

## CUSTOMER FEEDBACK

To identify weaknesses in our offering, FESCO regularly holds customer surveys based on completed shipments, along with focus groups and in-depth interviews.

Once a shipment is completed, customers are asked to describe how satisfied they are using the CSAT<sup>1</sup> metric, either in their personal account or by email. In 2022, CSAT stood at 80% based on 2,247 questionnaires.

NPS<sup>2</sup> is one of the key customer loyalty metrics, showing how likely it is that the customer will recommend the Company's services. In 2022, NPS was 52%, improving by 11 pp vs the 2021 average. The number of respondents grew by 30% to 2,033 customers.

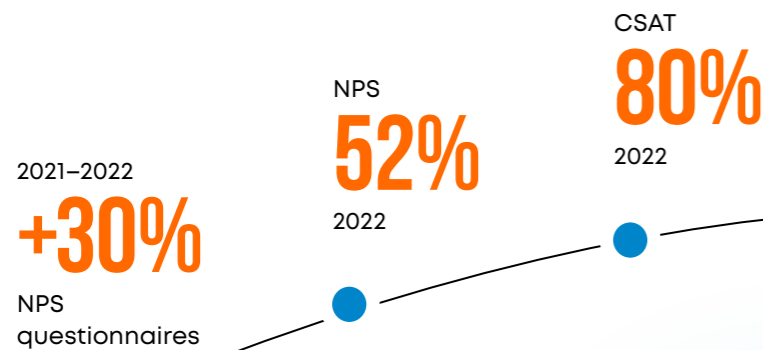
In their questionnaires, customers noted the following trends in service improvement:

- employees' speed of action;
- better document flow;
- convenient personal account and some of its new functions.

## INFORMATION ON NEW SERVICES

In 2022, FESCO regularly updated customers about new services on offer, sending out a total of 40 newsletters on new project launches, tweaks to existing services, and novel functionality added to the MY.FESCO account.

In early March 2022, our Telegram channel @tg\_fesco ("FESCO Transportation Group") went live. Today, it has more than 170 posts on the Group's services, participation in transport and logistics exhibitions, customer events, and corporate news. Over the past year, the number of subscribers has grown to 3,652<sup>3</sup>. FESCO's Telegram channel is a platform to connect with potential customers, partners and employees, with our team always there to answer questions about FESCO's routes, services, and internship and employment opportunities



<sup>1</sup> Customer Satisfaction Score.  
<sup>2</sup> Net Promoter Score.  
<sup>3</sup> As at 6 March 2023.

# FINANCIAL REVIEW

## FINANCIAL OVERVIEW

### FINANCIAL RESULTS

Indicator	2021	2022	YoY change, %
Revenue, RUB mln	113,709	162,639	43
EBITDA, RUB mln	47,474	71,483	51
EBITDA margin, %	42	44	2
CAPEX	23,928	36,733	54

### REVENUE, RUB MLN

Indicator	2021	2022	YoY change, %
Port Division	22,746	32,977	45
Rail Division	5,115	6,932	36
Liner and Logistics Division	94,591	138,926	47
Shipping Division	4,115	7,807	90
Fuel Division	1,809	2,788	54
Eliminations	(14,667)	(26,791)	83
FESCO Group	113,709	162,639	43

In 2022, the Group's consolidated revenue increased by 43% to RUB 162,639 million vs RUB 113,709 million in 2021. All business segments showed YoY growth of revenue.

The Port Division's revenue in 2022 went up by 45%, or RUB 10,231 million, to RUB 32,977 million. The main growth drivers included higher cargo transportation profits coming from rising handling volumes, and augmentation of storage profits coming on the back

of increased average time for container terminal transit and additional container cargo management services. A 36% hike in the vehicle handling volumes and changes in the cargo structure by general cargo also had a positive impact on the Port Division's revenue.

The Rail Division's revenue in 2022 rose by 36%, or RUB 1,817 million. Fitting platforms, our core asset, accounted for most of this revenue growth.

The Liner and Logistics Division's revenue went up by 47% YoY, or RUB 44,335 million. The revenue growth was driven by:

- 19% rise in volumes carried by international routes;
- launch of FESCO Vietnam Direct Line (FVDL), a regular sea line connecting the ports of Vietnam with Port Vladivostok;
- launch of an intermodal service from Turkey to Russia;
- high market rates on international routes;
- higher liner tariffs for domestic container shipping lines;
- growing intermodal exports through the Commercial Port of Vladivostok;
- expanding geography of regular intermodal services to Samara, Kazan, Krasnodar, Minsk, and Kaliningrad.

In 2022, the Shipping Division's revenue added 90%, or RUB 3,692 million, mostly driven by higher vessel revenue rates and the operation of the fleet purchased as part of a long-term fleet renewal programme.

Revenue of the Fuel Division in 2022 increased by 54%, or RUB 979 million, as a result of higher fuel prices and oil product sales. The low-sulphur fuel oil prices for Russian consumers in the ports of Vladivostok, Nakhodka and Vostochny went up by 30% in 2022. By the end of the year, the situation went back to normal, and starting from Q4 2022 the prices began to decrease mainly due to reduced demand from international buyers amid increasing sanction pressure.

## OPERATING EXPENSES, RUB MLN

Indicator	2021	2022	YoY change, %
Port Division	8,938	9,517	6
Rail Division	2,234	1,773	(21)
Liner and Logistics Division	54,047	82,033	52
Shipping Division	2,414	3,521	46
Fuel Division	1,665	2,588	55
Eliminations	(14,635)	(26,717)	83
FESCO Group	54,663	72,715	33

In 2022, the Liner and Logistics Division's operating expenses increased by 6%, or RUB 579 million, driven by improved cargo turnover, including expenses on fuel, energy resources and cargo securing materials.

The Rail Division's operating expenses shrank by 21%, or RUB 461 million. This was due to the disposal of leased fitting platforms.

Operating expenses of the Liner and Logistics Division grew by 52%, or RUB 27,986 million, due to higher transportation volumes, which triggered a rise in expenses associated with railway tariffs, terminal services, and containers, but also an increase in time-charter rates.

The Shipping Division's operating expenses were up by 46%, or RUB 1,107 million. The growth was primarily driven by a surge in expenses associated with fleet acquisitions and the full year operation of newly acquired vessels.

In the Fuel Division, 2022 operating expenses increased by 55%, or RUB 923 million, as a result of higher prices and oil product sales.

## GROSS PROFIT

In 2021, FESCO's gross profit stood at RUB 89,924 million vs RUB 59,046 million in 2021.

## ADMINISTRATIVE EXPENSES, RUB MLN

Indicator	2021	2022	YoY change, %
Salary and other staff related costs	9,525	15,559	63
Professional fees	973	1,520	44
Office rent	179	237	32
Other administrative expenses	1,793	2,323	17
<b>Total</b>	<b>12,470</b>	<b>19,639</b>	<b>57</b>

The Group's administrative expenses increased by 57% to RUB 19,639 million vs RUB 12,470 million in 2021.

Salary and other staff-related costs rose as vacancies were filled, new FTEs added to run projects on new routes and serve FESCO's growing volumes, and incentive compensations paid to commercial

personnel and management for their full-year performance.

Increase in other administrative expenses was primarily driven by higher legal, consultancy, conference, publicity, marketing and business trip expenses incurred to unlock business growth opportunities.

## EBITDA, RUB MLN

Indicator	2021	2022	YoY change, %
Port Division	11,792	20,749	76
Rail Division	1,991	3,947	98
Liner and Logistics Division	34,967	48,771	39
Shipping Division	1,108	3,446	211
Fuel Division	82	125	52
Extra-divisional Group	(2,466)	(5,555)	(125)
FESCO Group	47,474	71,483	51

## EBITDA MARGIN, %

Indicator	2021	2022	YoY change, %
Port Division	52	63	11
Rail Division	39	57	18
Liner and Logistics Division	37	35	(2)
Shipping Division	27	44	17
Fuel Division	5	4	(1)
FESCO Group	42	44	2

The Port Division's EBITDA increased by 76%, or RUB 8,957 million, driven primarily by stronger turnover of container cargoes, vehicles and coal, higher storage profits and additional services to manage imported container cargoes.

In 2022, the Rail Division's EBITDA rose by 98%, or RUB 1,956 million, due to the expansion of the core fleet of fitting platforms.

The Liner and Logistics Division's EBITDA in 2022 increased by 39%, or RUB 13,804 million. Despite international instability, 2022 offered favourable market conditions for development (pivot of transportation volumes from the ports of the Baltic and Black seas towards the Far East, higher freight rates). Throughout the year, FESCO positioned itself in the higher end segment as a premium transportation

company offering services of superior quality. The opening of new routes and rapid growth of sales to direct customers also contributed to our strong financial performance.

In 2022, the Shipping Division's EBITDA went up by 211% YoY, or RUB 2,338 million, mainly as a result of higher revenue rates and operation of new vessels.

In the Fuel Division, 2022 EBITDA increased by 52%, or RUB 43 million, due to stronger oil product sales and handling volumes.

### DEPRECIATION AND AMORTISATION, RUB MLN

Indicator	2021	2022	YoY change, %
Port Division	868	941	8
Rail Division	1,270	1,901	50
Liner and Logistics Division	704	1,713	143
Shipping Division	3,868	1,709	(56)
Fuel Division	5	3	(26)
Extra-divisional Group	194	381	97
FESCO Group	6,909	6,648	(4)

In 2022, the Group's depreciation and amortisation charges went down 4% to RUB 6,648 million vs RUB 6,909 million in 2021. The decline in charges in 2022 was caused by a drop in the value of the vessel fleet following annual revaluation.

### PROFIT FROM OPERATING ACTIVITY

In 2022, FESCO's profit from operating activity stood at RUB 50,899 million vs RUB 43,420 million in 2021.

### OTHER FINANCIAL EXPENSES, NET

FESCO's other financial income and expenses (net) came in at RUB (5,771) million vs RUB (3,124) million in 2021.

### NET PROFIT

Net profit stood at RUB 39,388 million vs RUB 37,850 million in 2021.

### DEBT OBLIGATIONS, RUB MLN

Indicator	31 December 2021	EBITDA	31 December 2022	EBITDA
Cash and cash equivalents	(11,068)	(0.2x)	(30,677)	(0.4x)
Debt obligations and lease liabilities <sup>1</sup>	34,010	0.7x	33,308	0.5x
• Short-term	3,639		4,133	
• Long-term	30,371		29,175	
<b>Net debt</b>	<b>22,942</b>	<b>0.5x</b>	<b>2,631</b>	<b>0.04x</b>

FESCO's liabilities as at 31 December 2022:

- RUB 30,610 million – loans and borrowings;
- RUB 2,698 million – lease liabilities.

Net debt shrank from RUB 22,942 million to RUB 2,631 million as at 31 December 2022.

Net debt / EBITDA ratio as at 31 December 2022 decreased to 0.04x (excluding IFRS 16 impact).

### CAPITAL EXPENDITURES

In 2022, the Group's CAPEX totalled RUB 36,733 million, up 54% YoY.

Fleet purchase CAPEX in 2022 came in at RUB 13,156 million. FESCO acquired new container vessels to be operated on the Group's domestic and international routes, including for providing services on the FESCO Turkey Black Sea Service (FTBS) line between the ports of Turkey and Novorossiysk.

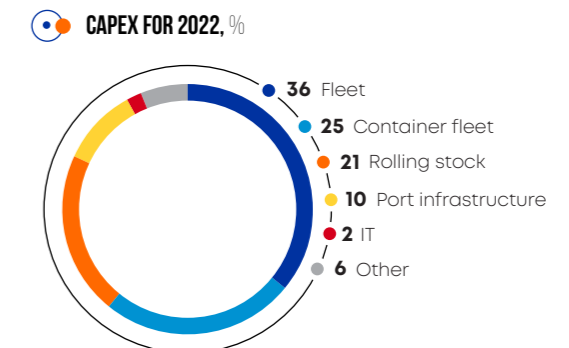
In 2022, FESCO continued expanding its rolling stock and invested RUB 7,646 million in it. Most investments went to the core fleet of 80-foot fitting platforms, with 1,989 fitting platforms added to the rolling stock to accommodate stronger demand amid the quick development of railway services.

Investments in the Port Division's capacities totalled RUB 3,510 million during the year. The Company continues its port development programme to ramp up its throughput capacity. Most investments in 2022 went to the acquisition of cranes and machinery, and expansion/upgrade of capacities. The port's throughput capacity as at the end of 2022 reached 768 thousand TEU.

In 2022, the container fleet operated by the Company expanded to 135 thousand TEU. CAPEX required to purchase heavyweight containers in 2022 came in at RUB 9,137 million. The fleet of dry containers grew by 30% to reach 78,639 units, while the fleet of refrigerated containers expanded by 59% to 4,659 units.

In 2022, FESCO invested RUB 579 million in IT, allocating funds for the development and maintenance of operating and accounting systems.

Other capital expenses were associated with acquiring and repairing wheel sets, dry docking, and inland terminals, along with other maintenance CAPEX.



Source: Company data

<sup>1</sup> Lease liabilities do not include obligations under contracts of lease which was recognised as operating until IFRS 16 came into force on 1 January 2019. So, to calculate ratios, adjusted EBITDA excluding the impact of the IFRS 16 adoption is also used.