

LETTER FROM THE PRESIDENT

Dear colleagues, customers,
shareholders and partners,

2022 has undoubtedly been a year of global changes. That said, for FESCO, it has also been a year of major successes and rapid growth to the benefit of all its stakeholders.

The past year once again confirmed we are on the right track with our strategy, while also highlighting the strengths of our business model and the Group's unique team.

We were able to deliver considerable financial and operational improvements across the board: leveraging market turbulence as an opportunity, we engaged in consistent efforts to expand our footprint, grow our services offering, and enhance customer experience.

Handling volumes at the Commercial Port of Vladivostok, our core asset, hit a record level of 13.4 million tonnes, with container handling also growing to an all-time high of 768 thousand TEU on the back of further development of our own intermodal transportation and engaging liner operators to replace those who left the Russian market. For the third year running, Port Vladivostok remains the leader in container handling among Russia's container terminals.

Last year, we worked hard to expand the geography of international maritime transportation, setting up FESCO Vietnam Direct Line, a service that connects the ports of Vietnam with Port Vladivostok, and FESCO Turkey Black Sea as a way to connect the ports of Istanbul and Novorossiysk. Also, late last year, the Group launched a deep sea line between the ports of China and Novorossiysk. On top of that, despite tectonic shifts in global economy, we continued to provide shipping by sea from Japan and Korea and expanded the coverage of the FESCO China Express-2 container shipping line.

All these efforts enabled FESCO to grow its international maritime transportation volumes by 19% vs 2021 to 342 thousand TEU. Intermodal transportation was also up by 9%, reaching 507 thousand TEU.

With its focus on international services, the Group also prioritised the market for rail transportation. Among other things, in 2022, FESCO launched train services between Vladivostok, Samara, Kazan, and Minsk.

We also ramped up our container fleet last year, with its capacity now standing at 135 thousand TEU, an all-time high for the Group. The number of fitting platforms was also on the rise, growing by over 10 thousand, or by 20% compared to the previous year. At the same time, the Group went ahead with its long-term fleet renewal programme, taking over the FESCO Tatarstan container vessel, which is used in domestic maritime transportation. As a result, FESCO's fleet comprised 23 vessels as at the end of 2022.

We continue investing significant efforts into improving the quality of our logistics services, and offering some of the most advanced digital solutions currently available. This way we can simplify the services for customers and cut down on costs across the entire chain of operations, which is set to solidify our competitive edge going forward. Last year, the Group launched MY.FESCO, a mobile app where customers can create applications for cargo shipments and access other functions using their smartphones or tablets. Today, over 65% of customer applications come from their personal accounts, and we will continue enhancing the functionality available.

Our strong operational performance has translated into financial results as well: for 2022, FESCO's consolidated revenue increased by 43% to RUB 162.6 billion, with EBITDA surging

to RUB 71.5 billion, a 1.5-fold increase vs 2021. Thanks to robust management of operating expenses, our EBITDA margin went up to 44% (up by 2% vs 2021). As at 31 December 2022, our net debt / EBITDA ratio declined to an all-time low of 0.04x, dropping from 0.5x as at 31 December 2021.

The Company's management remains committed to optimising our corporate governance framework. We are convinced it is the dedication and professionalism of our team that is the pillar of the Group's solid positions in the long run. In line with that approach, we aim to continue improving our professional development, training, and motivation programmes.

I appreciate the contribution of all the Group employees and their day-to-day work that enables us to excel and continue evolving.

On behalf of the thousands that make up the FESCO community, I would also like to thank our customers, partners, shareholders and investors for their trust and willingness to engage in dialogue. I have every confidence that we have many years of strong and productive cooperation ahead of us to secure a successful future.

Arkady Korostel'ov

President, Chairman of the Executive Board

