

# Chairman's Statement

■ It was a year of rapid recovery for Globaltrans and for the Russian rail freight sector. The strength of the global economic rebound created overwhelming demand for freight logistics, driving overall Russian freight rail turnover to an all-time high.

**Sergey Maltsev**

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



In such volatile markets, the robustness of Globaltrans balanced business model focused exclusively on bulk cargoes and oil products and oil, was again evident. The business was quick to benefit from the industry's rapid resurgence in the second half of the year.

Globaltrans delivered strong financial results and met its operational and strategic goals in 2021. Our full year results were strong thanks to an impressive second half performance that compensated for a weak first half. Adjusted Revenue of RUB 58.5 billion, Adjusted EBITDA of RUB 29.0 billion and a Profit for the year of RUB 15.1 billion were all ahead of the previous year. Free cash flow generation remained robust, with the Group's Free Cash Flow up 7% year on year to RUB 16.1 billion, our cost control was exemplary and we achieved further deleveraging with Net Debt to Adjusted EBITDA at 0.6x.

RUB 29.0 bln <sup>▲8%</sup>  
Adjusted EBITDA in 2021

Our operational wins included the successful renewal of two major service contracts and the expansion of our Leased-in Fleet to meet growing customer demand. Despite operational pressures caused by volatility in demand and ongoing rail network expansion projects, we maintained consistently high levels of efficiency. By doing so, we reinforced our reputation as one of the industry's most efficient operators.

The pandemic has profoundly impacted global logistics, generating debate about the need for greater supply chain resilience. The discussion is especially relevant for our industry, as rail dominates the movement of goods in Russia. Large industrial customers need reliable, 24-hour freight logistics solutions to support their operations. Increasingly, it is evident that only by outsourcing a significant proportion of their transport needs to large efficient operators like Globaltrans that can guarantee the service levels they require.

RUB 15.1 bln <sup>▲24%</sup>  
Profit for the year in 2021

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The pandemic experience is likely to accelerate matters even further, and it is pleasing to report that we maintained close relationships with our client base over 2021. We signed critical service contract extensions with two longstanding clients, Rosneft and Metalloinvest. At the same time, we leveraged the flexibility provided by the Leased-in Fleet to meet the growing demand seen in the second half of 2021. Dynamic fleet management is a central pillar of our business model, meaning we can respond quickly to demand shifts whilst maintaining the optimal fleet balance between owned and leased-in assets and between universal gondola cars and tank cars.

In 2020, the Group completed a secondary listing of its GDRs on the Moscow Exchange (MOEX). The listing has enabled the Board to meet its objectives of widening share ownership, improving liquidity of the GDRs, and raising the Group's profile with retail investors. Over the first year of MOEX listing, the combined average daily liquidity of the Company's GDRs across both its trading venues increased four-fold<sup>1</sup>.

## THE BOARD

Good governance is essential to the long-term success of Globaltrans, and as chair, I am fortunate to call upon an experienced and high-quality group of directors. The Board intensified its engagement in several critical governance areas past year.

The Board worked closely with the leadership team to develop a post-pandemic strategy and plan. We also paid close attention to the immediate wellbeing of our employees and customers, ensuring the Group continued to protect and support them fully during the period.



<sup>1</sup> Source: Moscow Exchange; London Stock Exchange; Company's estimations; Information for the first nine months of 2021; and comparing to the same period of the previous year.

## RESPONSIBLE BUSINESS

As a publicly listed company, our job is to deliver long-term value to our shareholders via competitive returns on their capital. For these returns to be sustainable and grow over time, we must act responsibly, consistent with society's broader interests.

Recognising the importance of sustainability for our stakeholders, the Board approved the establishment of a new ESG Committee of the Board in January 2021, chaired by Elia Nicolaou, a Non-executive Director. The committee's goal is to monitor the development of the Group's sustainability strategy and oversee our Environment, Social and Governance (ESG) programme and related activities. The committee's oversight has already yielded results in the form of improved ESG disclosures, leading to better ESG ratings for Globaltrans and positive stakeholder feedback.

Given the persistent challenges posed by COVID-19, the Board focused on the social aspects of our ESG activities in 2021. Over the past year, the health and mental wellbeing of our colleagues across the Group has remained a key area of focus for the Board.

The environment, particularly the theme of climate change, was the other key sustainability focus.

As rail is one of the greenest modes of transportation, our industry plays an important role in tackling climate change. As a business, we are committed to the environmentally responsible transport of freight and reducing our carbon footprint. The Board supports the need for our industry to become even more ecologically mindful and invest in cleaner supply chains by adopting technology and green energy.

## INDUSTRY DYNAMICS

In my statement last year, I reflected on how the pandemic had highlighted the importance of the freight rail industry to Russia's economy. I noted that the industry had exhibited remarkable resilience and adaptability during the pandemic. This was again the case in 2021 as the impact of lockdowns on industrial production collided with a resurgence in demand, causing worldwide disruption to supply chains.

While this spurred strong demand for bulk commodities, which led to surging freight rail volumes, it also put additional pressure on the rail system. The resulting bottlenecks have exacerbated existing congestion issues caused by the large-scale modernisation of our rail infrastructure in the Russian Far East. However, I would like to stress that Globaltrans performed well even with these industry-wide challenges.

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## DIVIDENDS

We have a strong track record of generating sustainable returns for our shareholders. Our dividend policy rewards investors with regular returns of excess capital if not required to support business growth.

The combination of stronger-than-anticipated markets and solid free cash flows meant the Group's capacity to pay dividends was greater than we had forecasted at the start of the year. The Group has already paid an above-target interim 2021 dividend to shareholders of RUB 4.0 billion or RUB 22.50 per share/GDR but has had to temporarily suspend the anticipated final 2021 dividend due to both technical limitations regarding upstreaming cash to the Cyprus holding company and the objective of establishing liquidity buffers, in response to the unprecedented environment in early 2022.

In addition, at the AGM in April 2022, shareholders approved a new buyback programme for up to 10% of the Company's share capital<sup>1</sup>. As of the date of this report the Group held in treasury 0.24% of its share capital.

## SUMMARY

Globaltrans delivered a strong financial and operational performance in 2021. Our colleagues across the business again showed great fortitude and resilience throughout the year, and, on behalf of the Board, I would like to thank them for all they have done to help deliver this result.

While the long-term outlook for the freight railway industry remains positive, the near term outlook is challenging and dependent on further geopolitical and macroeconomic developments. Globaltrans has a proven business model, robust finances, experienced management, and a strong client base. Therefore, the Group is well placed to meet future challenges.



### Sergey Maltsev

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<sup>1</sup> The new programme is for the Company's GDRs listed on the Main Market of the London Stock Exchange and the Moscow Exchange and is executed under the authority that was granted by shareholders at the AGM held on 26 April 2022. This authority lasts for a period of twelve months from that date and permits the Company to repurchase a total number of GDRs not to exceed 10% of the Company's share capital (including GDRs already held by the Company). The actual number of GDRs repurchased by the Company will depend on market conditions.

## OUR APPROACH TO DIVIDENDS

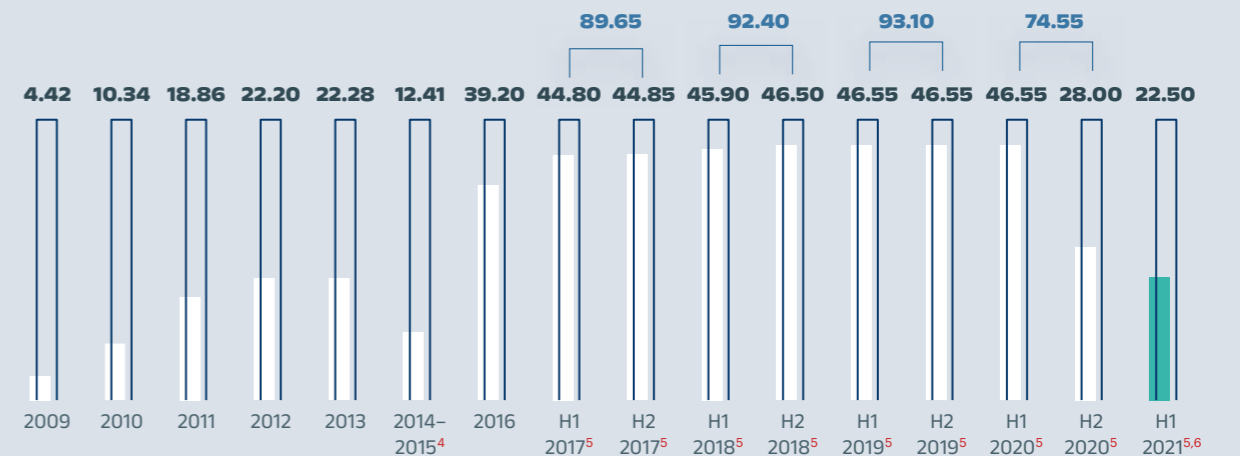
The Group's Dividend Policy strikes a balance between investing in business expansion and delivering returns to shareholders.

- Focusing 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.
- Clear formula linking dividends to Attributable Free Cash Flow and Leverage Ratio<sup>2</sup> provides flexibility and transparency in capital allocation.

Leverage Ratio (Net Debt to Adjusted EBITDA)	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](http://www.globaltrans.com)

### Our Approach to Dividends, RUB per share/GDR<sup>3</sup>



<sup>2</sup> 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](http://www.globaltrans.com).

<sup>3</sup> 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.

<sup>4</sup> The dividend declared in 2016 related to both the 2014 and 2015 financial years.

<sup>5</sup> Including regular and special dividends.

<sup>6</sup> Final 2021 dividends were temporarily suspended in April 2022 due to both technical limitations regarding upstreaming cash to the Cyprus holding company and the objective of establishing liquidity buffers.