

Report of the Board of Directors

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2009. 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 activity of the Group is the provision of railway transportation services using own or leased rolling stock, operating lease of rolling stock and freight forwarding (agency) services.

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

Market conditions during 2009 proved to be challenging and volatile. As the fall out of the global financial crisis spread, more and more parts of the world economy were affected, including Russia's main industrial sectors. This inevitably had a knock on effect on Russia's dominant freight rail sector, which transports much of the country's output. In 2009 we witnessed sharp falls in freight volumes in the first part of the year, followed by steady recovery over the rest of the year.

Against this volatile backdrop, the Group produced a pleasing operational performance, outperforming the overall market both in the downturn and, again, as markets moved into the recovery phase.

In line with its commitment to maintain a balanced fleet, in 2009 the Group completed the acquisition of LLC BaltTransServis, one of Russia's leading private freight rail operators, acquiring a controlling stake in exchange for shares in the Company. LLC BaltTransServis specialises in the shipment of oil products and oil and operates a fleet of over 9,000 railcars. LLC BaltTransServis represents an excellent strategic fit with the rest of our business portfolio, providing a strong customer base and stable revenues. With its purchase, the Group became the largest private player in the oil products and oil freight rail transportation business in Russia by size of owned fleet.

The Group has expanded its presence in the shipment of ferrous metals sector and in the oil products and oil sector where its respective market shares have improved.

Reviewing the Group's financial performance in 2009, adjusted revenue decreased by 12% compared to the previous year. Net profit fell by 15%, while operating profit decreased by 21%.

The net profit of the Group for the year ended 31 December 2009 was US\$121,173 thousand (2008: US\$142,565 thousand). On 31 December 2009 the total assets of the Group were US\$1,264,968 thousand (2008: US\$1,231,426 thousand) and net assets were US\$711,568 thousand (2008: US\$559,038 thousand).

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

Principal risks and uncertainties

The Group's financial risk management and critical accounting estimates and judgements are disclosed in Notes 3 and 4 to the consolidated financial statements.

The Group's contingencies are disclosed in Note 29 to the consolidated financial statements.

The Board has adopted a formal process to identify, evaluate and manage significant risks faced by the Group.

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 leading rail freight transportation market position in Russia by further utilising its scalable business model.

Results

The Group's results for the year are set out on pages 9 and 10. The Board of Directors recommended the payment of a dividend as detailed below and the remaining net profit for the year is retained.

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 pay 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.

No interim dividends were declared by the Board of Directors during the year ended 31 December 2009.

The Board of Directors of the Company recommends a payment of dividend in relation to prior periods in the amount of US\$24,000 thousand.

Report of the Board of Directors (continued)

Share capital

On 23 November 2009, the Company has increased its authorized share capital from 116,959,064 shares with a par value of US\$0.10 per share to 233,918,128 shares with a par value of US\$0.10 per share.

On 14 December 2009, the Company has issued 29,411,764 new ordinary shares to its Parent entity as consideration for 55.56% share in Ingulana Holdings Limited, a Cypriot holding company, owning 90% share in OOO BaltTransServis, one of the leading private Russian railway transportation services operators, specialising in shipping oil products and oil for Russian oil majors and other customers.

Following the offering on 9 December 2009 of Global Depository Receipts, on 14 December 2009, the Company has issued 11,764,705 new ordinary shares out of the authorized share capital as fully paid at a price of US\$8.50 (including a premium of US\$8.40 per share). In the context of the offering, the existing shareholders have also sold 8,782,352 shares to the public.

As at 31 December 2009 the issued share capital of the Company comprised 158,135,533 ordinary shares with a par value of US\$0.10 per share (2008: 116,959,064 ordinary shares with a par value of US\$0.10 per share).

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

The Board comprises seven members, four of whom are non-executive directors (including the Chairman). Two 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 Group, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2009 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year ended 31 December 2009.

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 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.

There were no significant changes in the assignment of responsibilities of the Board of Directors. The total remuneration of the members of the Board of Directors paid by the Company in 2009 amounted to US\$395 thousand (2008: US\$305 thousand).

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 as at 31 December 2009 is shown below:

Type of holding	Shares/Global Depository Receipts held at 31 December 2009 ¹	Shares/Global Depository Receipts held at 31 December 2008 ²
Alexander Eliseev Through shareholding in Envesta Investments Ltd and other entities controlled by him	11,318,909	11,201,262
Sergey Maltsev Through shareholding in Envesta Investments Ltd	11,658,456	11,658,456
Johann Franz Durrer GDRs of Globaltrans Investment PLC	100,000	100,000

¹Total number of issued shares of the Company as at 31 December 2009 was 158,135,533

²Total number of issued shares of the Company as at 31 December 2008 was 116,959,064.

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 34 to the consolidated financial statements.

Board performance

The Board held 18 meetings in 2009. The Directors' attendance is presented in the table below.

	Attended
Alexander Eliseev	10
Michael Zampelas	18
Hans Durrer	18
Sergey Maltsev	4
Mikhail Loganov	17
Elia Nicolaou	17
Konstantin Shirokov	18

The Board Committees

The Board has established three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. A brief description of the terms of reference of the committees is set out below.

Audit Committee

The Audit Committee comprises two Directors, one of whom is considered to be independent, and meets at least four times each year. The Audit Committee is chaired by Mr. Zampelas and Mrs. Nicolaou is the other member. The audit committee is responsible for considering, amongst 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 and monitors, and advises the Board of Directors 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 also assesses the efficiency of the work of the Chairman of the Board of Directors.

Nomination Committee

The Nomination Committee comprises three Directors and meets at least once each year. The Nomination Committee is chaired by Dr. Durrer; the other members being Mr. Zampelas and Mr. Loganov. The committee's remit is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size and composition of the Board of Directors. In undertaking this role, the committee refers to the skills, knowledge and experience required of the Board of Directors given the Company's stage of development and makes recommendations to the Board of Directors as to any changes. The committee also considers future appointments in respect of the Board of Directors composition as well as makes recommendations regarding the membership of the audit and remuneration committees.

Remuneration Committee

The Remuneration Committee comprises three directors and meets at least once each year. The remuneration committee is chaired by Dr. Durrer and Mr. Zampelas and Mr. Eliseev are other members. The remuneration committee has as its remit the determination and review of, amongst other matters, the remuneration of executive directors and review of the Company's remuneration policies. The remuneration of independent directors is a matter of the chairman of the Board of Directors and the executive directors. No director or manager may be involved in any decisions as to his/her own remuneration.

Corporate governance

The Company is committed to maintaining the highest standards of corporate governance throughout the Company and the Group. In March 2008, the Board of Directors adopted the Company's Code of Corporate Governance which guarantees that the interests of all company shareholders are given due consideration. Although the Code is based on principles recommended by the UK Combined Code on Corporate Governance, this does not constitute voluntary compliance with such Combined Code. Our corporate governance policies and practices are designed to ensure that we are focused on upholding our responsibilities to our shareholders and include policies on appointment of independent directors, establishment and constitution of the audit and other committees, ethical conduct, securities dealings and disclosure. Full details can be found at <http://www.globaltrans.com/about-us/corporate-governance/governance-policies/>. Our employees are required to follow these guidelines and our management is responsible for ensuring that all departments adhere to these standards.

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.

Report of the Board of Directors (continued)

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 3 September 2009.

Refer to Note 31 of the consolidated financial statements for details of remuneration of directors and key management personnel.

Branches

The Group operates through branches and representative offices, maintaining ten branches and nineteen representative offices during 2009, ten branches and fifteen representative offices during 2008.

Treasury shares

The Company did not acquire either directly or through a person in his own name, but on the Company's behalf any of its own shares.

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 2010, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, have 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.

By Order of the Board



Alexander Eliseev
Chairman of the Board of Directors
Limassol
9 April 2010