

Chairman's statement



Alexander Eliseev
Chairman of the Board of Directors

NEW GONDOLA AND RAIL TANK CARS CONTRACTED

+6,500 units

with 1,775 units of rolling stock delivered in 2009 and the rest to be delivered in 2010

TOTAL FLEET OF ROLLING STOCK INCREASED BY

+38%

including the Total Fleet of acquired LLC BaltTransServis and rolling stock delivered in 2009

The past year was a testing period for Globaltrans and the whole freight railway industry in Russia as the economy grappled with the effects of major economic downturn. Global end user demand for Russian industrial commodities as well as internal demand evaporated rapidly during the early part of the year, forcing many industrial producers to cut back production drastically. Although, as the year progressed, key sectors of the Russian economy showed signs of steady improvement, last year was the most challenging trading environment that many of us have witnessed.

What is pleasing to report is that Globaltrans outperformed the market in 2009, both in the depths of the downturn and as markets recovered. Whilst overall Freight Rail Turnover in Russia fell by 12%, the Group grew its turnover by 3%. Moreover, we increased our Total Fleet by 38% to 37,217 units² in 2009, through a combination of organic growth and acquisitions. The fact that Globaltrans produced such a resilient performance demonstrates the soundness of our business model, and shows that our strategy of building a balanced universal fleet and providing our customers with a robust value proposition works.

We were quick to recognise the magnitude of the downturn and responded accordingly, initiating a series of measures to safeguard the business. These included relocation of railcars, reconfiguration of routes and the imposition of stringent credit controls along with other cost saving initiatives. Taken together, these actions helped Globaltrans withstand the worst of the recession and come through 2009 relatively well. The Group's Adjusted EBITDA in Rouble terms increased by 5% whilst decreasing by 18% in US Dollars terms to USD 284.5* million. The latter was driven by the depreciation of the Rouble, our functional currency, against the US Dollar. I consider it as an excellent result, given the challenging operating and market environment.

Globaltrans is committed to a strategy of opportunistic growth, and in 2009 we continued to pursue opportunities to expand the business. As demand began to stabilise during the second quarter and Freight Rail Turnover picked up, we felt confident enough to resume our capital expenditure programme. Our strong financial position enabled us to take advantage of a market where prices for new railcars had dropped more than 40% from the peak levels seen in 2008. As a result, we were able to contract 6,000 new gondola cars and 500 new rail tank cars in the second half of the year at very attractive rates. The first transaction will increase our owned gondola fleet by more than 40%, reinforcing our market position in the transportation of various bulk cargoes and ensuring that the Group is well positioned to capitalise on any sustained market recovery.

In line with our commitment to maintain a balanced fleet, we completed the purchase of one of Russia's leading private freight rail companies, in December 2009 acquiring a controlling stake³ in exchange for shares in Globaltrans, in a deal valued at USD 250 million. BTS specialises in the shipment of oil products and oil and

2. Including the Total Fleet of BTS acquired in December 2009 and rolling stock delivered in 2009.

3. A 50% effective economic interest, BTS is controlled by the Group via majority shareholding held by the Company in intermediary holding companies of BTS.

operates a fleet of about 9,000 units of rolling stock. BTS represents an excellent strategic fit with the rest of our business portfolio, providing a strong customer base and stable revenues. With its purchase, in addition to being the largest private owner of gondola cars in Russia, the Group became the largest⁴ private owner of rail tank cars.

We successfully completed a follow-on offering of global depository receipts ("GDRs") representing ordinary shares of the Company raising approximately USD 100 million in gross proceeds to finance future growth. The offering was oversubscribed which, given the difficult market conditions, represented a vote of confidence from investors in the future prospects for Globaltrans.

The Board recommended shareholders to approve the distribution by the Company of final dividends in relation to prior periods in the total amount of USD 24.0 million (15.177 US cents per ordinary share). The respective resolution will be considered by the Annual General Meeting of shareholders on May 3rd, 2010.

A "can do" culture and experienced employees have always been cornerstones of our business. The fact that we achieved so much despite the very challenging environment is down to the professionalism and commitment of the entire team at Globaltrans. On behalf of the Board, I would like to thank all of our employees for their continued hard work and commitment.

Notwithstanding the challenges of 2009, the fundamental attractions of the Russian rail industry remain unchanged. Rail continues to be the predominant mode of transport for freight in Russia, the private sector remains highly fragmented, and the rolling stock fleet operated by OAO Russian Railways ("RZD") is ageing. These factors, together with ongoing rail sector reform, and the prospect of an economic rebound, should mean that there continue to be interesting opportunities for Globaltrans to consolidate its position as Russia's pre-eminent private freight rail transportation group.

As we look ahead, we know 2010 will be another challenging year. The recovery at a macroeconomic level is gradual and may not prove robust. Nevertheless we believe that with its flexible business model, strong customer franchise, and financial position, Globaltrans is well positioned to progress in 2010.



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4. Based on the publicly available sources.