transport and logistics software for ensuring efficient and effective logistics, dispatching and rolling stock tracking services; and risks of terrorist attacks, natural disasters or other catastrophic events beyond the Group’s control.

The Group is managing operational risk by ensuring that practically all of the Group’s rolling stock is insured against damage. Further, the Group monitors its rolling stock through the Group’s dispatch centre on a 24/7 basis and plans routes accordingly to minimise the risks of disruption. The Group monitors FAS initiatives with the aim of detecting possible changes in tariff-setting methodology and tries to reflect respective changes in contracts with customers. Among the Group’s key objectives are to increase operational efficiency and to focus on control and reduction of costs. The Group continuously monitors its costs to maintain efficiency.

The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group’s remuneration packages are adequate. Customer satisfaction is one of the key metrics that the Group’s management monitors, with customer feedback being analysed and appropriate follow-up actions being taken. Local IT specialists have introduced solutions to maintain the availability of IT services and ensure their recovery in case of disruption. The IT function and Internal Audit function monitor all IT-related activities and performance for compliance with IT policies and procedures.

Further the Group permanently monitors any disruptive events and applies a Business Continuity Policy to ensure the safety of employees and human life; maintain continuity of time-critical services; minimise disruptions to clients and partners; and minimise operational, financial and reputational impact.

Management report and parent company financial statements for the year ended 31 December 2020

Management Report

Compliance risks

The Group is also subject to compliance risk, being the risks that influence the Group's adherence to relevant laws and regulations, including the regulations of the London Stock Exchange ("LSE") and the Moscow Exchange ("MOEX"), where Company's GDR are admitted to trading. The Group is involved in legal actions from time to time. Some of it may have an adverse effect on the Group. The ambiguity of the law in Russia and CIS countries creates regulatory uncertainty and might result in claims from different government authorities. Local tax, currency and customs legislation, especially in Russia, other emerging markets and Cyprus, may be subject to varying interpretations, inconsistencies between federal laws, regional and local laws, rules and regulations, frequent changes and a lack of judicial and administrative guidance on interpreting legislation.

The Group runs its operations in compliance with tax, currency, labour, customs, antimonopoly and other applicable legislation and constantly monitors any changes in the regulatory environment as well as compliance with the terms of its agreements. Standard forms of agreements are used for transportation services, and various controls are in place to ensure that the terms of agreements are adhered to. All contracts are subject to rigorous review by all of the Group functions concerned and a formal approval process prior to execution. The Group has controls in place, including highly qualified and experienced personnel, to monitor changes in legislation and determine the appropriate action needed to minimise the risk of a challenge to such treatments by the authorities. For complex matters, the Group retains external consultants.

Financial risks

The Company's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial results.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency different from the functional currency of the Company. The fluctuations in the exchange rate between (i) US Dollar and Russian Rouble and (ii) Euro and Russian Rouble expose the Company to foreign exchange risk. The Company's current policy is not to hedge foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

Cash flow and fair value interest rate risk

The Company holds interest bearing financial instruments at fixed interest rates. Financial assets and liabilities issued at fixed rates expose the Company to fair value interest rate risk. The Company's current policy is not to hedge interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, loans and other receivables and financial guarantees issued by the Company for borrowings of subsidiaries.

Liquidity risk

As at 31 December 2020, the Company has an excess of current assets over current liabilities of RUB 2,485,452 thousand. Management believes that the Company will be able to meet its obligations as they fall due.

Management controls current liquidity based on expected cash flows, expected dividend and interest income receipts, expected dividend payments and advancements under borrowings from subsidiaries. In the long-term perspective, the liquidity risk is determined by forecasting future cash flows at the moment of signing new loans and by budgeting procedures.

Further details on the Company's exposure to financial risks are presented in Note 6 to the financial statements.

Contingencies

The Company's contingencies are disclosed in Note 27 to the financial statements.

Future developments

The Board of Directors does not expect any significant changes in the activities of the Company in the foreseeable future.

The Company's strategic objective is to strengthen the position of the Group as a leading private freight rail group in Russia.

Results

The Company's results for the year are set out on pages 286 and 287. The Board of Directors recommends the payment of a dividend as detailed below and the remaining net profit for the year is retained.

Management report and parent company financial statements for the year ended 31 December 2020

Management Report

Dividends

Pursuant to its Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (GDRs) on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to declare dividends in Russian Roubles and pay such dividends in US Dollars. If dividends are not paid in US Dollars, except as otherwise described under “Terms and Conditions of the Global Depositary Receipts — Conversion of Foreign Currency”, they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company’s subsidiaries is restricted to the total accumulated retained earnings of the relevant subsidiary, determined according to the law.

In April 2020, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR (US Dollar equivalent of US\$ 110,787 thousand).

In August 2020, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including interim dividend in the amount of RUB 3,083,281 thousand or RUB 17.25 per ordinary share/GDR and a special interim dividend in the amount of RUB 5,237,109 thousand or RUB 29.30 per ordinary share/GDR (US Dollar equivalent US\$ 111,293 thousand).

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2020 in the amount of 28.0 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 5,004,746 thousand, including final dividend for 2020 in the amount of RUB 2,931,351 thousand or RUB 16.4 per ordinary share/GDR and a special final dividend in the amount of RUB 2,073,395 thousand or RUB 11.60 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 29 April 2021 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for five business days in Russia from 22 April 2021 to 28 April 2021 inclusive.

Share capital

As at 31 December 2020 the issued share capital of the Company, which remains unchanged from the prior year, comprised 178,740,916 ordinary shares with a par value of US\$0.10 per share.

Treasury shares

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company’s GDRs, each representing one ordinary share of the Company with a par value of US\$0.10 per share, and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2021 and May 2021. The total number of purchased GDRs shall not exceed 5% of the Company’s share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). The buyback programme allows the Company to take advantage of opportunities, if any, when its return criteria are better met by way of a GDR buyback than through investment in fleet expansion.

As at 31 December 2020 the Company has purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand).

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

Research and development activities

The Company has not undertaken any research and development activities during the year ended 31 December 2020.

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 28 to the financial statements.

Branches

The Company does not operate through any branches.

Going concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Group’s budget for 2020, including cash flows and borrowing facilities, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future.

Management report and parent company financial statements for the year ended 31 December 2020

Management Report

Auditors

The Independent Auditor, PricewaterhouseCoopers Limited, has expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Corporate governance

Globaltrans’ Board of Directors adopted the Company’s Code of Corporate Governance (the “Code”), guaranteeing that the interests of all shareholders are given due consideration. Although the Code is based on principles recommended by the UK Corporate Governance Code (formerly the Combined Code), this does not constitute voluntary compliance with such governance code.

Globaltrans’ corporate governance policies and practices are designed to ensure that the Group upholds its responsibilities to shareholders. As such, all employees are required to comply with these guidelines and the Group’s management team takes responsibility for ensuring that all departments adhere to these standards. These key principles are promoted and applied across all levels of the Group in order to establish effective and transparent corporate governance. In January 2010, the Board supplemented its Code of Corporate Governance with a corporate policy on the treatment of the rights of its non-controlling shareholders; this aims to ensure fair treatment of the rights of non-controlling shareholders of the Company.

Full details of our governance policies can be found at <https://globaltrans.com/governance/corporate-documents>.

The role of the Board of Directors

The Company is managed by the Board of Directors which is collectively responsible to the shareholders for the success of the Group. The Board sets the strategic objectives and ensures that the necessary resources are in place to enable these objectives to be met. The Board is fully involved in decision making in the most important areas of business and conducts regular reviews of the Group’s operational and financial performance. One of the Board’s key responsibilities is to ensure that there is in place a system of prudent and effective risk controls that enable risks to be identified, assessed and managed appropriately.



Members of the Board of Directors

As at 31 December 2020 and at the date of this report, the Board comprises 15 members (2019: 15 members), 11 (2019: 11 members) of whom are non-executive directors. Four (2019: four) of the non-executive directors are independent, they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2020 and at the date of this report are shown on page 258. All of them were members of the Board throughout the year 2020.

There were no significant changes in the assignment of responsibilities of the Board of Directors during the year 2020.

There is no provision in the Company’s Articles of Association for retirement of Directors by rotation; however, in accordance with the Terms of reference of the Board of Directors all board members are required to submit for re-election at least once every three years. Should a non-executive Director serve any term beyond six years, his/her re-election would be subject to particularly rigorous review. In practice, all current appointments are for one year and all directors will stand for re-election at the forthcoming Annual General Meeting of shareholders of the Company.

The total gross remuneration of the members of the Board of Directors incurred by the Company in 2020 amounted to RUB 310,758 thousand (2019: RUB 352,881 thousand).

Management report and parent company financial statements for the year ended 31 December 2020

Management Report

Board performance

The Board held 18 meetings in 2020. The Directors’ attendance is presented in the table below.

	Eligible	Attended
Johann Franz Durrer	18	18
Carroll Colley	18	18
George Papaioannou	18	18
Alexander Eliseev	18	17
Melina Pyrgou	18	18
Konstantin Shirokov	18	18
Alexander Storozhev	18	18
Marios Tofaros	18	18
Elia Nicolaou	18	18
Sergey Tolmachev	18	18
Sergey Maltsev (Chairman)	18	18
Andrey Gomon	18	18
Alexander Tarasov	18	18
Vasilis P. Hadjivassiliou	18	18
Michael Thomaides	18	17

The Board Committees

During 2020 the Board had three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. In January 2021 the Board has established the ESG Committee. A brief description of the terms of reference of the committees is set out below.

Audit Committee

The Audit Committee comprises of three Directors and meets at least four times each year. As of 31 December 2020 two members Audit Committee were independent and the Audit Committee was chaired by Mr. J. Carroll Colley and was also attended by Mr. Papaioannou and Ms. Nicolaou. In January 2021 Mr. Vasilis Hadjivassiliou became a member of the Audit Committee and Ms. Nicolaou resigned from the Audit Committee and was appointed to the ESG Committee, as a result since January 2021 the Audit Committee comprises of three independent Directors. The Audit Committee is responsible for considering, among other matters: the integrity of the Company’s financial statements, including its annual and interim accounts, and the effectiveness of the Company’s internal controls and risk management systems; auditors’ reports and the terms of appointment and remuneration of the auditor.

The Committee supervises, monitors and advises the Board on risk management and control systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the submission by the Company of financial information and a number of other audit-related issues. The Audit Committee is also responsible for assessing the efficiency of the performance of the Chairman of the Board.

The Audit Committee manages the relationship with the external auditor on behalf of the Board. It considers the reappointment of the external auditor each year, as well as remuneration and other terms of engagement, and makes a recommendation to the Board. Shareholders are asked to approve the reappointment of the auditor each year at the Annual General Meeting.

The Internal Audit function is carried out internally by the Group’s Internal Audit Service (“IAS”). IAS is responsible for testing the systems of risk management, internal control and corporate governance of the Group.

Nomination Committee

The Nomination Committee comprises of two Independent Directors and meets at least once a year. The Nomination Committee is chaired by Dr. Durrer and Caroll Colley is the other member. The Committee’s remit is to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board, given the Company’s stage of development, and makes recommendations to the Board as to any changes. The Committee also considers future appointments in respect of the Board’s composition and makes recommendations regarding the membership of the Audit and Remuneration Committees.

Management report and parent company financial statements for the year ended 31 December 2020

Management Report

Remuneration Committee

The Remuneration Committee comprises of two Independent Directors and meets at least once a year. The Remuneration Committee is chaired by Dr. Durrer and Carroll Colley is the other member. The Committee's responsibility is the determination and review of, among other matters, the remuneration of Executive Directors, and the review of the Company's remuneration policies. The remuneration of Independent Directors is a matter for the Chairman of the Board and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

ESG Committee

In January 2021 the Board of Directors established an ESG Committee to lead its thinking on ESG matters and ensure that ESG issues are integrated into the Group's long-term strategy. The ESG Committee will also monitor the development of the Group's sustainability strategy, review and recommend ESG disclosures for Board approval and approve the Group's sustainability reports. The ESG Committee is comprised of two Board members: Elia Nicolaou, Non-executive Director, who serves as the Chair, and John Carroll Colley, Independent Non-executive Director. The ESG Committee will meet at least two times a year.

Board and Management Remuneration

Non-executive directors serve on the Board pursuant to the letters of appointment which are subject to approval by the shareholders at the Annual General Meeting. Such letters of appointment specify the terms of appointment and the remuneration of non-executive directors. Appointments are for one year.

Levels of remuneration for Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties.

The shareholders of the Company approved the remuneration of the members of the Board of Directors at the Annual General Meeting of shareholders held on 30 April 2020.

Refer to Note 26 of the financial statements for details of remuneration of directors and other key management personnel.

Diversity policy

The Company does not have a formal Board diversity policy to aspects such as age, gender or educational and professional backgrounds, but following best practice, while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.

As of the date of publication of these financial statements the Board has 2 females representing approximately 13% from the total number of directors. The age of the members of the Board of Directors starts from over 40 with the average age of directors being 52.5 years. The Board members have the following educational backgrounds: transportation and ports industry, accounting, economics and financial, banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management. The Board has a necessary balance of skills and expertise to run the Company and the Group.

Further details of the corporate governance regime of the Company can be found on the website:

<https://globaltrans.com/governance/corporate-documents>



Regulations with regards to the amendment of the article of association

The Articles of Association of the Company may be amended from time to time by special resolution at the General Meeting of the Shareholders.

Management report and parent company financial statements for the year ended 31 December 2020

Management Report

Company’s internal control and risk management systems in relation to the financial reporting process

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

The Board is primarily responsible for establishing a framework of prudent and effective controls that enables risks to be assessed and managed.

The Audit Committee assists the Board in this task by reviewing and assessing the Group’s internal control and risk management processes in relation to Group’s financial reporting process.

The system of controls is designed to manage rather than eliminate the risks relevant to the Group’s operations and, therefore, can only provide reasonable, and not absolute, assurance against material errors, losses, fraud or breaches of laws and regulations.

At Globaltrans, the body responsible for internal audit is the Internal Audit Service (IAS). It tests the Group’s systems of risk management, internal control and corporate governance to obtain a reasonable assurance that:

- The risk management system functions efficiently;
- Material financial, management and operating information is accurate, reliable and up-to-date;
- The actions of employees and management bodies are in compliance with the Group’s policies, standards and procedures and the applicable laws;
- Resources are procured reasonably and used efficiently and their safekeeping is fully guaranteed; and
- Group companies conduct their business in compliance with applicable laws.

Each year, the Audit Committee approves an internal audit plan, which is developed by identifying the audit universe, performing a risk analysis and obtaining input from management relative to risks, controls and governance processes. The internal auditor regularly reports to the Audit Committee on the progress of planned audits. If any material internal control deficiencies are identified, they are communicated to the Audit Committee, and consequently to the Board, at once.

Significant direct or indirect holdings (including indirect shareholding though structures or cross shareholdings)

The issued share capital of the Company consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of Global Depositary Receipts (GDRs). The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange and, from October 2020, in the Moscow Exchange, under the ticker GLTR. The free float of Globaltrans amounts to approximately 56.9%¹ of the issued share capital. In June 2020 the Company changed the depositary bank for the GDR programme of the Company from the Bank of New York Mellon to Citibank N.A..

The shareholder structure of the Company as at 31 December 2020 was follows:

Onyx Investments Ltd ²	11.5%
Marigold Investments Ltd ²	11.5%
Maple Valley Investments Ltd ²	10.8%
Litten Investments Ltd ³	5.1%
Goldriver Resources Ltd ⁴	4.0%
Controlled by Directors and management of Globaltrans	0.2%
Free float ¹	56.9%

¹ For these purposes, the free float consists of the ordinary shares and GDRs held by investors not affiliated or associated with the Company.

² Nikita Mishin, Andrey Filatov and Konstantin Nikolaev are co-founders of the Company and beneficiaries with regard to 11.5%, 11.5% and 10.8% respectively of Globaltrans’ ordinary share capital each through their respective SPVs (Onyx Investments Ltd, Marigold Investments Ltd and Maple Valley Investments Ltd).

³ Beneficially owned by Alexander Eliseev, Non-executive Director and co-founder of the Company.

⁴ Beneficially owned by Sergey Maltsev, Chairman of the Board, Executive Director, Chief strategy officer and co-founder of the Company.

Management report and parent company financial statements for the year ended 31 December 2020

Management Report

Directors’ interests

The interests in the share capital of Globaltrans Investment PLC, both direct and indirect, of those who were Directors of the Company as at 31 December 2020 and 31 December 2019 are shown below:

Name	Type of holding	2020	2019
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	9,065,790
Sergey Maltsev	Indirect holding of ordinary shares and GDRs	7,099,725	7,099,725
Johann Franz Durrer	Holding of GDRs	160,606	160,606

The holders of special titles that provide special control rights and description of such rights

The Company does not have any titles with special rights.

Any restrictions in exercising of voting rights of shares

There are no restrictions in the exercising of voting rights of shares issued by the Company.

By Order of the Board



Sergey Tolmachev
Director

Limassol, 26 March 2021

Management report and parent company financial statements for the year ended 31 December 2020

Directors’ responsibility

The Company’s Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

This responsibility includes selecting appropriate accounting policies and applying them consistently; and making accounting estimates and judgements that are reasonable in the circumstances.

In preparing the financial statements, the Board of Directors is also responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Directors’ confirmations


Each of the directors, whose names and functions are listed in page 258 confirms that, to the best of his or her knowledge:

- (a) the financial statements, which are presented on pages 286 and 355, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- (b) the Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Further, each of the Directors confirms that, to the best of their knowledge:

- (i) adequate accounting records have been maintained which disclose with reasonable accuracy the financial position of the Company and explain its transactions;
- (ii) all information of which they are aware that is relevant to the preparation of the financial statements, such as accounting records and all other relevant records and documentation, has been made available to the Company’s auditors;
- (iii) the financial statements disclose the information required by the Cyprus Companies Law, Cap.113 in the manner so required;
- (iv) the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the financial statements;
- (v) the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the financial statements; and
- (vi) the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

By order of the Board



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Sergey Tolmachev
Director

Management report and parent company financial statements for the year ended 31 December 2020

Independent Auditor's Report

To the Members of Globaltrans Investment PLC



Report on the Audit of the Parent Company Financial Statements

Our opinion

In our opinion, the accompanying parent company financial statements give a true and fair view of the financial position of parent company Globaltrans Investment PLC (the “Company”) as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the parent company financial statements which are presented in pages 286 and 355 and comprise:

- the balance sheet as at 31 December 2020;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the parent company financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the parent company financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the parent company financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

Overall materiality: RUB 800,300 thousand, which represents 5% of profit before tax as adjusted for non-recurring items and limited to the overall group materiality determined for the purposes of the audit of the Company's consolidated financial statements for the year ended 31 December 2020 (rounded).

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the parent company financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the parent company financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the parent company financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the parent company financial statements as a whole.

Overall materiality

RUB 800,300 thousand

How we determined it

5% of profit before tax as adjusted for non-recurring items and limited to the overall group materiality determined for the purposes of the audit of the Company's consolidated financial statements for the year ended 31 December 2020 (rounded)

Rationale for the materiality benchmark applied

We chose adjusted profit before tax as the benchmark, because in our view, it is the benchmark against which the performance of the Company is most commonly measured by the users of the parent company financial statements and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

Management report and parent company financial statements for the year ended 31 December 2020

Independent Auditor's Report



We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RUB 40,000 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

We have determined that there are no Key Audit Matters to communicate in our report.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, including the Corporate Governance Statement, and the Directors' responsibility, which we obtained prior to the date of this auditor's report, and the Company's complete Annual Report, including the Non-Financial Information and Diversity Statement, which is expected to be made available to us after that date. Other information does not include the parent company financial statements and our auditor's report thereon.

Our opinion on the parent company financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the parent company financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company's complete Annual Report, including the Non-Financial Information and Diversity Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the Parent Company Financial Statements

The Board of Directors is responsible for the preparation of the parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Management report and parent company financial statements for the year ended 31 December 2020

Independent Auditor's Report



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company in 2005 by shareholders' resolution for the audit of the financial statements for the year ended 31 December 2004. Our appointment has been renewed annually, since then, by shareholders' resolution. In 2008 the Company was listed in the Main Market of the London Stock Exchange and accordingly the first financial year that the Company qualified as a European Union Public Interest Entity was the year ended 31 December 2008. Since then, the total period of uninterrupted engagement appointment was 13 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the parent company financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 25 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the parent company financial statements or the management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the parent company financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the parent company financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus
26 March 2021

Management report and parent company financial statements for the year ended 31 December 2020

Income statement

FOR THE YEAR ENDED 31 DECEMBER 2020			
	Note	2020 RUB'000	2019 RUB'000
Revenue	8	22,327,855	20,470,164
Marketing costs		(2,144)	(3,771)
Administrative expenses		(565,127)	(473,657)
Reversal of impairment losses on loans receivable	26	51,713	312,980
Other income		1,000,232	133,508
Other gains — net	9	49,734	4,805
Operating profit		22,862,263	20,444,029
Finance income	12	42,311	63,630
Finance costs	12	(216,510)	(462,562)
Net foreign exchange transaction gains/(losses) on financing activities	12	268,879	(244,426)
Finance costs — net	12	94,680	(643,358)
Profit before tax		22,956,943	19,800,671
Income tax expense	13	(1,073,233)	(1,027,406)
Profit for the year		21,883,710	18,773,265
! The notes on pages 294 to 355 are an integral part of these financial statements.			

Statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2020		
	2020 RUB'000	2019 RUB'000
Profit for the year	21,883,710	18,773,265
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Losses on cash flow hedging instrument	(475,042)	—
Reclassification adjustment to the income statement	475,042	—
Total items that may be reclassified subsequently to profit or loss	—	—
Other comprehensive income for the year, net of tax	—	—
Total comprehensive income for the year	21,883,710	18,773,265
! The notes on pages 294 to 355 are an integral part of these financial statements.		

Management report and parent company financial statements for the year ended 31 December 2020

Balance sheet

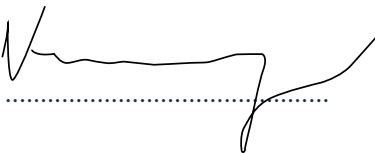
AT 31 DECEMBER 2020			
	Note	31 December 2020	31 December 2019
		RUB'000	RUB'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	18	45,151,248	45,151,248
Property, plant and equipment	16	10,678	6,652
Right-of-use assets	17	2,633	5,064
Loans and other receivables	19	544,362	696,548
Total non-current assets		45,708,921	45,859,512
Current assets			
Loans and other receivables	19	380,674	508,281
Other assets	20	6,588	848
Cash and cash equivalents	21	2,225,518	982,797
Total current assets		2,612,780	1,491,926
TOTAL ASSETS		48,321,701	47,351,438
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	516,957	516,957
Share premium	22	27,929,478	27,929,478
Capital contribution		2,694,851	2,694,851
Treasury shares		(31,496)	—
Retained earnings		17,084,583	11,838,051
Total equity		48,194,373	42,979,337

Non-current liabilities			
Borrowings	23	—	2,086,465
Lease liabilities	24	—	2,359
Total non-current liabilities		—	2,088,824
Current liabilities			
Borrowings	23	—	2,175,477
Lease liabilities	24	3,220	2,054
Payables and accrued expenses	25	124,108	105,746
Total current liabilities		127,328	2,283,277
TOTAL LIABILITIES		127,328	4,372,101
TOTAL EQUITY AND LIABILITIES			
		48,321,701	47,351,438

On 26 March 2021 the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.



Sergey Tolmachev
Director



Konstantin Shirokov
Director

! The notes on pages 294 to 355 are an integral part of these financial statements.

Statement of changes in equity

! The notes on pages 294 to 355 are an integral part of these financial statements.

Management report and parent company financial statements for the year ended 31 December 2020

Cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2020			
	Note	2020 RUB'000	2019 RUB'000
<i>Cash flows from operating activities</i>			
Profit before tax		22,956,943	19,800,671
Adjustments for:			
Depreciation of property, plant and equipment	16	1,768	2,586
Depreciation of right-of-use assets	17	2,431	2,228
Interest on loans to related parties	8	(43,863)	(52,269)
Bank interest income	12	(39,048)	(46,696)
Interest income on other receivables from related parties	12	(3,263)	(16,934)
Interest expense	12	216,510	462,562
Reversal of impairment losses on loans receivable	26	(51,713)	(312,980)
Profit from sale of property, plant and equipment	10	(1,029)	(1,028)
Net foreign exchange transaction (gains)/losses on financing activities	12	(268,879)	244,426
Operating cash flows before working capital changes		22,769,857	20,082,566
<i>Changes in working capital:</i>			
Dividend income not received		(251,377)	—
Other assets		(5,740)	(6,088)
Payables and accrued expenses		18,749	33,126
Net cash generated from operations		22,531,489	20,109,604
Interest received from loans from related parties		34,374	175,821
Tax paid		(1,073,231)	(1,017,005)
Net cash generated from operating activities		21,492,632	19,268,420

<i>Cash flows from investing activities</i>			
Proceeds from sale of subsidiary	18	315,967	528,127
Contribution into the capital of subsidiary	18	—	(300,089)
Purchases of property, plant and equipment	16	(6,528)	(6,666)
Proceeds from sale of property plant and equipment		1,763	—
Loans granted to related parties	26	—	(180,000)
Loan repayments received from related parties	26	400,299	779,817
Bank interest received		39,048	46,696
Net cash generated from investing activities		750,549	867,885
<i>Cash flows from financing activities</i>			
Repayments of bank borrowings	23	(4,242,424)	(3,199,576)
Principal elements of lease payments	23	(2,358)	(2,031)
Interest paid on bank borrowings	23	(235,720)	(473,296)
Interest paid on lease liabilities	23	(308)	(265)
Purchase of treasury shares	22	(31,496)	—
Dividends paid to the Company's shareholders	15	(16,637,178)	(16,631,842)
Net cash used in financing activities		(21,149,484)	(20,307,010)
Net increase/(decrease) in cash and cash equivalents			1,093,697
Exchange gains/(losses) on cash and cash equivalents			149,024
Cash and cash equivalents at beginning of year			982,797
Cash and cash equivalents at end of year	21	2,225,518	982,797
! The notes on pages 294 to 355 are an integral part of these financial statements.			

Management report and parent company financial statements for the year ended 31 December 2020

Notes to the parent company financial statements

1. General information

Country of incorporation

Globaltrans Investment Plc (“the Company”) is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Cyprus 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.

Approval of the parent company financial statements

These parent company financial statements were authorised for issue by the Board of Directors of the Company on 26 March 2021.

Global Depositary Receipts

Global Depositary Receipts, each representing one ordinary share of the Company, are listed on the London Stock Exchange International Main Market and, since October 2020, on the Moscow Exchange.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of financing to other Group companies.

Consolidated financial statements

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113 for the Company and its subsidiaries (“the Group”). These consolidated financial statements can be obtained from the Company’s website at www.globaltrans.com.

2. Basis of preparation

The parent company financial statements of Globaltrans Investment PLC have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by International Accounting Standards Board (IASB) that are relevant to the Company’s operations and are effective as at 1 January 2020 have been adopted by the EU through the endorsement procedure established by the European Commission.

The financial statements have been prepared under the historical cost convention.

The Company has prepared these parent company financial statements for compliance with the requirements of the Cyprus Companies Law, Cap. 113 and disclosure rules as issued by the Financial Conduct Authority of the United Kingdom.

Users of these parent company financial statements should read them together with the Company’s consolidated financial statements as at and for the year ended 31 December 2020 in order to obtain a proper understanding of the financial position, the financial performance and cash flows of the Company and the Group.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and amended International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020. None of these had a significant impact on these financial statements.

Management report and parent company financial statements for the year ended 31 December 2020

Notes to the parent company financial statements

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Foreign currency translation

(a) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is the Russian Rouble. The financial statements are also presented in Russian Roubles ("the presentation currency") because this is the currency better understood by the principal users of the financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of foreign exchange differences that relate to qualifying cash flow hedges which are deferred in equity.

Net foreign exchange differences arising from borrowings and other liabilities and from cash and cash equivalents and other monetary assets are presented on the face of the income statement in the line "net foreign transaction gains/(losses) on financing activities", with the appropriate disclosure of the split between the two in the note "Finance costs — net".

All other foreign exchange gains and losses are presented in the income statement within "Other gains — net".

Hedging activities

The Company is exposed to foreign exchange risk arising from dividends declared in Russian Roubles and paid in US Dollar at the rate set at the date of the declaration. The Company uses foreign currency cash deposits denominated in US Dollars to hedge this foreign exchange risk exposure.

In particular, the US Dollar denominated cash deposits are designated by the Company as hedging instruments in hedging the foreign exchange risk associated with the highly probable dividend payment and the resulting payable. At inception of the hedge relationship, the Company documents, amongst others, the economic relationship between the hedging instrument and hedged item, including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of the hedged item. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

As a result of the application of hedge accounting for the first time within the year 2020, the foreign exchange difference on the hedging instrument is recognised in other comprehensive income in the "Cash flow hedge reserve" within equity. Amounts recognised in equity are reclassified to the income statement, within "Finance income and costs", in the same period or periods during which the hedged item impacts the income statement, being once foreign exchange differences are recognised on the hedged item.

Accordingly, in the cash flow statement "Dividends paid to the Company's shareholders" are disclosed net-off foreign exchange differences on the relevant cash deposits (i.e. at the amounts declared) and the "Exchange gains/(losses) on cash and cash equivalents" do not include the impact from the relevant cash deposits used for hedging. In the income statement the amounts included in "Finance income and costs" (Note 12) within "Net foreign exchange transaction gains/(losses) on cash and cash equivalents, loans and other receivables and dividends receivable" and "Net foreign exchange transaction gains on other liabilities" are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging).

Dividend income

Dividend income is recognised when the right to receive payment is established.

Employee benefits

Wages, salaries, contributions to the state pension, the national health system and social insurance funds, paid annual leave and sick leave, bonuses and other benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Company. These are included in staff costs and the Company has no further obligations once the contributions have been paid.

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Management report and parent company financial statements for the year ended 31 December 2020

Notes to the parent company financial statements

Share based payment transactions

The Company operates a cash-settled share-based compensation plan. In accordance with compensation plan, key management personnel of the Company are entitled to receive cash compensations based on the weighted average market quotations of the fixed number of global depository receipts (“GDR”) of the Company. The fair value of the employee services received in exchange for the grant of the equivalent GDR instruments is recognised as an expense over the vesting period.

At each balance sheet date, if required by the terms of the compensation plan, the Company revises its estimates of the monetary equivalent of GDRs that are expected to vest. It recognises the impact of the revision of original estimates, including number of instruments expected to vest and fair value in the income statement with a corresponding adjustment to share-based payment liability.

Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretations and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the Company can control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when the income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Company’s financial statements in the period in which the dividends are approved and are no longer at the discretion of the Company. More specifically, interim dividends are recognised when approved by the Board of Directors whereas in case of final dividends, these are recognised at the time when they are approved by the Company’s shareholders.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company, with limited exceptions as set out below. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company’s incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost. Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right-of-use asset. The adjustment can be positive or negative. Right-of-use assets are reviewed for impairment in accordance with the Company’s accounting policy for impairment of non-financial assets.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

As an exception to the above, the Company accounts for short-term leases and leases of low value assets by recognising the lease payments as an expense on a straight-line basis in the interim income statement. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet.

Management report and parent company financial statements for the year ended 31 December 2020

Notes to the parent company financial statements

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, less residual value, over their estimated useful lives, as follows:

	Number of years
Motor vehicles	3–5

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they are incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with carrying amount and these are included within operating profit as part of administrative expenses.

Investments in subsidiary undertakings

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company carries the investments in subsidiaries at cost less any impairment in its separate financial statements. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through income statement for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

The cost of investments in subsidiaries includes the fair value of any asset or liability arising from a contingent consideration arrangement. The subsequent remeasurement of any asset/liability arising from a contingent consideration arrangement is adjusted against the cost of the investment in subsidiary.

In cases of acquisitions of subsidiaries from entities under common control or subsidiaries of the Company, the cost of acquisition is determined to be the fair value of the investment acquired as opposed to the transaction price. Any differences between the transaction price and the fair value of the investment acquired reflect notional contributions/ distributions from entities under common control or subsidiaries and are recognised as such, i.e. directly in equity in cases of transactions with common control entities and as an additional contribution to or distribution from the subsidiary transferring the investment to the Company.

Group reorganisations resulting into an exchange of non-financial assets and where the future cash inflows before and after the reorganisation do not change as a result of the reorganisation are considered to lack commercial substance and no gains or losses are recognised relating to such restructurings.

Indemnification assets received for contingent liabilities of the investments in subsidiaries that existed at the time of acquisition of such subsidiaries are recognised against the cost of the relevant investment.

Deferred consideration

Deferred consideration arises when settlement of all or any part of the cost of an acquisition is deferred. Deferred consideration is stated at fair value at the date of acquisition, which is determined by discounting the amounts due to present value using market interest rates at the date of initial recognition. Interest is accrued on the fair value of deferred consideration at the original effective interest rate and is recognised in finance costs.

Management report and parent company financial statements for the year ended 31 December 2020

Notes to the parent company financial statements

Impairment of non-financial assets

Assets that have indefinite useful life and goodwill are not subject to amortisation and are tested annually for impairment.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of impairment whenever there is an indication that an impairment recognised in prior periods may no longer exist or may have decreased.

Financial assets

Recognition and derecognition. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade-date; being the date on which the Company commits to purchase or sell the asset. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any gain or loss arising upon their derecognition is recognised directly in the income statement.

Classification. The Company classifies its financial assets at amortised cost. The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the assets. Management determines the classification of financial assets at initial recognition.

Financial assets at amortised cost are held for collection of contractual cash flows and their cash flows represent solely payments of principal and interest. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's financial assets at amortised cost comprise of loans and other receivables and cash and cash equivalents on the balance sheet.

Reclassification. Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Measurement. At initial recognition, the Company measures financial assets classified at amortised cost at their fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently, these are measured at amortised cost.

Interest income. Interest income on financial assets at amortised cost is recognised using the effective interest rate method. Interest income on loans granted to related parties is recognised within "Revenue" in the income statement. All other interest income recognised on debt financial assets carried at amortised cost is included within "finance income" in the income statement. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset; that is after deduction of the loss allowance. The Company's definition of credit-impaired assets is explained in Note 6, Credit risk section.

Impairment. The Company assesses on each reporting date, and on a forward-looking basis, the expected credit losses ("ECL") associated with its debt financial assets carried at amortised cost. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money, and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised on the face of the income statement. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

For all its debt financial assets carried at amortised cost, the Company applies the general approach. In particular, the Company applies the three stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Company identifies a significant increase in credit risk since initial recognition ("SICR"), the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. Refer to Note 6, Credit risk section for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

Write-off. Financial assets are written-off, in whole or in part, when the Company has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments for a period of greater than 180 days past due. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are recognised directly on the face of the income statement.

Management report and parent company financial statements for the year ended 31 December 2020

Notes to the parent company financial statements

Modification. The Company sometimes renegotiates or otherwise modifies the contractual terms of its financial assets. The Company assesses whether the modification of the contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion.

Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in the income statement, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different because of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) and recognises a modification gain or loss in the income statement.

Following a renegotiation or otherwise modification of the contractual cash flows of a financial asset, the Company assesses whether the financial asset ceased to meet the definition of credit-impaired and, in such case, should be transferred out of Stage 3. In a situation where the modification involved only the deferral of the contractual payments (rather than waiver) and interest accrues on the unpaid deferred amounts, with the result that there is not a detrimental impact on the estimated future cash flows of the loan, the borrower has demonstrated consistently good payment behaviour over a period of time and there are no significant concerns regarding the repayment of the exposure, the Company considers that the financial asset is not credit-impaired.

At the time the financial asset exits Stage 3, the Company compares the risk of default occurring on the asset to that at origination. If the risk of default is lower than or equal to the risk of default as at the date of initial recognition it is transferred to Stage 1, otherwise it is transferred to Stage 2.

Classification as loans and other receivables. These amounts are held with the objective to collect their contractual cash flows and their contractual cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Loans and other receivables are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Classification as cash and cash equivalents. In the cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks or with original maturity of three months or less, less bank overdrafts, if any. Cash and cash equivalents are carried at amortised cost using the effective interest method, less provision for impairment. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

Financial liabilities

Classification. The Company's financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost.

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statement as other income or finance costs. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts, including costs or fees incurred for the modification, is recognised in profit or loss within finance costs. When the terms of the existing financial liability are not substantially modified, the existing liability is not derecognised and the gain/loss arising on the modification, including costs or fees incurred for the modification, is recognised in the income statement within finance costs.

Modifications of financial liabilities. An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in the income statement, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

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Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement within “finance costs-net”.

Other payables. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial guarantees. Financial guarantee contracts are contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument. Financial guarantees are recognised, when material, as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee in “other gains — net” in the income statement.

At the end of each reporting period, the guarantee is measured at the higher of (i) the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 and (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 “Revenue from Contracts with Customers”.

The fair values of financial guarantees issued in relation to obligations of subsidiaries, where such guarantees are provided for no compensation, are accounted for as contributions and are recognised as part of the cost of the investment in the respective subsidiary in the financial statements of the Company.

Share capital, share premium and treasury shares
Ordinary shares are classified as equity.

Incremental costs directly related to the issue of new shares are shown as a deduction, net of tax, from the proceeds.

Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity within a separate reserve “treasury shares” until the shares are cancelled or re-issued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity within retained earnings. The consideration initially paid for treasury shares which are subsequently re-issued is transferred from “treasury shares” to retained earnings.

Capital contribution
Capital contribution constitutes contributions made by the Company’s shareholders other than for the issue of shares by the Company in their capacity as equity owners of the Company for which the Company has no contractual obligation to repay them. Such contributions are recognised directly in equity as they constitute transactions with equity owners in their capacity as equity owners of the Company.

Provisions and contingent liabilities
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are only used to cover those expenses which they had been set up for. Other possible or present obligations that arise from past events but it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligations; or the amount cannot be measured with sufficient reliability are disclosed in the notes to the financial statements as contingent liabilities.

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Transactions with equity owners/subsidiaries

The Company enters into transactions with its shareholders and subsidiaries. When consistent with the nature of the transaction, the Company's accounting policy is to recognise (a) any gains or losses with equity holders, directly through equity and consider these transactions as the receipt of additional capital contribution or the payment of dividends; and (b) any losses with subsidiaries as cost of investment in subsidiaries. Similar transactions with non-equity holders, or subsidiaries, are recognised through the income statement in accordance with IFRS 9 "Financial Instruments".

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to the income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Other income

Other income generally represents amounts received from transactions that are outside the Company's principal activities. This is recognised in the income statement over the period it relates to, based on the terms of the arrangement. Other income that it is not linked to the Company's future performance and/or satisfaction of any future obligations is recognised in the period in which the Company is entitled to receive it.

Cash flow statement

Cash flows arising from dividend income and interest income on loans granted to related parties, which form part of the revenue of the Company, are reported as part of operating activities in the cash flow statement. Interest income received on other balances, which form part of the Company's finance income, are reported within cash flows from investing activities in the cash flow statement. Interest expense arising from deferred consideration for acquisition of subsidiaries is recognised within financing activities. Principal payments of deferred consideration are recognised as acquisition of subsidiaries within cash flows from investing activities.

5. New accounting pronouncements

Certain new standards, amendments to existing standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2021. Items marked with * have not been endorsed by the European Union (EU). The Company will only be able to apply the new standards, amendments to existing standards or interpretations when these are endorsed by the EU.

- **Classification of liabilities as current or non-current — Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.** These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. In addition, the amendments clarify the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.
- **Classification of liabilities as current or non-current, deferral of effective date — Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*.** The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.
- **Proceeds before intended use, Onerous contracts — cost of fulfilling a contract, Reference to the Conceptual Framework — narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 — amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)*.** The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The amendment to IAS 37 clarifies the meaning of "costs to fulfil a contract". IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements.
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*.** IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information.
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*.** The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

None of the new standards, amendments to existing standards or interpretations is expected to have a significant effect on the parent company financial statements.

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6. Financial risk management

Financial risk factors

The Company’s activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial results.

Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency different from the functional currency of the Company.

During the year 2020 there was increased volatility in currency markets and the Russian Rouble has depreciated against some major currencies. As of the end of December 2020 the Russian Rouble has decreased against the US Dollar from 61.9057 as of 31 December 2019 to 73.8757 Russian Roubles (19.3% revaluation) and against the Euro from 69.377 as of 31 December 2019 to 90.6824 Russia Roubles (30.7% revaluation).

The fluctuations in the exchange rate between (i) US Dollar and Russian Rouble and (ii) between Euro and Russian Rouble expose the Company to foreign exchange risk.

The carrying amounts of monetary assets denominated in US dollars as at 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
	RUB'000	RUB'000
Assets	812,110	581,734
Liabilities	15,647	7,429

The carrying amounts of monetary assets and liabilities denominated in Euro as at 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
	RUB'000	RUB'000
Assets	873,485	583,204
Liabilities	75,460	72,598

Had US Dollar exchange rate strengthened/weakened by 20% (2019: 10% change) against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Company for the year ended 31 December 2020 would have increased/decreased by RUB 139,381 thousand (2019: RUB 50,252 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of US Dollar denominated loans receivable and cash and cash equivalents as of 31 December 2020 and as of 31 December 2019.

Had Euro exchange rate strengthened/weakened by 30% (2019: 10% change) against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Company for the year ended 31 December 2020 would have increased/decreased by RUB 209,482 thousand (2019: by RUB 44,678 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of Euro denominated other receivables, cash and cash equivalents and payables as of 31 December 2020 and as of 31 December 2019.

The Company’s current policy is not to hedge foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

The impact of application of hedge accounting has been to disclose in the cash flow statement “Dividends paid to the Company’s shareholders” net-off RUB 475,042 thousand foreign exchange losses and the “Exchange gains/ (losses) on cash and cash equivalents” does not include the equivalent impact from the relevant cash deposits used for hedging. Furthermore, in the income statement the amounts included in “Finance income and costs” within “Net foreign exchange transaction gains/(losses) on cash and cash equivalents, loans and other receivables and dividends receivable” and “Net foreign exchange transaction gains on other liabilities” are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging of RUB 475,042 thousand).

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(b) Cash flow and fair value interest rate risk

The Company holds interest bearing financial instruments at fixed interest rates.

Financial assets and liabilities issued at fixed rates expose the Company to fair value interest rate risk. However, as all of the Company's fixed interest rate financial instruments are carried at amortised cost, any reasonably possible change in the interest rates as of 31 December 2020 and 31 December 2019 would not have any impact on the Company's post tax profit or equity.

Financial assets and liabilities issued at floating rate expose the Company to cash flow interest rate risk. As of 31 December 2020 and 31 December 2019 the Company did not have any material floating interest rate financial instruments, therefore was not exposed to significant cash flow interest rate risk.

The Company's current policy is not to hedge interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, loans and other receivables and financial guarantees issued by the Company for borrowings of subsidiaries.

(i) Risk management

For banks and financial institutions, the Company has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of 'Ba2'. These policies enable the Company to reduce its credit risk significantly.

(ii) Impairment of financial assets

The Company has three types of financial instruments that are subject to the expected credit loss model:

- loans and other receivables;
- cash and cash equivalents; and
- financial guarantees.

The Company applies the general approach, prescribed in IFRS 9, for assessing expected credit losses on all its debt financial assets and financial guarantees issued. In particular, the Company applies the three stage model for calculating impairment, which is based on changes in the credit quality of the financial instrument since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Significant increase in credit risk. The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Default and credit-impaired. A default on a financial asset is when the financial asset meets one or more of the following criteria: (i) the borrower is more than 90 days past due on its contractual payments, (ii) the borrower is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due, (iii) the Company, for economic or contractual reasons relating to the borrower's financial difficulty, granted to the borrower a concession(s) that it would not otherwise consider. The Company considers defaulted assets to be credit-impaired so that Stage 3 represents all debt financial assets which are considered defaulted.

Write-off. Assets are written-off, in whole or in part, when the Company has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments for a period of greater than 180 days past due. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are recognised directly on the face of the income statement.

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The Company calculates expected credit losses based on a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes.

The Company calculates ECL using the following three components: exposure at default (EAD), probability of default (PD) and loss given default (LGD). EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. PD is an estimate of the likelihood of default to occur over a given time period and LGD is an estimate of the loss arising on default.

The Company’s exposure to credit risk for each class of financial instruments subject to the expected credit loss model is set out below:

Loans receivable and other receivables

The Company assesses, on an individual basis, its exposure to credit risk arising from loans and other receivables. This assessment takes into account, amongst others, the period the loan receivable or other receivable balance is past due (in days), expectations around changes in business, financial or economic conditions as well as expectations around the performance of the counterparty.

The following table contains an analysis of the credit risk exposure for loans receivable and other receivables by reference to the Company’s internal credit risk rating grades.

The gross carrying amounts below represent the Company’s maximum exposure to credit risk on these assets as at 31 December 2019:

Internal credit risk rating grade	Company definition of category	Gross carrying amount	
		Loans receivable	Other receivables
		RUB’000	RUB’000
Performing	Stage 1 — Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	180,533	277,246
Underperforming	Stage 2 — Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	382,384	—
Non-performing or Credit-impaired	Stage 3 — Interest and/or principal repayments are 90 days past due	1,749,986	—

The gross carrying amounts below represent the Company’s maximum exposure to credit risk on these assets as at 31 December 2020:

Internal credit risk rating grade	Company definition of category	Gross carrying amount	
		Loans receivable	Other receivables
		RUB’000	RUB’000
Performing	Stage 1 — Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	—	266,307
Underperforming	Stage 2 — Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	212,185	—
Non-performing or Credit-impaired	Stage 3 — Interest and/or principal repayments are 90 days past due	2,048,016	—

The gross carrying amounts, as per above, represent the Company’s maximum exposure to credit risk on these assets as at 31 December 2020 and 31 December 2019, without taking account of any collateral held. The Company does not hold any collateral as security for any loans receivable or other receivable balances.

The movement in the credit loss allowance for loans receivable during the years 2020 and 2019 is presented in the table below:

	Loans Receivable	
	Non-performing	
	2020	2019
	RUB’000	RUB’000
Opening balance	(1,385,320)	(1,901,961)
Recoveries	51,713	312,980
Foreign exchange difference	(267,865)	203,661
Closing balance	(1,601,472)	(1,385,320)

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During the year 2020, the only movement in the gross carrying amount of the credit impaired loans receivable were recoveries and foreign exchange differences. The impact of these on the credit loss allowance is reflected in the table above.

The estimated credit loss allowance on the performing and underperforming loans receivable and other receivable balances as at 31 December 2020 and 31 December 2019 was not material.

During the years 2020 and 2019, the contractual cash flows of the Company’s credit-impaired loans receivable as at 1 January 2020 and 1 January 2019, respectively, were modified so as to extend the maturity of the loans. No other changes to the terms of the loans were made. As the modification was driven by financial difficulties of the counterparties and inability to make the originally agreed payments and the risks and rewards of the loans did not change, the modification did not result in derecognition of the said loans. In addition, these modifications did not significantly impact the ECL on these loans.

On 31 December 2019, the Company transferred a modified credit-impaired loan receivable with a carrying amount of RUB 212,185 thousand out of Stage 3 to Stage 2 as this ceased to meet the definition of credit-impaired since the modification involved only the deferral of the contractual payments (rather than waiver) and interest accrues on the unpaid deferred amounts, with the result that there is not a detrimental impact on the estimated future cash flows of the loan, the borrower has demonstrated consistently good payment behaviour over a period of time and there are no significant concerns regarding the repayment of the exposure. During the year 2020, the maturity of the said loan was further extended and the contractual interest rate was decreased. The impact of these modifications was not material.

Cash and cash equivalents

The Company assesses, on an individual basis, its exposure to credit risk arising from cash at bank based on ratings from external credit rating institutions and internal reviews, if external are not available.

The following table contains an analysis of the gross carrying amount of the Company’s cash at bank by reference to the credit risk ratings assigned by external credit rating agencies. The gross carrying amounts below represent the Company’s maximum exposure to credit risk on these assets as at 31 December 2020 and 31 December 2019:

	Rating	Gross carrying amount	
		2020	2019
		RUB'000	RUB'000
Moody's ¹	A3	881,308	886,446
Moody's ¹	Aa2	233,924	94,662
Moody's ¹	B3	8,969	937
Moody's ¹	Ba1	1,100,000	—
Moody's ¹	Baa3	1,317	752
Total		2,225,518	982,797

¹ International rating agency Moody's Investors Service

The Company does not hold any collateral as security for any of the above balances.

The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2020 and 31 December 2019, based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2020 and 31 December 2019.

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Financial Guarantees

The primary purpose of these instruments is to ensure that funds are available to a borrower, as required. Guarantees, which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable.

The Company has issued financial guarantees on the borrowings of its subsidiaries and quoted bonds issued by its subsidiaries (Note 26). As a result, the Company is exposed to credit risk arising from potential risk of default of the Company’s subsidiaries on their external debt. As of 31 December 2020 and 31 December 2019, none of the Company’s subsidiaries had defaulted on or breached any covenants on their borrowings/bonds.

The following table contains an analysis of the exposure to credit risk on financial guarantees by reference to the Company’s internal credit risk rating grades. The amounts below represent the Company’s maximum exposure to credit risk on these financial instruments as at 31 December 2020 and 31 December 2019.

	Stage 1	
	2020	2019
	RUB'000	RUB'000
— Performing	23,584,105	18,966,840
— Underperforming	—	—
— Non-performing	—	—
Total unrecognised gross amount	23,584,105	18,966,840

The amounts, as per above, represent the Company’s maximum exposure to credit risk on these financial instruments as at 31 December 2020 and 31 December 2019, without taking account of any collateral held. The Company does not hold any collateral as security for any guarantees issued to its subsidiaries.

The estimated provision as at 31 December 2020 and 31 December 2019 for free of charge financial guarantees issued by the Company for obligations of its subsidiaries in accordance with loan agreements with financial institutions where such obligations are also secured by a pledge of property, plant and equipment and the distressed sale value of such pledge exceeds the amount of the obligation of the respective subsidiary was estimated at RUB Nil, since, in case of default, the Company will be able to recover its losses under the issued guarantees from the respective subsidiaries in full.

The estimated provision as at 31 December 2020 and 31 December 2019 for free of charge financial guarantees issued by the Company for unsecured or underpledged obligations of its subsidiaries in accordance with loan agreements with financial institutions and quoted bonds issued by subsidiaries was estimated using a probability adjusted discounted cash flow analysis, using probability of default, as implied by the market rate of the borrowings obtained by the subsidiaries, and loss given default, as estimated by considering the distressed value of the net assets of the subsidiaries which are not pledged at the time of the assessment. This was assessed as RUB Nil, since, in case of default, the Company will be able to recover its losses under the issued guarantees from the respective subsidiaries in full.

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Liquidity risk

As at 31 December 2020, the Company has an excess of current assets over current liabilities of RUB 2,485,452 thousand (2019: excess of current liabilities over current assets of RUB 791,351 thousand). Management believes that the Company will be able to meet its obligations as they fall due.

Management controls current liquidity based on expected cash flows, expected dividend and interest income receipts, expected dividend payments and advancements under borrowings from subsidiaries. In the long-term perspective, the liquidity risk is determined by forecasting future cash flows at the moment of signing new loans and by budgeting procedures.

The table below summarizes the analysis of financial liabilities of the Company by maturity as of 31 December 2020 and 31 December 2019. The amounts in the table are contractual undiscounted cash flows. Non-interest bearing trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one month	Between one month and three months	Between three and six months	Between 6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
31 December 2020							
Payables and accrued expenses ¹	—	20,479	—	—	—	—	20,479
Other lease liabilities	268	537	805	1,610	—	—	3,220
Financial guarantee contracts ²	11,776,425	11,807,680	—	—	—	—	23,584,105
	11,776,693	11,828,696	805	1,610	—	—	23,607,804
31 December 2019							
Payables and accrued expenses ¹	—	15,408	—	—	—	—	15,408
Borrowings	—	398,726	677,453	1,342,418	2,159,476	—	4,578,073
Other lease liabilities	171	342	514	1,027	2,359	—	4,413
Financial guarantee contracts ²	7,299,169	11,667,671	—	—	—	—	18,966,840
	7,299,340	12,082,147	677,967	1,343,445	2,161,835	—	23,564,734

¹ Payables and accrued expenses exclude statutory liabilities as the analysis is provided for financial liabilities only.

² The maximum possible amount of obligation under financial guarantee contracts is disclosed at the earliest time it may be called.

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Capital risk management

The Company’s main objective when managing capital is to maintain the ability to continue as a going concern in order to ensure the required profitability of the Company, maintain optimum equity structure and reduce its cost of capital.

For defining capital, the Company uses the amount of net assets attributable to the Company’s shareholders and the Company’s borrowings. The Company manages the capital based on borrowings to total capitalization ratio. Borrowings include loan liabilities.

To maintain or change capital structure the Company may vary the amount of dividend paid in order to reduce debts. Management believes that the current equity is sufficient to fund current projects and further development of the Company.

Total capitalisation is calculated as the sum of the total borrowings and net assets at the date of calculation. The management does not currently have any specific target on the rate of borrowings to total capitalization.

The rate of borrowings to total capitalisation as at 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
	RUB’000	RUB’000
Total borrowings	—	4,261,942
Total capitalisation	48,194,373	47,241,279
Total borrowings to total capitalisation ratio (percentage)	0.00%	9.02%

External requirements are imposed on the capital of the Company as defined by management in relation to long-term loans provided by financial institutions to the Company. The Company analyses compliance with external requirements to the capital at each reporting date and when entering into new loan agreements. There were no instances of non-compliance with externally imposed capital requirements during 2020 and 2019. Management believes that the Company will be able to comply with its external requirements to the capital during the whole term of agreements.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values of financial instruments have been determined by the Company, using available market information, where it exists, appropriate valuation methodologies and assistance of experts, where relevant. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore do not always represent the fair values of financial instruments. The Company has used all available market information in estimating the fair value of financial instruments.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one measurements are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy.

If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The fair values in level 2 and level 3 of fair value hierarchy were estimated using discounted cash flows valuation techniques. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received/paid discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Refer to Note 19.

The fair value as at 31 December 2020 and 31 December 2019 of fixed interest rate instruments with stated maturity with subsidiary entities was estimated based on expected cash flows discounted using the rate of similar instruments, denominated in the same currency, entered into by the subsidiaries of the Company on their bank borrowings close to the year-end. In the absence of similar instruments entered into by a subsidiary of the Company with non-related parties close to the year-end the estimated fair value was estimated based on expected cash flows discounted at an estimated rate that reflects management’s best estimate of the current interest rate of new instruments, denominated in a similar currency and with similar credit risk and remaining maturity.

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The discount rate used for US Dollar denominated loans to related parties as at 31 December 2020 was 8% (31 December 2019: 8%) and for Russian Rouble denominated loans to related parties as at 31 December 2020 was 17.7% (31 December 2019: 9% and 17.7%). The discount rate used for other receivables from related parties as at 31 December 2019 was 3%. The fair value measurements of loans to related parties and other receivables from related parties as at 31 December 2020 and 31 December 2019 are within level 3 of the fair value hierarchy. Refer to Note 19.

The fair value of financial assets receivable on demand approximates their carrying amount. The fair value of current other receivables from related parties as at 31 December 2020 approximates their carrying amount.

Liabilities carried at amortised cost. Fair values of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2019, the fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Company or the subsidiaries of the Company on their bank borrowings close to 31 December 2019.

The discount rate used for Russian Rouble denominated bank borrowings as at 31 December 2019 was 7.5% (Note 23). There were no US Dollar denominated borrowings as at 31 December 2020 and 31 December 2019. The fair value measurements of liabilities as at 31 December 2019 were within level 2 of the fair value hierarchy.

The fair value of liabilities repayable on demand or after a notice period (“demandable liabilities”) is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

7. Critical accounting estimate and judgements

Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Income taxes
Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Refer to Note 28.

8. Revenue

	2020	2019
	RUB'000	RUB'000
Interest on loans to related parties calculated using the effective interest rate method (Note 26)	43,863	52,269
Dividend income (Note 26)	22,283,992	20,417,895
Total	22,327,855	20,470,164

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9. Other gains — net

	2020	2019
	RUB'000	RUB'000
Net foreign exchange transaction gains/(losses) on non-financing activities (Note 14)	49,734	4,805
Other gains — net	49,734	4,805

10. Expenses by nature

	2020	2019
	RUB'000	RUB'000
Statutory auditor's remuneration for statutory audit services	18,053	16,026
Statutory auditor's remuneration for other assurance services	5,139	4,762
Advertising and marketing expenses	2,144	3,771
Expenses relating to short-term leases	272	325
Depreciation of property, plant and equipment (Note 16)	1,768	2,586
Depreciation of right-of-use assets (Note 17)	2,431	2,228
Profit on sale of property, plant and equipment	(1,029)	—
Employee benefit expense (Note 11)	408,431	358,275
Legal, consulting and other professional services ¹	55,349	25,441
Bank charges	10,540	2,019
Non-executive directors' fees (Note 26)	25,535	20,868
Travel expenses	1,043	15,163
Stock exchange and financial regulator fees	6,743	4,054
Taxes other than on income	10,531	8,173
Other expenses	20,321	13,737
Total marketing costs and administrative expenses	567,271	477,428

¹ Includes RUB 638 thousand for the year 2020 (RUB 502 thousand for the year 2019) in fees paid to the Company's statutory audit firm for tax consultancy services.

11. Employee benefit expense

	2020	2019
	RUB'000	RUB'000
Salaries	227,855	160,035
Bonuses	149,291	188,705
Share based compensation	19,309	—
Social security costs	11,977	9,535
Total employee benefit expense	408,431	358,275
Average number of staff employed during the year	8	7

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12. Finance costs — net

	2020	2019
	RUB'000	RUB'000
<i>Included in finance costs:</i>		
Interest expense on bank borrowings (Note 23)	(216,202)	(462,297)
Total interest expense calculated using the effective interest rate method	(216,202)	(462,297)
Interest expense on other lease liabilities (Note 23)	(308)	(265)
Total finance costs	(216,510)	(462,562)
<i>Included in finance income:</i>		
Interest income on bank balances	39,048	46,696
Interest income on other receivables from related parties (Note 26)	3,263	16,934
Total interest income calculated using the effective interest rate method	42,311	63,630
Total finance income	42,311	63,630
Net foreign exchange transaction gains/(losses) on cash and cash equivalents, loans and other receivables and dividends receivable	268,879	(442,416)
Net foreign exchange transaction gains on other financial liabilities	—	197,990
Net foreign exchange transactions gains/(losses) from financing activities (Note 14)	268,879	(244,426)
Finance costs — net	94,680	(643,358)

13. Income tax expense

	2020	2019
	RUB'000	RUB'000
<i>Current tax:</i>		
Corporation tax	—	10,401
Withholding tax on dividends receivable	1,073,231	1,017,005
Defence contribution	2	—
Total tax expense	1,073,233	1,027,406

The tax on the Company’s results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2020	2019
	RUB'000	RUB'000
Profit before tax	22,956,943	19,800,671
Tax calculated at the applicable tax rate	2,869,618	2,475,084
Tax effect of expenses not deductible for tax purposes	90,549	152,154
Tax effect of allowances and income not subject to tax	(2,960,167)	(2,616,837)
Defence contribution	2	—
Foreign withholding tax on dividends receivable	1,073,231	1,017,005
Tax charge	1,073,233	1,027,406

The Company is subject to income tax on taxable profits at the rate of 12.5%.

Brought forward losses of only five years may be utilised.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%. Further, in certain cases dividends received from other Cyprus tax resident companies may also be subject to special contribution for defence.

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Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

Withholding tax is applied to dividends distributed to the Company by its Russian subsidiaries at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected.

14. Net foreign exchange gains/(losses)

	2020 RUB'000	2019 RUB'000
Finance costs — net (Note 12)	268,879	(244,426)
Other gains — net (Note 9)	49,734	4,805
Total foreign exchange gains/(losses)	318,613	(239,621)

15. Dividends

In April 2019, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2018 in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR (US Dollar equivalent of US\$ 129,727 thousand).

In August 2019, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including interim dividend in the amount of RUB 3,548,007 thousand or RUB 19.85 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,772,382 thousand or RUB 26.70 per ordinary share/GDR (US Dollar equivalent of US\$ 124,655 thousand).

In April 2020, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR (US Dollar equivalent of US\$ 110,787 thousand).

In August 2020, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including interim dividend in the amount of RUB 3,083,281 thousand or RUB 17.25 per ordinary share/GDR and a special interim dividend in the amount of RUB 5,327,109 thousand or RUB 29.30 per ordinary share/GDR (US Dollar equivalent US\$ 111,293 thousand).

During the years ended 31 December 2020 and 31 December 2019, the Company declared and paid as detailed in the table below.

	2020 RUB'000	2019 RUB'000
Dividends declared ¹	16,637,178	16,631,842
Dividends paid ¹	16,637,178	16,631,842

¹ Dividends declared and paid within the year 2020 as per the table above excludes RUB 3,601 thousand relating to dividend declared and paid on the treasury shares.

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16. Property, plant and equipment

	Motor vehicles RUB'000	Total RUB'000
At 1 January 2019		
Cost	11,470	11,470
Accumulated depreciation	(8,898)	(8,898)
Net book amount	2,572	2,572
Year ended 31 December 2019		
Additions	6,666	6,666
Depreciation charge (Note 10)	(2,586)	(2,586)
Closing net book amount	6,652	6,652
At 31 December 2019 / 1 January 2020		
Cost	15,475	15,475
Accumulated depreciation	(8,823)	(8,823)
Net book amount	6,652	6,652
Year ended 31 December 2020		
Additions	6,528	6,528
Disposals	(734)	(734)
Depreciation charge (Note 10)	(1,768)	(1,768)
Closing net book amount	10,678	10,678
At 31 December 2020		
Cost	13,193	13,193
Accumulated depreciation	(2,515)	(2,515)
Net book amount	10,678	10,678

17. Right-of-use assets

	Offices RUB'000	Total RUB'000
At 1 December 2019		
Cost	7,292	7,292
Accumulated depreciation	—	—
Net book amount	7,292	7,292
Year ended 31 December 2019		
Depreciation charge (Note 10)	(2,228)	(2,228)
Closing net book amount	5,064	5,064
At 31 December 2019 / 1 January 2020		
Cost	7,292	7,292
Accumulated depreciation	(2,228)	(2,228)
Net book amount	5,064	5,064
Year ended 31 December 2020		
Depreciation charge (Note 10)	(2,431)	(2,431)
At 31 December 2020		
Cost	7,292	7,292
Accumulated depreciation	(4,659)	(4,659)
Net book amount	2,633	2,633

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18. Investments in subsidiary undertakings

	2020	2019
	RUB'000	RUB'000
At beginning of year	45,151,248	45,151,248
At end of year	45,151,248	45,151,248

Details of the direct and indirect investments in the subsidiary undertakings are as follows:

Name	Country of incorporation	Principal activities	Proportion of ordinary shares held by the Company		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
			(%)		(%)		(%)	
			2020	2019	2020	2019	2020	2019
New Forwarding Company, AO	Russia	Railway transportation	100	100	100	100	—	—
GTI Management, OOO	Russia	Railway transportation	100	100	100	100	—	—
Ural Wagonrepair Company, AO	Russia	Repair and maintenance of rolling stock	100	100	100	100	—	—
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	100	100	100	100	—	—
BaltTransServis, OOO	Russia	Railway transportation	60	60	60	60	40	40
RemTransServis, OOO ¹	Russia	Repair and maintenance of rolling stock	—	—	59.4	59.4	40.6	40.6

BTS-Locomotive Solutions OOO ²	Russia	Support activities for locomotive traction	—	—	60	60	40	40
SyntezRail Ltd	Cyprus	Intermediary holding company	60	60	60	60	40	40
SyntezRail LLC ³	Russia	Railway transportation	—	—	60	60	40	40
Spacecom AS	Estonia	Operating lease of rolling stock and provision of forwarding services	65.25	65.25	65.25	65.25	34.75	34.75
Ekolinja Oy ⁴	Finland	Operating sub-lease of rolling stock	—	—	65.25	65.25	34.75	34.75
Spacecom Trans AS ⁴	Estonia	Operating lease of rolling stock	—	—	65.25	65.25	34.75	34.75

^{1.} RemTransServis, OOO is a 99% subsidiary of BaltTransServis, OOO.
^{2.} BTS-Locomotive Solutions, OOO is a 100% subsidiary of BaltTransServis, OOO.
^{3.} SyntezRail LLC is a 100% subsidiary of SyntezRail Ltd.
^{4.} Ekolinja Oy and Spacecom Trans AS are 100% subsidiaries of Spacecom AS.

Contribution to subsidiary during the year 2018

During the year 2018, the Company subscribed to newly issued share capital of SyntezRail Ltd for an amount of RUB 300,090 thousand. The amount remained payable to the subsidiary as of 31 December 2018 and was settled within the year 2019.

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Disposal of subsidiary during the year 2018

During the year 2018, Spacecom AS acquired 100% of the shares of Spacecom Trans AS from the Company and the non-controlling shareholders. Out of the total consideration payable by Spacecom AS for this transaction, Eur 19,565 thousand (equivalent of RUB 1,536,316 thousand) was payable to the Company, of which of Eur 8,450 thousand (equivalent to RUB 671,441 thousand) was received by the Company within the year 2018. The receivable balance carried contractual interest of 3% per annum and was payable by the subsidiary in instalments.

During the year 2019, interest of Eur 233 thousand (equivalent to RUB 16,934 thousand) was accrued on the balance receivable (Note 12) and an amount of Eur 7,350 thousand (equivalent to RUB 528,127 thousand) was received by the subsidiary. The balance receivable as at 31 December 2019 equaled to Eur 3,998 thousand (equivalent to RUB 277,246 thousand) (Note 19).

During the year 2020, interest of Eur 43 thousand (equivalent to RUB 3,263 thousand) was accrued on the balance receivable (Note 12) and an amount of Eur 4,041 thousand (equivalent to RUB 315,967 thousand) was received by the subsidiary resulting into the full settlement of the receivable.

The following amounts are included in the statement of cash flows in relation to acquisitions and disposals of subsidiaries:

	2020	2019
	RUB'000	RUB'000
Contribution to the share capital of SyntezRail Ltd	—	(300,089)
Proceeds from sale of Spacecom Trans AS	315,967	528,127
Total cash inflow	315,967	228,038

Assessment of impairment of the investments in the subsidiary undertakings

The Company assesses at each balance sheet date whether there are indicators for impairment of its subsidiary undertakings in accordance with its accounting policy for impairment of non-financial assets, as set out in Note 4.

As of 31 December 2020, the management considered the deterioration of the economic environment, the weak prevailing industry conditions and the COVID-19 pandemic related uncertainties, as these are set out in Note 27, as indicators of impairment of the Company’s investments in subsidiary undertakings and performed impairment assessments to determine if there is an impairment loss

As a result of the impairment assessment, no impairment losses were noted. The impairment testing for all the subsidiary undertakings indicated a significant headroom in the recoverable amount over the carrying amount.

19. Loans and other receivables

	2020	2019
	RUB'000	RUB'000
Loans to related parties	2,260,201	2,312,903
Less: Provision for impairment of loans to related parties	(1,601,472)	(1,385,320)
Loans to related parties — net (Note 26)	658,729	927,583
Other receivables — related party (Note 26)	266,307	277,246
Total loans and other receivables — net	925,036	1,204,829
Less non-current portion:		
Loans to related parties (Note 26)	544,362	696,548
Total non-current portion	544,362	696,548
Current portion	380,674	508,281

The weighted average contractual interest rate on loans receivable from related parties was 5.1% at 31 December 2020 (31 December 2019: 6.8%). The weighted average effective interest rate on loans receivables from related parties was 11.1% at the 31 December 2020 (31 December 2019: 12.19%).

The contractual interest rate and effective interest rate on other receivables from related parties at 31 December 2019 was 3%. The other receivables from related parties at 31 December 2020 carry no contractual interest.

The carrying value of loans and other receivables at the reporting date approximates their fair value. As at 31 December 2020, the fair values of US Dollar denominated loans to related parties are based on cash flows discounted using a rate of 8% (31 December 2019: 8%). The discount rate used for Russian Rouble denominated loans to related parties as at 31 December 2020 was 17.7% (31 December 2019: 6.5% and 17.7%). The fair value measurements of loans to related parties and other receivables from related parties as at 31 December 2020 and 31 December 2019 are within level 3 of the fair value hierarchy.

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The carrying amounts of the Company’s loans and other receivables are denominated in the following currencies:

	2020	2019
	RUB’000	RUB’000
US Dollars	446,544	364,665
Russian Roubles	212,185	562,918
Euro	266,307	277,246
Total loans and other receivables	925,036	1,204,829

Assessment of credit losses on loans receivable from subsidiaries

At 31 December 2020 and 31 December 2019, the Company assessed, on a forward-looking basis, the expected credit losses associated with its loans receivable from subsidiaries carried at amortised cost, in accordance with the accounting policy stated in Note 4. The assessment performed resulted in the recognition of reversal of impairment losses of RUB 51,713 thousand as at 31 December 2020 (31 December 2019: RUB 312,980 thousand).

The assessment of expected credit losses on the loans receivable from Ukrainian New Forwarding Company, AO, with a carrying amount of RUB 446,544 thousand as at 31 December 2020 (31 December 2019: RUB 364,665 thousand), classified as credit-impaired (Stage 3) as of that date, required management to use estimates and projections of future cash flows. The expected credit losses were determined based on multiple forward-looking recovery scenarios to measure the expected cash shortfalls, discounted using the loans’ original effective interest rate method, weighted based on the probability of each scenario occurring.

In making this assessment, the Company considered all reasonable and supportable forward-looking information available without undue cost and effort. The cash flow projections were determined by reference to management’s cash flow estimates, which were based on historical financial performance of the subsidiary, as adjusted to take into consideration the impact of forecasted industry and market conditions.

As with any forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Company considered these forecasts to represent its best estimate of the possible outcomes and that the chosen scenarios are appropriately representative of the range of possible scenarios. The key input in this assessment were the recovery rates assigned to each scenario. Any reasonable change in these would not result in a material increase/decrease in the reversal of impairment losses recognised in the income statement for the years ended 31 December 2019 and 31 December 2020.

20. Other assets

	2020	2019
	RUB’000	RUB’000
Prepayments — third parties	6,588	846
VAT recoverable	—	2
Total other assets	6,588	848
Current portion	6,588	848

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21. Cash and cash equivalents

	2020	2019
	RUB'000	RUB'000
Cash at bank	2,225,518	982,797
Total cash and cash equivalents	2,225,518	982,797

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2020	2019
	RUB'000	RUB'000
Cash and cash equivalents	2,225,518	982,797
	2,225,518	982,797

Cash and cash equivalents are denominated in the following currencies:

	2020	2019
	RUB'000	RUB'000
US Dollars	365,566	217,069
Russian Roubles	1,252,774	459,770
Euro	607,178	305,958
Total cash and cash equivalents	2,225,518	982,797

The carrying value of cash and cash equivalents approximates their fair value.

22. Share capital, share premium and treasury shares

	Number of shares	Share capital	Share premium	Total
		USD'000	USD'000	USD'000
At 1 January 2019 /31 December 2019 / 1 January 2020 / 31 December 2020	178,740,916	17,875	949,471	967,346

	Number of shares	Share capital	Share premium	Total
		RUB'000	RUB'000	RUB'000
At 1 January 2019 /31 December 2019 / 1 January 2020 / 31 December 2020	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2020 was 233,918,128 shares with a par value of US\$0.10 per share (31 December 2019: 233,918,128 shares with a par value of US\$0.10 per share). All issued shares are fully paid.

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company's Global Depositary Receipts ("GDRs) and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2021 and May 2021. The total number of purchased GDRs shall not exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share).

As at 31 December 2020 the Company has purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand).

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

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23. Borrowings

	2020	2019
	RUB'000	RUB'000
<i>Current</i>		
Bank borrowings	—	2,175,477
Total current borrowings	—	2,175,477
<i>Non-current</i>		
Bank borrowings	—	2,086,465
Total non-current borrowings	—	2,086,465
Total borrowings	—	4,261,942
<i>Maturity of non-current borrowings</i>		
Between 1 and 2 years	—	2,086,465
	—	2,086,465

The exposure of the Company's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	2020	2019
	RUB'000	RUB'000
6 months or less	—	966,689
6 to 12 months	—	1,208,788
1 to 5 years	—	2,086,465
	—	4,261,942

Note: The amounts disclosed are based on the earliest of the contractual re-pricing dates and the maturity date.

The Company's borrowings as of 31 December 2019 were secured by pledge of rolling stock held by its subsidiaries New Forwarding Company, AO and GTI Management, OOO with a market value of not less than RUB 4,133,290 thousand and RUB 3,300,075, respectively.

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

	2020	2019
	%	%
Bank borrowings	—	7.31

The carrying amount and fair value of current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	2020	2019	2020	2019
	RUB'000	RUB'000	RUB'000	RUB'000
Bank borrowings	—	4,261,942	—	4,267,653
	—	4,261,942	—	4,267,653

The fair value of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2019, the fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Company or its subsidiaries on their bank borrowings close to 31 December 2019. The discount rate used was a level 2 discount rate of 7.50% as at 31 December 2019.

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

	2020	2019
	RUB'000	RUB'000
Russian Roubles	—	4,261,942
Total borrowings	—	4,261,942

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The Company has the following undrawn borrowing facilities:

	2020	2019
	RUB'000	RUB'000
Fixed rate:		
Expiring within one year	3,000,000	—
Expiring beyond one year	9,000,000	—
	12,000,000	—

Reconciliation of liabilities arising from financing activities:

	Bank borrowings	Other lease liabilities	Total liabilities from financing activities
	RUB'000	RUB'000	RUB'000
Opening balance 1 January 2020	4,261,942	4,413	4,266,355
Cash flows:			
Repayment of principal	(4,242,424)	(2,358)	(4,244,782)
Interest paid	(235,720)	(308)	(236,028)
Non-cash changes:			
Interest expense	216,202	308	216,510
Foreign exchange losses	—	1,165	1,165
At end of year 2020	—	3,220	3,220

	Bank borrowings	Other lease liabilities	Total liabilities from financing activities
	RUB'000	RUB'000	RUB'000
Opening balance 1 January 2019	7,472,517	7,292	7,479,809
Cash flows:			
Repayment of principal	(3,199,576)	(2,031)	(3,201,607)
Interest paid	(473,296)	(265)	(473,561)
Non-cash changes:			
Interest expense	462,297	265	462,562
Foreign exchange gains	—	(848)	(848)
At end of year	4,261,942	4,413	4,266,355

24. Other lease liabilities

	2020	2019
	RUB'000	RUB'000
Current lease liabilities	3,220	2,054
Non-current lease liabilities	—	2,359
Total lease liabilities	3,220	4,413

	2020	2019
	RUB'000	RUB'000
Maturity of other lease liabilities		
Between 1 and 2 years	—	2,359
	—	2,359

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25. Payables and accrued expenses

	2020	2019
	RUB'000	RUB'000
Current		
Accrued key management personnel compensation, including share based payment (Note 26)	103,629	90,338
Accrued expenses	10,877	13,863
Other payables to third parties	9,602	1,545
Total current trade and other payables	124,108	105,746

The fair value of payables, which are due within one year approximates, their carrying amount at the balance sheet date.

The carrying amounts of the Company’s payables and accrued expenses are denominated in the following currencies:

	2020	2019
	RUB'000	RUB'000
Euro	75,460	72,598
Russian Roubles	33,000	25,698
US dollar	15,647	7,429
Other	1	21
Total payables and accrued expenses	124,108	105,746

26. Related party transactions

Litten Investments Ltd, controlled by a Director of the Company, has a shareholding in the Company of 5.1% as at 31 December 2020 (31 December 2019: 5.1%).

Goldriver Resources Ltd, which has a shareholding in the Company of 4.0% as at 31 December 2020 (2019: 4.0%), is controlled by a member of key management personnel of the Company.

As at 31 December 2020, another 0.2% (2019: 0.2%) of the shares of the Company is controlled by Directors and key management of the Company.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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The following transactions were carried out with related parties:

(a) Loans to related parties

	2020 RUB'000	2019 RUB'000
Loans to subsidiaries:		
At beginning of year	927,583	1,372,547
Loan advances	—	180,000
Interest charged (Note 8)	43,863	52,269
Loan repaid during the year	(400,299)	(779,817)
Interest repaid during the year	(34,374)	(175,821)
Reversal of impairment	51,713	312,980
Net foreign exchange	70,243	(34,575)
At end of year	658,729	927,583
Consists of:		
Non-current portion	544,362	696,548
Current portion	114,367	231,035
At end of year	658,729	927,583
Loans to related parties — gross amount	2,260,201	2,312,903
Less: Provision for impairment of loans to related parties	(1,601,472)	(1,385,320)
Loans to related parties — net	658,729	927,583

The balances at the 31 December 2020 carry a weighted average contractual interest rate of 5.1% (2019: 6.8%) per annum. The weighted average effective interest rate at the 31 December 2020 was 11.1% (2019: 12.19%).

(b) Other receivables from related parties

	2020 RUB'000	2019 RUB'000
Other receivables for the sale of shares		
Subsidiaries	266,307	277,246
At end of year	266,307	277,246
Consists of:		
Non-current portion	—	—
Current portion	270,449	277,246
At end of year	270,449	277,246

The balance at 31 December 2019 carried a contractual interest rate of 3% per annum. The weighted average effective interest rate at the 31 December 2019 was 3%. The balance at 31 December 2020 carries no interest and is repayable by August 2021.

(c) Dividend income from related parties

	2020 RUB'000	2019 RUB'000
Dividend income from related parties:		
Subsidiaries (Note 8)	22,283,992	20,417,895
Total	22,283,992	20,417,895

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(d) Interest income

	2020	2019
	RUB'000	RUB'000
Interest income:		
Interest on loans to subsidiaries (Note 8)	43,863	52,269
Interest on other receivables from subsidiary (Note 12)	3,263	16,934
Total interest income calculated using the effective interest rate method	47,126	69,203

(e) Guarantees in favour of subsidiaries

Guarantees are irrevocable assurances that the Company will make payments in the event that another party cannot meet its obligations. The Company has guaranteed the following obligations:

	2020	2019
	RUB'000	RUB'000
Subsidiaries ¹	23,584,105	18,966,840
Total guaranteed obligations	23,584,105	18,966,840

¹ Represents the maximum amount of obligation under each contract, being the contractual undiscounted cash flows under the loan agreements as at 31 December 2020 and 2019.

During the years ended 31 December 2020 and 31 December 2019 the Company has acted as the guarantor for the obligation of its subsidiaries for loan agreements entered into with financial institutions and quoted bonds issued by subsidiaries. The fair values of such guarantees are amortised through the income statement. Management assessed that as at 31 December 2020 and 31 December 2019 no need for provision arises in relation to any of the guarantees issued by the Company.

Management estimated the fair value of the free of charge guarantees issued by the Company to secure the liabilities of its subsidiaries based on the best estimate of expenditure required to settle the obligation. Specifically, the fair values on initial recognition and the expected credit losses as at 31 December 2020 of guarantees issued by the Company for obligations of its subsidiaries in accordance with loan agreements with financial institutions and quoted bonds issued by subsidiaries were estimated using a probability adjusted discounted cash flow analysis, using probability of default, as implied by the market rate of the borrowings obtained by the subsidiaries and loss given default.

The loss given default for the financial guarantees issued by the Company for the obligations of its subsidiaries in accordance with loan agreements with financial institutions where such obligations are also secured by a pledge of property, plant and equipment and the distressed sale value of such pledge exceeds the amount of the obligation of the respective subsidiary has been estimated at RUB Nil, since, in case of default, the Company will be able to recover its losses under the issued guarantees from respective subsidiaries in full.

The loss given default for guarantees issued by the Company for unsecured or underpledged obligations of its subsidiaries in accordance with loan agreements with financial institutions and quoted bonds issued by subsidiaries was estimated by considering the distressed value of the net assets of the subsidiaries which were not pledged at the time of the assessment. The loss given default as estimated at RUB Nil, since, in case of default, the Company will be able to recover its losses under the issued guarantees from respective subsidiaries in full.

At 31 December 2020 and 31 December 2019, the Company assessed whether any ECL provision is needed for the guarantees in issue as of each reporting date. Management assessed that no need for provision arises in relation to any of the guarantees issued by the Company on the basis that, in case of default, the Company will be able to recover its losses under the issued guarantees from respective subsidiaries in full.

(f) Impairment losses

	2020	2019
	RUB'000	RUB'000
Reversal of impairment losses of loans to subsidiaries (Note 19)	51,713	312,980

(g) Key management personnel compensation

	2020	2019
	RUB'000	RUB'000
Key management salaries and other short-term employee benefits ¹	384,200	352,881
Share based compensation ²	19,309	—
	403,509	352,881

¹ 'key management salaries and other short term employee benefits' include directors' remuneration amounting to RUB 310,758 thousand (2019: RUB 352,881 thousand)

² the Company's share based compensation plan matured by 31 December 2020

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(h) Directors’ remuneration

	2020	2019
	RUB’000	RUB’000
Directors’ fees (Note 10)	25,535	20,868
Emoluments in their executive capacity	285,223	332,013
Total directors’ remuneration	310,758	352,881

(i) Year-end balances arising from payables to key management

	2020	2019
	RUB’000	RUB’000
Accrued key management remuneration (Note 25):		
Accrued salaries and other short-term employee benefits	84,320	90,338
Share based payment liability	19,309	—
	103,629	90,338

27. Contingencies

Operating environment of the Company

The year 2020 was marked by the COVID-19 pandemic, widespread national lockdowns and sharp decline in economic conditions across the globe. Measures taken by various governments to contain the virus have severely impacted and could continue to negatively impact economic activity and supply chains, both globally and in the Russian Federation and the other territories in which the Company’s subsidiaries operate for an unknown period of time. Management has taken and continues to take necessary measures to ensure minimum disruption to and sustainability of the operations of the Company and its subsidiaries and support their employees, customers and suppliers.

The overall economic weakness and the spread of COVID-19 impacted the Russian freight rail transportation market which experienced weak and volatile demand along with weak pricing conditions especially in the gondola segment. Although the operations and financial results of the Company’s subsidiaries for the year 2020 were inevitably impacted by these unprecedented economic conditions, the Company’s profit for the year increased to RUB 21,883,710 thousand compared to RUB 18,773,265 thousand for the year ended 31 December 2019 and the net cash generated from operations increased to RUB 21,492,632 thousand compared to RUB 19,268,420 thousand for the year ended 31 December 2019. This was mainly the result of the increase in the dividend income earned from the subsidiaries from RUB 20,417,895 thousand during the year ended 31 December 2019 to RUB 22,283,992 thousand in the current year as part of the dividend income related to profits of year 2019.

The future effects of the COVID-19 pandemic and of the above measures on businesses, market participants, clients of the Company’s subsidiaries, as well as global economy and the operating environment of the Company and its subsidiaries are difficult to predict. Consequently, the future financial performance, cash flows and financial position of the Company, are difficult to predict and management’s current expectations and estimates could differ from actual results. The Company’s management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business and that of its subsidiaries in the current economic environment.

The management has analysed these economic conditions and concluded that these represent indications of impairment of the Company’s subsidiaries and proceeded to perform impairment assessments to determine if there is an impairment loss, as further set out in Note 18.

The Company’s subsidiaries operate in the Russian Federation, Estonia, Ukraine and Finland.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The operating environment has a significant impact on the operations and financial position of the Company and its subsidiaries operating in the Russian Federation. Management is taking necessary measures to ensure sustainability of the operations of the Company and its subsidiaries operating in the Russian Federation. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

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Estonia and Finland. Estonia and Finland represent well-developed markets and economies with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine. Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The central bank of Ukraine, among other measures, imposed certain restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

The Company's exposure to Ukraine comprises loans receivable of RUB 446,544 thousand (2019: RUB 364,665 thousand) from Ukrainian New Forwarding Company, AO (Note 19). The final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the business of the Company's subsidiary.

Tax contingencies. Cypriot tax legislation is subject to varying interpretations. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Company is incorporated outside Russia. Tax liabilities of the Company are determined on the assumption that it is not subject to Russian profits tax because it does not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the equity interest held directly and indirectly in its subsidiaries. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Company.

28. Events after the balance sheet date

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2020 in the amount of 28.0 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 5,004,746 thousand, including final dividend for 2020 in the amount of RUB 2,931,351 thousand or RUB 16.4 per ordinary share/GDR and a special final dividend in the amount of RUB 2,073,395 thousand or RUB 11.60 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 29 April 2021 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for five business days in Russia from 22 April 2021 to 28 April 2021 inclusive.

There were no other material events after the balance sheet date that which have a bearing on the understanding of these financial statements.

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Selected Operational Information

for the year ended 31 December 2020

Fleet (incl. rolling stock and specialised containers)

	31 December 2020	31 December 2019	Change	Change, %
Owned Fleet				
Gondola cars	45,483	45,516	(33)	0%
Tank cars	17,697	17,767	(70)	0%
Locomotives	74	75	(1)	-1%
Flat cars	1,604	1,407	197	14%
Other railcars (incl. hopper cars, etc)	90	90	0	0%
Specialised containers (incl. petrochemical and other)	2,814	2,814	0	0%
Total	67,762	67,669	93	0%
<i>Owned Fleet as % of Total Fleet</i>	<i>95%</i>	<i>96%</i>	<i>-</i>	<i>-</i>
Leased-in Fleet				
Gondola cars	164	104	60	58%
Tank cars	2,720	1,969	751	38%
Flat cars	443	466	(23)	-5%
Other railcars (incl. hopper cars, etc)	79	132	(53)	-40%
Specialised containers (incl. petrochemical and other)	520	380	140	37%
Total	3,926	3,051	875	29%
<i>Leased-in Fleet as % of Total Fleet</i>	<i>5%</i>	<i>4%</i>	<i>-</i>	<i>-</i>
Total Fleet (Owned Fleet and Leased-in Fleet)				
Gondola cars	45,647	45,620	27	0%
Tank cars	20,417	19,736	681	3%
Locomotives	74	75	(1)	-1%
Flat cars	2,047	1,873	174	9%
Other railcars (incl. hopper cars, etc)	169	222	(53)	-24%
Specialised containers (incl. petrochemical and other)	3,334	3,194	140	4%
Total	71,688	70,720	968	1%

	31 December 2020	31 December 2019	Change	Change, %
Total Fleet by type, %				
Gondola cars	64%	65%	-	-
Tank cars	28%	28%	-	-
Locomotives	0.1%	0.1%	-	-
Flat cars	3%	3%	-	-
Other railcars (incl. hopper cars, etc)	0.2%	0.3%	-	-
Specialised containers (incl. petrochemical and other)	5%	5%	-	-
Total	100%	100%	-	-
Average age of Owned Fleet				
Gondola cars	11.9	10.9	-	-
Tank cars	15.9	14.9	-	-
Locomotives	13.2	12.2	-	-
Flat cars	3.0	5.1	-	-
Other railcars (incl. hopper cars, etc)	13.4	12.4	-	-
Specialised containers (incl. petrochemical and other)	2.9	1.9	-	-

Operation of rolling stock (excl. Engaged Fleet)¹

	2020	2019	Change	Change, %
Freight Rail Turnover, billion tonnes-km				
Metallurgical cargoes	68.2	73.1	(5.0)	-7%
Ferrous metals	29.7	28.0	1.8	6%
Scrap metal	2.9	3.3	(0.4)	-12%
Iron ore	35.5	41.8	(6.3)	-15%
Oil products and oil	19.1	22.0	(2.9)	-13%
Coal (incl. coke)	42.2	33.8	8.4	25%
Construction materials	9.7	6.3	3.3	52%
Crushed stone	7.9	5.3	2.7	51%
Cement	0.3	0.2	0.1	75%
Other construction materials	1.4	0.9	0.5	54%
Other	11.2	11.8	(0.6)	-5%
Total	150.3	147.1	3.2	2%

Freight Rail Turnover by cargo type, %				
Metallurgical cargoes (incl. ferrous metal, scrap metal and iron ore)	45%	50%	-	-
Oil products and oil	13%	15%	-	-
Coal (incl. coke)	28%	23%	-	-
Construction materials (incl. cement)	6%	4%	-	-
Other	7%	8%	-	-
Total	100%	100%	-	-

Transportation Volume, million tones				
Metallurgical cargoes	39.0	43.9	(4.9)	-11%
Ferrous metals	13.8	14.9	(1.1)	-8%
Scrap metal	3.0	2.9	0.1	2%
Iron ore	22.2	26.0	(3.8)	-15%
Oil products and oil	18.6	21.9	(3.3)	-15%
Coal (incl. coke)	14.5	11.4	3.1	27%
Construction materials	10.2	7.1	3.1	44%
Crushed stone	9.0	6.3	2.7	42%
Cement	0.2	0.1	0.1	53%
Other construction materials	1.0	0.6	0.3	54%
Other	6.6	7.3	(0.7)	-10%
Total	88.9	91.6	(2.7)	-3%

	2020	2019	Change	Change, %
Average Rolling Stock Operated, units				
Gondola cars	43,669	43,486	183	0%
Rail tank cars	13,550	12,968	583	4%
Locomotives	55	51	3	7%
Other railcars	210	340	(130)	-38%
Total	57,484	56,845	639	1%

Average Number of Loaded Trips per Railcar				
Gondola cars	23.9	23.6	0.3	1%
Rail tank cars	22.7	27.8	(5.1)	-18%
Other railcars	82.3	87.0	(4.7)	-5%
Total	23.8	25.0	(1.1)	-5%

Average Distance of Loaded Trip, km				
Gondola cars	1,898	1,834	64	4%
Rail tank cars	1,025	993	33	3%
Other railcars	269	502	(233)	-46%
Total	1,681	1,591	90	6%

Average Price per Trip, RUB	36,909*	45,807*	(8,898)	-19%
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Net Revenue from Operation of Rolling Stock by cargo type, RUB million				
Metallurgical cargoes	17,124*	26,467*	(9,343)	-35%
Ferrous metals	8,908*	11,141*	(2,233)	-20%
Scrap metal	1,398*	1,901*	(502)	-26%
Iron ore	6,818*	13,425*	(6,607)	-49%
Oil products and oil	19,257*	21,009*	(1,752)	-8%
Coal (incl. coke)	8,834*	9,380*	(546)	-6%
Construction materials (incl. cement)	1,973*	3,105*	(1,132)	-36%
Other	3,338*	5,034*	(1,695)	-34%
Total	50,527*	64,994*	(14,467)	-22%

Net Revenue from Operation of Rolling Stock by cargo type, %				
Metallurgical cargoes (incl. ferrous metal, scrap metal and iron ore)	34%	41%	-	-
Oil products and oil	38%	32%	-	-
Coal (incl. coke)	17%	14%	-	-
Construction materials (incl. cement)	4%	5%	-	-
Other	7%	8%	-	-
Total	100%	100%	-	-

¹ Excluding operational and financial information of the specialised container transportation business.

	2020	2019	Change	Change, %
Net Revenue from Operation of Rolling Stock by largest clients (incl. their affiliates and suppliers), %				
Rosneft	25%	23%	-	-
MMK	14%	12%	-	-
Metalloinvest	13%	21%	-	-
Gazprom Neft	7%	5%	-	-
TMK	4%	3%	-	-
EVRAZ	3%	2%	-	-
UGMK-Trans	2%	2%	-	-
TAIF	2%	3%	-	-
SDS-Ugol	1%	0.5%	-	-
ChelPipe	1%	1%	-	-
Other (incl. small and medium enterprises)	28%	26%	-	-

Empty Run Ratio, %				
Gondola cars	45%	42%	-	-
Rail tank cars and other railcars	89%	90%	-	-
Total Empty Run Ratio, %	51%	49%	-	-

Empty Run Costs, RUB million	15,799*	14,752*	1,047	7%
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Share of Empty Run Kilometres Paid by Globaltrans, %	99%	89%	-	-
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Operation of rolling stock (incl. Engaged Fleet)

	2020	2019	Change	Change, %
Freight Rail Turnover, billion tonnes-km				
Metallurgical cargoes	76.7	85.2	(8.5)	-10%
Ferrous metals	32.9	30.7	2.2	7%
Scrap metal	3.3	3.4	(0.1)	-3%
Iron ore	40.5	51.2	(10.6)	-21%
Oil products and oil	19.1	22.2	(3.0)	-14%
Coal (incl. coke)	45.2	35.9	9.3	26%
Construction materials	9.8	6.4	3.4	53%
Crushed stone	8.1	5.3	2.8	52%
Cement	0.3	0.2	0.1	75%
Other construction materials	1.4	0.9	0.5	54%
Other	11.4	11.9	(0.6)	-5%
Total	162.1	161.5	0.6	0%

	2020	2019	Change	Change, %
Transportation Volume, million tones				
Metallurgical cargoes	43.4	50.3	(6.9)	-14%
Ferrous metals	15.2	16.5	(1.4)	-8%
Scrap metal	3.3	3.0	0.3	10%
Iron ore	24.9	30.8	(5.9)	-19%
Oil products and oil	18.6	22.1	(3.4)	-16%
Coal (incl. coke)	16.1	12.3	3.8	31%
Construction materials	10.3	7.1	3.1	44%
Crushed stone	9.1	6.4	2.7	43%
Cement	0.2	0.1	0.1	53%
Other construction materials	1.0	0.6	0.3	54%
Other	6.8	7.5	(0.8)	-10%
Total	95.2	99.4	(4.2)	-4%

Specialised container segment

	2020	2019	Change	Change, %
Net Revenue from Specialised Container Segment, RUB million	1,923*	1,623*	299.4	18%

Engaged Fleet

	2020	2019	Change	Change, %
Net Revenue from Engaged Fleet, RUB million	152*	202*	(50)	-25%

Operating leasing of rolling stock

	31 December 2020	31 December 2019	Change	Change, %
Leased-out Fleet				
Gondola cars	68	152	(84)	-55%
Tank cars	6,597	6,568	29	0%
Locomotives	0	0	0	0%
Other railcars (incl. flat, hopper cars, etc)	367	122	245	201%
Total	7,032	6,842	190	3%
Leased-out Fleet as % of Total Fleet	10%	10%	-	-

Employees

	31 December 2020	31 December 2019	Change	Change, %
Total	1,697	1,640	57	3%

Definitions

Terms that require definitions are marked with capital letters in this Annual Report 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.

Definitions

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.

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

Net Debt (a non-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.

Presentation of Financial and Other Information

Financial information

All financial information presented in this Annual Report is derived from the Consolidated Management Report and Consolidated Financial Statements of Globaltrans Investment PLC (the “Company” and, together with its consolidated subsidiaries, “Globaltrans” or the “Group”) and 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 and the parent company financial statements for the year ended 31 December 2020 are included in the Financial Statements section of this Annual Report. Financial statements for prior years can be found on Globaltrans’ corporate website (www.globaltrans.com). Certain financial information derived from the management accounts is marked in this Annual Report with an asterisk (*). The presentational currency of the Group’s financial results is Russian roubles (RUB), which is the functional currency of the Company as well as of its Cypriot and Russian subsidiaries.

Non-IFRS financial information

In this Annual Report, the Group has used certain measures not recognised by EU IFRS or IFRS (referred to as “non-IFRS measures”). 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 and are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the freight rail transportation sector. Further explanations of the reasons for presenting such measures are included in the Financial Review section of this Annual Report. The non-IFRS measures that have been used in this Annual Report as supplemental measures of the Group’s operating performance. All non-IFRS financial information is calculated on the basis of EU IFRS financial statements and/or management accounts. Reconciliations to the closest IFRS measures are included in the Financial Review section of this Annual Report. Non-IFRS measures requiring additional explanation or definitions appear with initial capital letters and the definitions and explanations are provided in the Definitions section of this Annual Report.

Other companies in the freight rail transportation sector may calculate the above non-IFRS measures differently or may use each of them for different purposes than the Group, limiting their usefulness as comparative measures. All non-IFRS financial information presented in this Annual Report 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 reported under EU IFRS and included in the Financial Statements section of this Annual Report.

Operational and market information

Globaltrans reports certain operational information to illustrate the changes in the Group’s operational and financial performance during the reporting periods. This operational information is derived from management accounts. The Group’s selected operational information for the year ended 31 December 2020 is provided in the Additional Information section of this Annual Report. Selected operational information for prior years can be found on Globaltrans’ corporate website (www.globaltrans.com). Terms referring to such operational information appear with initial capital letters with definitions or explanations provided in the Definitions section of this Annual Report.

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 can 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.

Cautionary note

This Annual Report, including its appendices, may contain forward-looking statements regarding future events or the future financial performance of the Group. You can identify forward-looking statements by terms such as expect, believe, estimate, anticipate, intend, will, could, may or might, the negative of such terms or other similar expressions. These

forward-looking statements include matters that are not historical facts and statements regarding the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Group cautions that forward-looking statements are not guarantees of future performance and that the Group’s actual results of operations, financial condition, liquidity, prospects, growth and strategies, and the development of the industry in which the Group operates, may differ materially from those described in or suggested by the forward-looking statements contained in this Annual Report. In addition, even if the Group’s results of operations, financial condition, liquidity, prospects, growth and strategies and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in these materials, those results or developments may not be indicative of results or developments in future periods. The Group does not intend to update these statements to reflect events and circumstances

occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in forward-looking statements of the Group. Among others, these include general economic conditions, the competitive environment, risks associated with operating in Russia, market change in the Russian freight rail market and many other risks specifically related to the Group and its operations. This Annual Report has been prepared to assist shareholders to assess the Group’s financial condition, results of operations, business, strategies and prospects and for no other purpose. The Group, its Directors, employees, agents and advisers do not accept or assume responsibility for any other purpose or to any other person to whom this Annual Report is shown or who may have access to it, and any such responsibility or liability is expressly disclaimed.

GRI Content Index

Indicator	Definition	Report section / Notes	Annual Report page
General disclosures			
102-1	Name of the organisation	Corporate Structure	p. 109
102-2	Activities, brands, products, and services	At a Glance Financial and Operational Review	p. 8 p. 38-39
102-3	Location of headquarters	Key Contacts	p. 374
102-4	Location of operations Number of countries where the organisation operates	Corporate Structure Market Review Our Industry	p. 109 p. 32-35 p. 16-17
102-5	Ownership and legal form	Corporate Structure	p. 109
102-6	Markets served	Our Industry	p. 16-17
102-7	Scale of the organisation	Financial and Operational Review	p. 36-39
102-8	Information on employees and other workers	Sustainability Report	p. 74-77
102-9	Supply chain	Financial and Operational Review	p. 36-39
102-10	Significant changes to the organisation and its supply chain	No significant changes in the supply chain.	
102-11	Precautionary Principle or approach	The Group does not explicitly use the precautionary principle.	
102-12	External initiatives. A list of externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	The Group does not have membership in external initiatives.	
102-13	Membership of associations. A list of the main memberships of industry or other associations, and national or international advocacy organisations	Sustainability Report Union of Railway Transport Operators - SOZHT (AO New Forwarding Company) Council of Russian Transport Workers – STR (AO New Forwarding Company) Railway Engineering Association – OPZHT (AO Ural Wagonrepair Company) Estonian Chamber of Commerce and Industry (AS Spacecom (Estonia) and AS Spacecom Trans (Estonia)	p. 66-83

Indicator	Definition	Report section / Notes	Annual Report page
102-14	Statement from senior decision-maker	Chairman's Statement CEO Review	p. 20 p. 28
102-15	Key impacts, risks opportunities	Risk Management Sustainability Report	p. 56 p. 66
102-16	Values, principles, standards, and norms of behaviour	Sustainability Report	p. 70-73
102-18	Governance structure	Corporate Governance Report	p. 85
102-35	Remuneration policies	Corporate Governance Report - Remuneration of the Board of Directors and Management	p. 101
102-40	List of stakeholder groups	Sustainability Report	p. 68-69
102-41	Collective bargaining agreements	As at 31.12.2020, 39% of total employees in OOO BaltTransServis were covered by collective bargaining agreements. In other Group subsidiaries there were no collective bargaining agreements.	
102-42	Identifying and selecting stakeholders with whom to engage	Sustainability Report	p. 68-69
102-43	The organisation's approach to stakeholder engagement	Sustainability Report	p. 68-69
102-44	Key topics and concerns that have been raised through stakeholder engagement	Sustainability Report	p. 68-69
102-45	Entities included in the consolidated financial statements	Notes to the Consolidated Financial Statements	p. 224-225
102-46	Defining report content and topic boundaries	Sustainability Report	p. 66
102-47	List of the material topics	Sustainability Report	p. 67
102-48	Restatements of information given in previous reports	No restatements of information given in the previous report were made.	
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	No significant changes.	
102-50	Reporting period	Calendar year 2020	
102-51	Date of most recent report	April 2020	
102-52	Reporting cycle	Annual	

GRI Content Index

Indicator	Definition	Report section / Notes	Annual Report page
102-53	Contact point for questions regarding the report	Investor Relations Phone: +357 25 328 860 Email: irteam@globaltrans.com	
102-54	Claims of reporting in accordance with the GRI standards	The Report was prepared in accordance with the GRI Standards – Core option.	
102-55	GRI content index	GRI Content Index	p. 370
102-56	External assurance	External assurance for the Group’s Sustainability Report was not conducted in the reporting period.	
Management			
103-1	Explanation of the material topic and its boundary	Sustainability Report	p. 66-83
103-2	The management approach and its components	Sustainability Report	p. 66-83
103-3	Evaluation of the management approach	Sustainability Report	p. 66-83
Economic impact			
Economic performance			
201-1	Direct economic value generated and distributed	Financial and Operational Review Sustainability Report	p. 36-37 p. 83
Indirect economic impacts			
203-2	Significant indirect economic impacts	Sustainability Report	p. 66-83
Anti-corruption			
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report	p. 72
Environmental impact			
Materials			
301-1	Materials used by weigh or volume	Sustainability Report	p. 78
301-2	Recycled input materials used	Sustainability Report	p. 79
Energy			
302-1	Energy consumption within the organisation	Sustainability Report	p. 79
Water and effluents ¹			
303-5	Water consumption	Sustainability Report	p. 79
Emissions			
305-2	Direct (Scope 1) GHG emissions	Sustainability Report	p. 81

¹ This excludes data from AS Spacecom and BaltTransServis (except for data from the BTS railcar repair depot in Ivanovo which is included).

Indicator	Definition	Report section / Notes	Annual Report page
Environmental compliance			
307-1	Non-compliance with environmental laws and regulations	Sustainability Report <i>No incidents of non-compliance with environmental laws and regulations occurred in the reporting period</i>	p. 78
Social impact			
Employment			
401-1	New employee hires and employee turnover	Sustainability Report	p. 75
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report Notes to the Consolidated Financial Statement	p. 76 p. 210
Occupational health and safety			
403-1	Occupational health and safety management system	Sustainability Report	p. 77
403-5	Worker training on occupational health and safety	Sustainability Report	p. 77
403-9	Work-related injuries	Sustainability Report	p. 77
Training and education			
404-1	Average hours of training per year per employee by gender and employee category	Sustainability Report	p. 76
Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Sustainability Report Corporate Governance Report Consolidated Management Report Management Report	p. 74 p. 99 p. 130 p. 273

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