

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.

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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.

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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.



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