

# LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

## Dear shareholders,

Starting from 2020 when our new development strategy was adopted, we have been advancing it towards our goals. With a focus on capital investments, we have been buying vessels, increasing the number of containers and fitting platforms, and enhancing our terminal and port facilities.

These efforts turned 2022 into a game changer for the Group.

Notwithstanding the external challenges, FESCO proved to be both resilient and robust in terms of its growth prospects, while also offering the best logistics solutions. All our employees demonstrated high efficiency along with flexibility and agility in meeting the increasingly formidable needs as they were emerging.

Taking advantage of the opportunities opened up in 2022, we carefully steered our customers by ramping up transportation volumes along the traditional routes and expanding our geography of operations. The Group continued to trade with Japan and the Republic of Korea in addition to higher turnover with China. In FESCO's home Far East Basin, we started operating lines to Vietnam, which are now gaining traction. We also entered the Azov-Black Sea Basin and the Baltic, establishing a footprint for the first Russian deep-sea line between the ports of China and St Petersburg launched in 2023.

In line with its strategic ambitions, FESCO expects to strengthen its position in both long-established and new markets. We are increasingly focusing our operations on Southeast Asia, including Thailand and Malaysia. In 2022, we also opened FESCO TURAN, our subsidiary in Uzbekistan offering a full range of logistics services in Central Asia.

The Group's geography and product offering are both expanding as we roll out new services such as FESCO Flexi for transportation of bulk liquids in containers using sealed flexitank liners and FESCO Air for delivery of LCL cargoes by air on domestic and international routes.

2022 proved to be rewarding for virtually all of the Group's segments. FESCO set a historical record in container handling at Port Vladivostok, as we were increasingly redirecting cargoes in the eastern direction. Importantly, the port was up to the task, and we are determined to further enhance its capacity with a target of 1 million TEU.

FESCO's financial results were also impressive. The Group reduced its debt to EBITDA ratio to almost zero and finally redeemed all of its previously defaulted rouble bonds, which confirms the effectiveness of the adopted strategy and the Company's decision-making. This translates into better credit ratings for FESCO and gives a boost to investor, customer and partner confidence.

Drawing on our long-standing track record in Russia and abroad, we continued to actively participate in industrial, national and international associations as a responsible player willing to develop the sector and the wider national economy. We believe that joint efforts will help our customers address the difficulties resulting from supply chain disruptions with the best solutions available.

FESCO continued to care about its employees by improving their living standards and creating a comfortable environment in the regions of its operation. We expanded the scope of our programmes, the Sea of Opportunities and FESCO for the Kids, with the latter promoting family reading and supporting severely ill children in the Primorye Territory in cooperation with Rusfond. In 2022, we signed a memorandum of cooperation for the State Tretyakov Gallery to open its branch in Vladivostok.

On behalf of all directors, I extend sincere gratitude to our shareholders for their understanding and support for the social initiatives and programmes we are pursuing for the benefit of FESCO's employees and local communities. We will carry on with our efforts contributing to sustainable development of local communities and helping address the needs of those on whom we depend for our success.

Over the past year, FESCO proved to be efficient and robust in the ever changing market environment. The Group is geared to be a fast-growing business in search for new business areas given the current economic and geopolitical challenges. We will continue evolving as a game changer in the Russian logistics market with a view to remaining a partner of choice for customers in Russia and abroad and delivering on our boldest ambitions.

**Andrey Severilov,**

Chairman of the Board of Directors

