



BUILDING UP POTENTIAL

Annual Report
2023

About the Report

In this Annual Report (the Annual Report, the Report), the terms "FESCO" or the "Company" shall mean Far-Eastern Shipping Company PLC.

The terms "FESCO Group", "FESCO Transportation Group", "FESCO", "Group" and "Company" shall mean FESCO and any legal entities either directly or indirectly controlled by FESCO (controlled entities).

DISCLAIMER

This Annual Report has been prepared based on information available to Far-Eastern Shipping Company PLC and its controlled entities at the time of its drafting, including information provided by third parties. The Company reasonably deems this information to be complete and reliable as at the date of the Annual Report's publication. However, it is in no position to claim or guarantee that no adjustments, amendments or other changes will be made to the said information later on. This Annual Report may also include certain forward-looking statements pertaining to the business activities, economic performance, financial position, economic and operating results of the Company, its plans, projects and performance expectations, dividend and capital expenditure policies, trends in prices, rates, volumes of transportation, production and consumption, costs, estimated expenses, growth prospects, asset life cycles and other similar factors or economic forecasts for the industry and the markets.

Such words as "forecast", "consider", "anticipate", "intend", "plan", "will", "may", "must", "might", "estimate", "expect", "seek", "believe", "proceed from", "continue", "strive", "speculate" and other similar expressions generally indicate a forward-looking statement and are based on the plans, estimates and projects available at the time of making such statements. By their nature, forward-looking statements are subject to inherent risks and uncertainties (both general and more specific). Besides, there are certain factors which may influence future operating performance of the Company and cause results to differ materially from predictions, forecasts, projections and other forward-looking statements included

The reporting period extends from 1 January to 31 December 2023.

in the Report. In view of the above risks, uncertainties and assumptions, the Company warns that the actual results may significantly differ from the results set out, directly or indirectly, in the forward-looking statements, which were true only at the time of drafting the Report. The Company provides no assurances or guarantees that the results announced in the forward-looking statements will be achieved. The Company also bears no responsibility for any losses which may be incurred by individuals or legal entities due to their reliance on the forward-looking statements. In each case, such forward-looking statements represent only one of possible scenarios, which shall not be treated as the most probable one.

Other factors which may influence the financial and operating performance of the Company, its plans, projects, capital expenditures and other aspects of their operations may include changes in macroeconomic or market conditions, and actions taken by the government authorities in the Russian Federation and other jurisdictions within the Company's footprint. The provided list of factors is not exhaustive.

Unless otherwise directly required by the applicable laws of the Russian Federation, the Company or its representatives, employees and advisors do not intend, feel obliged or undertake to amend, change, update or review the forward-looking statements based on the new available information or any subsequent events.

The Annual Report may include links to the Company's website. Such links are provided for a reader's convenience.

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01 FESCO AT A GLANCE

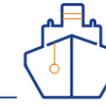
TRANSPORTATION POWERING THE FUTURE



FESCO IS ONE OF RUSSIA'S LARGEST PRIVATE TRANSPORTATION AND LOGISTICS COMPANIES. IN 2023, WE EXPANDED OUR CORE ASSET BASE, WITH THE SIZE OF OUR CONTAINER FLEET HITTING AN ALL-TIME HIGH. AS WE GROW OUR TRANSPORTATION CAPACITIES AND REACH, WE REMAIN TRUE TO OUR MISSION: TO OFFER THE BEST LOGISTICS SOLUTIONS TO CUSTOMERS IN RUSSIA AND EURASIA.



>30 vessels
operated by FESCO
(+8 in 2023)



>1,043 thousand TEU
total annual throughput capacity
of FESCO-owned terminals



up to **101,751** units
(+22% in 2023) size of our container fleet





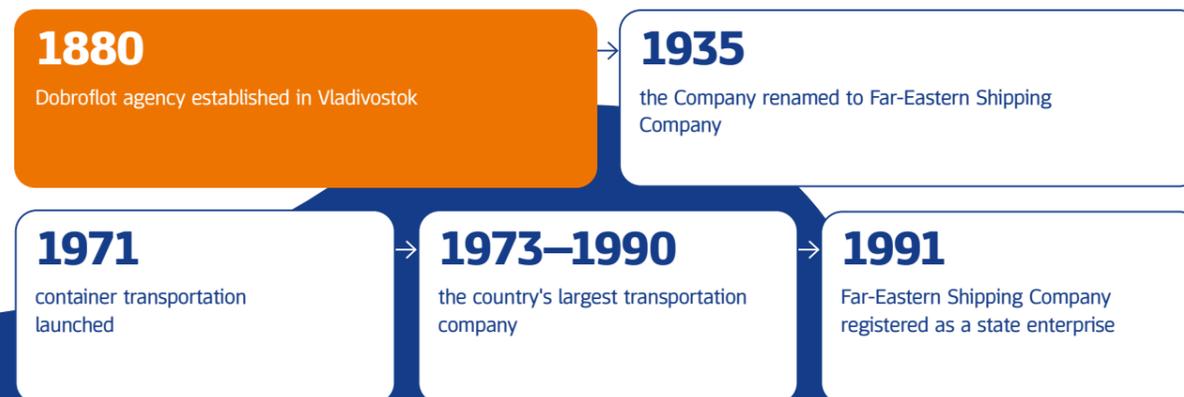
FESCO at a glance

FESCO is one of Russia's largest transportation and logistics companies with port, railway, and integrated logistics assets. A diversified asset portfolio enables FESCO to provide door-to-door solutions and control all links of the intermodal transportation value chain. The majority of the Group's operations are located in the Russian Far East. This gives the Company an extra advantage of tapping into rapidly growing trade flows between Russia and Asia.

FESCO is the leading provider of container transportation services in Russia's Far East leveraging international sea routes to/from Asia, domestic sea lines and rail network. In addition, the Group is the largest port container operator of Russia's Far East.

Development milestones

FESCO history began on 25 April 1880, when a representative office of the Russian Volunteer Fleet (Dobroflot) was founded in Vladivostok. That same day, the Moscow ship heading from Odessa entered the Golden Horn Bay, thus giving a start to regular cargo and passenger voyages between the European part of Russia and its Far East.



¹ Twenty-foot Equivalent Unit.

FESCO assets

FESCO consistently increases its core assets, which enable the Company to offer reliable logistics solutions to its customers.

Today, FESCO's own assets comprise all essential links of its multimodal chain.

Container fleet

>100 thousand units

Vessel fleet

614 thousand tonnes
total deadweight

Fleet of fitting platforms

13,018 units

Terminals

1,043 thousand TEU
total handling capacity

Container fleet

FESCO's container fleet comprises general-purpose and refrigerated containers.

Container fleet structure, units

Container type	2020	2021	2022	2023	YoY change, % 2023/2022
General-purpose containers	47,131	60,510	78,639	96,823	23
20-foot containers	17,387	21,324	30,667	29,186	(5)
40-foot containers	29,744	39,186	47,972	67,637	41
Refrigerated containers	1,958	2,926	4,659	4,928	6
20-foot containers	616	575	629	628	0
40-foot containers	1,342	2,351	4,030	4,300	7
Total	49,089	63,436	83,298	101,751	22

Source: Company data

In 2023, FESCO's fleet expanded by 22% to a record high of 101,751 units.

The main contributors to this growth were 40-foot general-purpose containers (up 41%) and refrigerated containers (up 7%) added to meet growing customer needs.

101,751 units
in FESCO's total fleet,
a record number



Fleet

The current capacity of FESCO's fleet totals 614 thousand tonnes, including container vessels and universal bulk carriers, as well as icebreaker transport ships which are unique in the Russian and global markets.

Fleet structure, kt

Vessel type	2020		2021		2022		2023		YoY change, % 2023/2022	
	Number/ deadweight	Number/ deadweight	Number/ deadweight	Number/ deadweight	Number/ deadweight	Number/ deadweight	Number/ deadweight	Number/ deadweight	Number/ deadweight	
Container vessels	12	223	15	290	21	385	29	529	38	37
Universal bulk carriers	5	48	6	61	6	70	6	70	0	0
Icebreaker transport ships	1	11	1	11	2	15	2	15	0	0
Total	18	282	22	362	29	470	37	614	28	31

Source: Company data

In 2023, FESCO's transport fleet added five new container vessels to grow international transportation on the FBOL line, as well as three

container vessels to strengthen domestic and Black Sea transportation. This increased the total deadweight by 144 thousand tonnes.

Fitting platform fleet

With fitting platforms of various footage at the core of FESCO's rolling stock, we can diversify our services and transport all types of containers.

Fitting platform fleet structure, units

Platform type	2020	2021	2022	2023	YoY change, % 2023/2022
40-foot containers	1,001	995	944	1,051	11
60-foot containers	1,217	1,236	1,065	1,060	(0)
80-foot containers	5,237	6,523	8,399	10,907	30
Total	7,455	8,754	10,408	13,018	25

Source: Company data

In 2023, our fleet expanded by 2,610 fitting platforms, or 25%, to reach 13,018 platforms by the year-end.

2,508 +30% YoY
80-foot platforms added in 2023



Port and terminals

FESCO's expedited logistics services rely on the Company's own terminal network with specialised container and multi-purpose terminals across Russia.

>1,043 thousand TEU
total annual throughput capacity of FESCO's terminals

Key metrics of FESCO's port and terminals

Indicator	FESCO Gaydamak	VMTP	Novosibirsk	Khabarovsk	Tomsk
Total area, ha	4.5	71.6	20.4	9.7	0.6
Container storage area, ha	0	12.7	2.3	1.6	0.6
Container storage capacity ¹ , TEU	0	27,127	2,200	2,389	600
Storage area, ha	2.6	4.7	0	0	0
Container storage capacity, kt	93.6	93.8	0	0	0

Source: Company data

In 2023, Commercial Port of Vladivostok (VMTP PJSC, VMTP or Port of Vladivostok), FESCO's key terminal, retained its leadership in container handling in Russia. VMTP benefits from convenient access

to the Trans-Siberian Railway and allows FESCO to capitalise on trade flows between Asia and Europe using the ice-free Golden Horn Bay.

¹ Terminal FESCO Gaydamak is a universal reloading station (excluding heavyweight container handling).



VMTP's annual handling capacities

Indicator	2023
General cargoes, mt	5.5
Containers, k TEU	859
Vehicles, k units	100
Oil products, mt	0.4

Source: Company data

The Novosibirsk terminal and Stroyopttorg LLC in Khabarovsk are the base terminals for FESCO's

logistics chains in Novosibirsk and the Khabarovsk Territory. The terminals own railway lines, locomotives, and reachstackers.

FESCO's inland terminals capacity, k TEU

Indicator	Novosibirsk	Khabarovsk	Tomsk
Containers	117	54	13

Source: Company data

In 2023, active construction commenced at the Novosibirsk terminal to increase its design capacity by implementing a hybrid handling technology utilising a gantry crane.

FESCO takes further steps to expand its terminal network.

- Work is ongoing to design a container terminal with a handling capacity of 450 thousand TEU in the Trans-Baikal Territory with a view to strengthening the Company's logistics services via land border crossings.
- A project was launched to construct a new container terminal with an area of 30 ha and an annual capacity of 150 thousand TEU. The terminal will be located on the border between Russia and the northern regions of China.
- A new container terminal is planned to be built in Kazan, with an initial capacity of 70 thousand TEU per year and subsequent ramp-up to 150 thousand TEU.

Geography

FESCO is one of the leading providers of international and transit transportation in the Russian Far East, servicing the key transport corridors and export and import routes.

In 2023, FESCO continued to develop its key services and tap into new markets.



New routes:

- between St Petersburg and the ports of China and India
- between Novorossiysk and the Indian ports of Nhava Sheva and Mundra
- between Novorossiysk and the Egyptian port of Alexandria

Expansion of sea routes:

- Russia and Vietnam: capacity up by 44%, with the route now connecting Russia with other Southeast Asian countries, including Thailand, Malaysia, Indonesia, Bangladesh, the Philippines, and others
- additional ports of call in China

Expansion of regular services:

- routes from Vladivostok to Samara, Irkutsk, and Chelyabinsk
- new services involving Omsk

New regular domestic shipping service:

- >16 thousand TEU shipped between St Petersburg and Kaliningrad during the first year of operation

Increase in capacity of existing domestic shipping routes in Russia's Far East:

- +5% growth in shipping volume in 2023

Business model

FESCO is made up of five operating divisions: Liner and Logistics, Port, Rail, Shipping, and Fuel.

FESCO operation is based on deep integration of the business divisions maintained by the management company and the shared service centre, which form part of the Extra-divisional Group. Such business architecture makes it possible to offer unique logistics solutions to our customers, including support along the entire transportation route.

Diversified assets and management functions combined in a single service for the customer provide a reliable basis under volatile market conditions as well as improve financial and operating performance every year, maintaining the leading role in the transportation industry.

RUB 172,004 mln
FESCO Group's revenue

RUB 53,607 mln
EBITDA¹

Value created for stakeholders



Employees

Social programmes: **RUB 530 mln**
Training expenses: **RUB 70 mln**
Occupational health and safety expenses: **RUB 343 mln**
Fatalities and severe injuries: **0**



Suppliers

Total procurement: **RUB 115.4 bln**
Rise in the share of competitive procurement up **21%** vs 2022



Environment

Environmental expenses: **RUB 425.9 mln**
GHG emissions down **2.4%**



Government and local communities

Taxes paid to federal and local budgets: **RUB 19 bln**
Social investments: **RUB 1.9 bln**
More than 100 thousand people benefitting from a variety of the Company's social and cultural initiatives

FESCO customer

FESCO management company

FSC shared service centre

Liner and Logistics Division
Service integrator

RUB 146,608 mln
revenue

RUB 22,347 mln
EBITDA

Port Division

RUB 35,238 mln
revenue

RUB 20,364 mln
EBITDA

Shipping Division

RUB 14,850 mln
revenue

RUB 9,141 mln
EBITDA

Rail Division

RUB 8,915 mln
revenue

RUB 5,005 mln
EBITDA

Fuel Division

RUB 2,884 mln
revenue

RUB 154 mln
EBITDA

Assets

- Rolling stock
- Terminals
- Fleet
- Fuel
- Containers
- Vehicle fleet

¹ EBITDA is calculated as operating profit net of amortisation, depreciation of fixed assets, and one-off expenses and includes the adjustments for IFRS 16.

Key performance indicators

Group's financial results, RUB mln

Indicator	2020	2021	2022	2023	YoY change, % 2023/2022
Revenue	62,168	113,709	162,639	172,004	6
EBITDA	12,293	47,474	71,483	53,607	(25)
EBITDA margin, %	20	42	44	31	(13) pp

Indicator	2020	2021	2022	2023	YoY change, % 2023/2022
Liner and Logistics Division					
Revenue	46,586	94,591	138,926	146,608	6
EBITDA	3,270	34,967	48,771	22,347	(54)
EBITDA margin, %	7	37	35	15	(20) pp
Port Division					
Revenue	16,326	22,746	32,977	35,238	7
EBITDA	7,416	11,792	20,749	20,364	(2)
EBITDA margin, %	45	52	63	58	(5) pp
Rail Division					
Revenue	5,340	5,115	6,932	8,915	29
EBITDA	1,939	1,991	3,947	5,005	27
EBITDA margin, %	36	39	57	56	(1) pp
Shipping Division					
Revenue	3,338	4,115	7,807	14,850	90
EBITDA	1,005	1,108	3,446	9,141	165
EBITDA margin, %	30	27	44	62	18 pp
Fuel Division					
Revenue	841	1,809	2,788	2,884	3
EBITDA	13	82	125	154	23
EBITDA margin, %	2	5	4	5	1 pp

Group's operating results

Indicator	2020	2021	2022	2023	YoY change, % 2023/2022
Liner and Logistics Division					
Intermodal transportation, k TEU	393	465	507	625	23
International maritime transportation, k TEU	295	288	342	419	23
Domestic maritime transportation, k TEU	80	81	84	105	24
Port Division					
Container handling, k TEU	672	757	768	859	12
General cargoes handling, kt	4,614	5,195	5,138	4,328	(16)
Oil product handling, kt	358	389	480	454	(5)
Vehicle handling, units	71,248	81,748	110,783	97,443	(12)
Rail Division					
Rolling stock, units	8,524	9,118	10,791	13,061	21
Rail container transportation, k TEU	471	539	641	753	17
Shipments in box cars, units	17,917	4,872	294	0	(100)
Shipping Division					
Transport fleet, units	18	22	29	37	28
Operable vessel days ¹	6,503	6,236	6,931	8,470	22
Fuel Division					
Bunkering volumes, kt	67	63	98	151	54

¹ Total number of days when the vessel was available for operation, excluding downtime due to the vessel's overhaul, upgrade, dry docking, or specialised or intermediate maintenance.



Key developments

Services expansion, new routes



In 2023, FESCO continued to actively develop its range of services and became the first Russian company to launch a direct maritime service based on its own assets from ports in China and India to St Petersburg via the deep sea route (through the Suez Canal) without transshipment in European ports. The service, named FESCO Baltorient Line (FBOL), covers all major ports in China.



The FESCO Indian Line West (FIL-W) maritime service operating on the route between the Indian ports of Nhava Sheva and Mundra and Novorossiysk via the Suez Canal was launched. In the middle of the year, the Group increased its capacity by adding a second vessel, and in December, expanded its geography by connecting it through feeder lines with other ports in India, as well as with Pakistan and Bangladesh.



The Company launched the FESCO Egypt Direct Line (FEDL), a direct container shipping service operating between Russia and Africa, which directly connects Alexandria (Egypt) with Novorossiysk (Russia) without calling at transshipment ports. The service is primarily focused on the transportation of goods in refrigerated containers.



In 2023, the Group launched the FESCO Saint-Petersburg Kaliningrad Line (FSKL), its first domestic shipping service in the Baltic Basin, which connects St Petersburg and the Kaliningrad Region. The service provides residents and businesses in Russia's westernmost region with all necessary cargoes.



FESCO continued to expand its railway container transportation geography by launching more than 10 new routes, including those from Novorossiysk to Moscow, from St Petersburg to Krasnoyarsk and Yekaterinburg, and from Vladivostok to Irkutsk, etc.



In addition to traditional services, in 2023 FESCO introduced comprehensive logistics solutions for supply chain management in specific industries: FESCO Automotive for the automotive industry and FESCO Agro for the agricultural sector.



To develop import and export railway transportation in Belarus, the Group established a subsidiary company in Minsk. Another subsidiary was set up in Turkey, with its head office in Mersin. The Company provides a full range of transportation and logistics services with a focus on project cargo transportation.

FESCO improved key operational indicators across all core business segments

The Group achieved record container cargo handling volumes in the Port of Vladivostok, reaching its all-time high of **859 thousand TEU**. For four consecutive years, the Port of Vladivostok has maintained its leadership in container handling in Russia.

International shipping increased by **23%**, reaching **419 thousand TEU** thanks to active commercial efforts and the launch of new routes.

Domestic maritime transportation went up by **24%**, totalling **105 thousand TEU**.

Intermodal transportation increased by **23%** to **625 thousand TEU**.

To broaden its transportation geography and support core operations, in 2023, the Group continued to expand its core assets.

To meet the new challenges, FESCO significantly expanded and updated its fleet. Specifically for its deep sea FBOL service, the Group constructed a series of six modern container vessels with a capacity of **2,471 TEU** each at a shipyard in China. Five vessels commenced operations in 2023, while the remaining one will join in 2024. Additionally, three container vessels were acquired to expand maritime transportation on domestic routes and in the Black Sea.

FESCO expanded the container fleet to its new historical high of **170 thousand TEU**. By the end of 2023, the number of refrigerated containers operated by Dalrefrans reached almost **5 thousand** units for the first time ever, and the Group operated over **13 thousand** fitting platforms.

Thanks to the Group's strong operational performance and strengthened market leadership in container transportation, NCR LLC upgraded FESCO's long-term credit rating from BBB+ to A, with a positive outlook.

02 Strategy report

OPENING UP NEW HORIZONS



WE QUICKLY ADAPT TO EXTERNAL CHANGES AND DEVELOP INTERMODAL SERVICES TO PROVIDE DOOR-TO-DOOR CARGO DELIVERY BY COMBINING SEA, RAIL, ROAD, AND AIR TRANSPORT. WE BUILD EFFICIENT INTERMODAL TRANSPORTATION CHAINS TO CATER TO OUR PARTNERS' MOST CHALLENGING BUSINESS NEEDS. IN 2023, WE LAUNCHED SEVERAL NEW AND EXPANDED THE CAPACITY OF EXISTING TRANSPORTATION LINES.



625 thousand TEU
intermodal transportation
(+23 % in 2023)



New maritime service
from China and India to St Petersburg and Novorossiysk via the deep sea route

Expansion of sea routes
Russia and Vietnam:
+44% in capacity



FESCO Egypt Direct Line
Direct container shipping service between Russia and Africa launched

Letter from the Chairman of the Board of Directors



Dear shareholders,

2023 marked a year of pivotal choices and advancements for FESCO Transportation Group. With Rosatom State Corporation joining our shareholders, we have unlocked fresh avenues for collaborative growth and development. Our partnership is set to become even more intertwined and fruitful.

We steadfastly uphold our development strategy adopted in 2020, with a spotlight on upgrading our fleet and port infrastructure. We acquired modern vessels and equipment while also introducing cutting-edge technologies. Last year saw our fleet burgeon with the addition of eight vessels.

As a result of ongoing expansion, the average age of our containers shrank to just seven years. It aligns with international standards and facilitates world-class service quality.

This effort was to capitalise on the unfolding opportunities and cater to the robust demand for bilateral trade between domestic and global players. In doing so, we tailored our offering for specific sectors. Take, for example, the 2023 debut of our Fish Shuttle – its resounding success with Russian suppliers boosted Russian seafood exports to Asia, thanks to our cooperation with the Russian Export Centre.

I am proud to say that this year, we have greatly expanded our network of partners, each contributing to the evolving logistics arena, driven by surging business needs and exacting standards. In collaboration with universities, we have inaugurated research projects to optimise logistics routes and cultivate industry professionals. Joining forces with developers of cutting-edge technologies and state-owned entities, we are testing and integrating innovative solutions, including elements of artificial intelligence.

We are growing in scope and sophistication, and this extends to the breadth of our service routes, too. To bolster Russian-Chinese commerce, we successfully established a direct deep sea line between China's ports and St Petersburg in 2023, enabling direct connections without European ports of call.

In line with the country's international trade trends, as directed by President Vladimir Putin at the Russia-Africa forum and other international platforms, we are keenly developing logistics avenues with Africa. In late 2023, we put into operation a direct container route between Novorossiysk and Alexandria, Egypt – a fundamental stride rich with future potential.

We are optimistic about the future, as we have a clear vision of our objectives and the means to their attainment. Continuing to build up our fleet with expansion in mind, we are exploring new acquisitions, particularly for tapping into African and Asian markets.

Our ambitions are grand, and the confidence of our shareholders is vital to their fruition. On behalf of the Board of Directors, I extend heartfelt thanks for your unwavering support. United, we will navigate the turbulent geopolitical landscape and reach our goals, elevating our customer base and diversifying our route network. Our approach is both bold and pragmatic, ensuring each venture paves the way to new accomplishments.

Andrey Severilov,
Chairman of the Board of Directors

Letter from the President

Dear shareholders, partners, and colleagues,

The unfolding geopolitical landscape persisted in exerting substantial pressure on Russia's economy, investment climate, and financial markets in 2023. Amidst these challenging times, many businesses seized the moment to showcase their resilience and distinct capabilities. For FESCO, this period heralded an epoch of audacious choices and tremendous accomplishments.

We succeeded in amplifying our international sea and intermodal transportation by 23%, while boosting domestic maritime shipments by 24% and railway transportation by 17%. The Commercial Port of Vladivostok achieved a landmark figure, handling a historic high of 859 thousand TEU by the close of the year. In the reporting period, the Group augmented its container fleet to a robust 170 thousand TEU. The count of fitting platforms in our operations soared beyond 13 thousand, and for the first time, our fleet of refrigerated containers for the first time reached almost 5 thousand.

In these times, the primary goal for FESCO's Board of Directors and executive team remains the continuity of our logistical operations, broadening our geographical reach, penetrating new international markets, and upgrading our vessel and container fleets.

In 2023, we brought onstream the FESCO Saint-Petersburg Kaliningrad Line – our inaugural domestic shipping service within the Baltic Basin, creating a vital link between St Petersburg and the Kaliningrad Region. We also launched regular direct sea lines to India and Egypt: the FESCO Indian Line West extending connections to Bangladesh and Pakistan via feeder lines, and the FESCO Egypt Direct Line specifically focused on the transportation of food and agricultural commodities.

FESCO proudly established itself as the premiere Russian business to launch a maritime service from ports in China and India to St Petersburg via the deep sea route – FESCO Baltorient Line – leveraging our own assets. Through feeder lines, this service extends connections with Malaysia, Vietnam and other countries.

In 2023, our railway geographies saw a substantial expansion, too. Regular train routes now run from Novorossiysk to Moscow and from St Petersburg to Krasnoyarsk, among various other destinations. We are in the active development phase of two state-of-the-art transportation and logistics hubs adjacent to the Zabaikalsk and Nizhneleninskoye railway checkpoints.

We continued making progress in innovative development throughout the year. A major outcome within FESCO's Digital Transformation Strategy was the creation and implementation of a one-stop-shop system at ports, facilitating digital interactions with the Federal Customs Service, the Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoznadzor), and other regulators. This system has been chosen as the underlying architecture for the National Transport and Logistics Platform, which is unfolding in line with the Russian President's order.

Another highlight in 2023 was earning the highest A+ status in the country's Leaders of Corporate Charity ranking. Indeed, our achievements are a source of genuine pride. FESCO maintains a tradition of engaging in educational and cultural collaborations with first-tier museums and universities across the nation. We place a considerable emphasis on fostering socially impactful initiatives, notably through the Sea of Opportunities grant contest, and further the FESCO for the Kids programme, dedicating resources to uplifting youth.

Looking back, we can affirm with certainty that the Company has adeptly navigated the past year's objectives and challenges. We have upheld stringent standards for the safety and reliability of our transportation services, sustained our momentum in innovation, and invested in upgrading our infrastructure and fleet. My deepest gratitude goes out to all FESCO Transportation Group team for the last year's remarkable achievements. I remain optimistic that our future holds even grander triumphs and milestones.

Arkady Korostel'jov,
President, Chairman of the Executive Board



Strategy

Key factors underpinning our strategy from 2023 to 2028

Macro environment



Global economy

- Global economic growth slowing down to 3.2% in 2023 and remaining at this level in 2024.
- Average global GDP growth rate of 3.0% until 2028.
- Decline in global trade due to high inflation and a shift in demand from goods back to services at their pre-2020 levels.
- In the long term, the economies of Asia and Africa will grow faster than those of Europe and Americas.
- New leaders in terms of economic growth are projected to emerge in Asia: India and Southeast Asia.
- Increased level of uncertainty in global markets due to geopolitical tensions in Ukraine and the Middle East.

+0.3 pp

global economy 2024 growth forecast revised upwards to 3.2%

1.43 bln people

vs 1.42 bln people: India's population in 2023 surpassed that of China

4.6%

growth forecast for China's economy in 2024 due to shifts in economic development priorities



Russian economy

- The growth of Russia's GDP is expected to slow down to 2.1% in 2024 due to sanctions on Russian exports and the global economic slowdown.
- Looking ahead to 2028, the country's GDP growth is expected to range from 2.1% to 2.4%, which will be below the global average.
- Russia's economic growth will be driven predominantly by consumer demand and substitution of imported goods and components.
- The recovery and sustained growth of physical volumes of Russian exports in 2024 and beyond will be accomplished by overcoming temporary sanction barriers and tapping into new external markets.
- Strengthening of integration between Russia and China.
- Increasing cooperation with the BRICS countries.

32%

share of China in Russia's foreign trade in 2023

69%

share of China in Russia's container handling in 2023

Forecasts for the Russian economy vary:

- Central Bank of the Russian Federation: +2.1% in 2024, +1.7% in 2025
- World Bank: +3.2% in 2024, +1.8% in 2025



Long-term trends in container logistics

- Russian companies will be ramping up assets across the intermodal chain.
- Continuously high pressure on the logistics infrastructure on the eastern side.
- Higher logistics costs associated with the opening of new logistics routes.
- Increased spread of e-commerce logistics.
- Implementation of proprietary IT solutions to achieve deeper integration with customers.
- Enhanced role of electronic platforms and logistics marketplaces.

Sustainable development

- Customers and agents expect more in terms of compliance with sustainability commitments.
- Environmental requirements are closely monitored to create services that best respond to them.
- Change is initiated to ensure compliance with sustainability principles across the supply chain.



Global container market

- The global container market is highly correlated with the world's GDP and will be growing at an average annual rate of 2.5%.
- In early 2023, the global supply chain market stabilised, but the situation deteriorated in Q4 2023 due to the conflict in the Red Sea and changes in the east-west trade routes, as well as drought in the Panama Canal.
- A surplus of vessels and containers is expected amid weak global economy.
- Global freight and time-charter rates will continue to slow down and end up slightly above pre-pandemic levels due to low demand and increasing capacity surplus in the container market.
- Implementation of the ESG strategy worldwide will put additional pressure on regional carriers that do not have sufficient resources to switch to greener container vessels.



Russian container market

- After the recovery of Russia's container market in 2023, further moderate growth at an average annual rate of 4% is expected until 2028.
- The tendency towards building supply chains based on their own assets will be actively supported by Russian operators.
- Increasing pressure on infrastructure in eastern Russia remains the key stumbling block for export growth.
- Container transit is not expected to recover to 2021 levels in the span of the next four years.
- Partial reinstatement of logistics routes via the ports of the Northwestern Federal District was observed in 2023, with further market recovery anticipated.
- Exports will serve as the key catalyst for the development of Russia's container market in the medium term, driven by the establishment of new routes to friendly countries, while the share of imports is expected to decline.
- In 2023, Russia's export flows shifted from Europe to friendly countries.
- While the transit flow from Korea and Japan decreased in 2023, transit from Belarus to the CIS countries through Russia saw a significant increase, with mineral fertilizers as the key cargo.
- Basic indexation of rates for freight rail transport and infrastructure services is estimated at 8.7% in 2023, 7.6% in 2024, and 5.2% in 2025.

+17.5% YoY

Russia's container market growth in 2023

26%

share of exports in 2023 (expected to rise to 30% by 2028)

11%

share of transit in Russia's container market in 2023

Strategy

The key factors driving the implementation of FESCO Group's strategy are the ongoing growth of sanctions pressure, the development of trade relations with Asian and African countries, and FESCO's integration into Rosatom.

Defining our target market

FESCO identifies Southeast Asia, India, the Middle East, countries in the Black Sea and Mediterranean basins, Africa, and Latin America as its target markets.

- Russia's increasing focus on Asian and African markets
- Rosatom's ongoing and planned project in Eurasia and Africa
- FESCO's strong brand in Eurasia
- development of the Trans-Arctic Transport Corridor
- development of Russia's trade with Central Asia (Uzbekistan and Kazakhstan) and the Middle East (Egypt and Turkey)

Considerations in identifying FESCO's potential markets:

- FESCO's historically strong presence in the markets of Southeast Asia and the Black Sea and Mediterranean basins
- economic growth in China, India, Southeast Asia, and Africa

Mission, vision and values

Goal

Drive international expansion by increasing Russian players' presence in friendly states

Vision

Focus on customers and their needs



Key principles

Processes

To encourage better cross-functional and intra-Group interactions, we make a continuous effort to improve our business processes through the redesign of our production systems and adoption of lean manufacturing.

Quality service indicators are integrated into our incentive policy. Through continuous system development, we are able to create digital solutions and increase the quality of our services to meet the growing market demand. By investing in business process automation, the Company anticipates an additional economic effect over the strategic planning horizon.

To improve its processes, the Company runs the following projects as a strategic initiative:



Service Excellence
a project to improve customer experience



FESCO's online services
to submit transportation requests and have access to information on a 24/7 basis

Assets and reliable supplier network

Our assets provide a solid foundation to meet our customers' logistics needs.

- FESCO works consistently to:
- expand, upgrade and optimise the vessel fleet
 - optimise the rolling stock fleet
 - increase the fitting platform fleet to keep its railway container transportation market share and become less sensitive to container transportation market volatility, as well as maintain meaningful presence in that market segment
 - develop its own handling capacity
 - expand and optimise its terminal network across all regions of Russia and beyond

To capitalise on synergies between logistics assets, Rosatom plans to maximise utilisation of FESCO's assets, including its existing infrastructure, in the best interests of the entire Group.

Solutions

Expanding our service offering is key to our strategy. We seek to provide integrated added-value services, which enable customers to outsource logistics functions.

These services include:

- multimodal transportation
- customs clearance
- warehouse operations, responsible storage and cross-docking
- LCL¹ deliveries

We promote project logistics, which enables the Company to capitalise on its extensive experience in project cargo transportation and build long-term business relations with EPC contractors and direct customers.

People

Our people remain at the heart of our business. We strive to provide our employees with all the tools and support they need to achieve their full potential. Attracting and retaining talent remains our core focus.

FESCO consistently engages with Russia's leading dedicated universities to cultivate a highly conducive environment for nurturing its future talents.



We offer comprehensive logistics solutions.

¹ Less-than-Container Load.

Key strategic areas of development

The key principles underpinning FESCO's strategic development until 2028 must align closely with Rosatom's objectives in the transportation segment.



This encompasses FESCO's participation in the development of new transportation corridors as well as leveraging synergies between FESCO and Rosatom's other transportation assets, including those of the Delo Group.

Terminal network development across our regions of operation

FESCO is building a backbone network of container terminals and logistics parks to strengthen its presence in Russia and the CIS, improve customer experience, and offer high-margin products.

Key development focus areas are Russia's Far East, Siberia, the Urals, Moscow, and northwestern regions, as well as border crossings and Kazakhstan.

Investment decisions regarding project implementation will consider leveraging existing infrastructure or Rosatom's projects with a high degree of completion.

Development of VMTP and FESCO Gaydamak Terminal, FESCO's stevedoring assets

Our projection of a stronger trend for a demand shift from European to Asian products has paid off. Ports in the Russian Far East and land border crossings with Russia will remain the main entry points for Asian goods.

In addition to container imports and transit flows, exports are also set to go up until 2030 as new production facilities are commissioned across Russia with a focus on the Asian market.

Given VMTP's plans to retain its leadership standing in the market of Russia and the Russian Far East, the port of Vladivostok needs to add new capacity.

Under its development programme until 2028, VMTP plans to:

- remain the leader by container handling among stevedoring companies of Russia and the Russian Far East
- keep its capacity utilisation levels at 80–90%
- engage in a set of measures to expand its capacities to 1.2 million TEU by 2028

The FESCO Gaydamak Terminal development programme envisages expanding terminal capacities for handling general and unitised cargoes, as well as optimising the company's capacity structure.

Maritime segment development

The main strategic objectives of FESCO's maritime segment are:

- maintaining leadership in domestic and international services in the Russian Far East
- increasing maritime transportation volumes
- raising the share of new geographies and businesses to 32% of FESCO's total shipping services
- improving fleet efficiency and driving average vessel age below 15 years

Geographic expansion

With robust quality of logistics solutions in key areas of business, FESCO is well-positioned to expand its geography by scaling up its expertise and competencies to new regions.

Turkey

In 2023, the volume of trade between Russia and Turkey reached USD 56 billion, which is close to the record levels achieved in 2022.

By 2027, the container market is expected to reach

400 thousand TEU



Southeast Asia

In 2023, the volume of trade between Russia and Vietnam amounted to USD 3.6 billion, growing by 2.3% after a decline in 2022.

By 2025, the target trade turnover is to reach

USD 10 bln



Realignment of logistics routes between Southeast Asia and Russia and the resulting increase in traffic through the Russian Far East increases FESCO's expansion potential in Southeast Asian markets.

Africa

African countries are among the fastest-growing trading partners of Russia.

>40% YoY

rise in external trade for 2023



Egypt emerged as the leader among African countries by the volume of trade with Russia, followed by Algeria, Morocco, Tunisia, and Libya.

India

USD 65 bln ^{x1.8 YoY}

trade between Russia and India in 2023



As a result, Russia became the fourth largest trading partner of India and its second largest importer after China. The development of the International North–South Transport Corridor is expected to provide an additional impetus to the growth of trade between Russia and India.

CIS

USD 9.8 bln ^{+5.3% YoY}

trade between Russia and Uzbekistan in 2023



Trade between Russia and Kazakhstan remained flat YoY at USD 26 billion. The CIS countries continue to be significant trading partners for Russia.

Growth in the share of sales in the segment of added-value services

Development of SCM¹ services and project logistics.

Solidifying our market position

Leveraging synergies between Rosatom's transportation divisions is essential to FESCO's strategy implementation.

Expansion tools:

- creating a product range in countries focused on Russia
- working through agents/representatives
- setting up corporate offices and engaging in partnerships with local operators
- putting in place assets (Company-owned vessels and terminals)

¹ Supply chain management.

Risks

The implementation of FESCO's long-term plans and targets involves various risks, some of which are beyond the Company's control.

If materialised, the risks can result in actual events that differ significantly from the expectations set out above.

Macroeconomy

- Economic downturn caused, for example, by geopolitical events or a pandemic
- Protectionist government policies
- Lower market volumes and prices

M&A and integration failures

- Integration failures
- Incomplete realisation of synergies
- High costs
- Lack of savings

IT system and technologies

- Development of proprietary information systems to meet market needs
- Creation of marketplaces

Infrastructural constraints

- Limitations of the Russian Railways network
- Delayed timing of railway debottlenecking

Commercial tools

- Maintaining a sales culture
- Maintaining a high quality of service

Employee retention and engagement

- Dependence on highly qualified management teams and staff with technical and operational expertise at all organisational levels

Compliance

- Regulations related to taxation, customs, VAT, data privacy
- Anti-monopoly laws
- Sanctions policy



Market overview

In 2023, global economy experienced recovery coupled with a series of macroeconomic shocks caused by shifts in value chains and relevant responses from

national governments. Another distinctive feature was a continued rise in the cost of living.

Russian economy

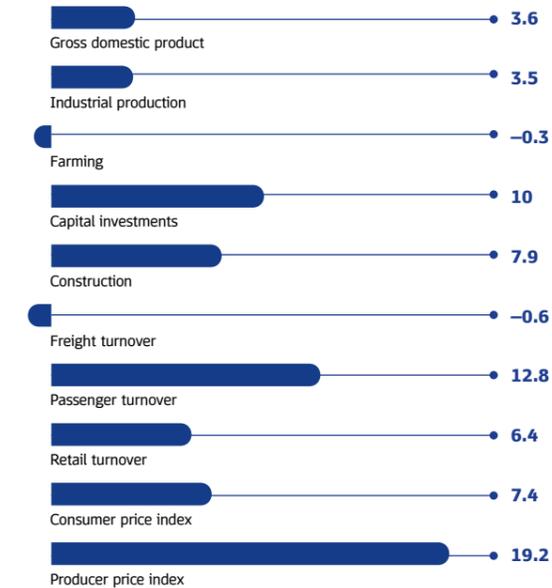
Russian economy grew by 3.6%, with final consumption of households as the key contributor and the consumer price index rising by 7.4% YoY.

A slight decline in total freight turnover is due to lower figures in pipeline and air transportation partially offset by a 22% increase in road freight turnover. The producer price index showed the highest volatility, with companies forced to pile up stocks due to changes in international logistics and to continue building new market ties. Throughout the year, the trade balance was positive, with exports exceeding imports.

Changes in surplus indicate that trade is adapting and logistics and payment routes are stabilising.

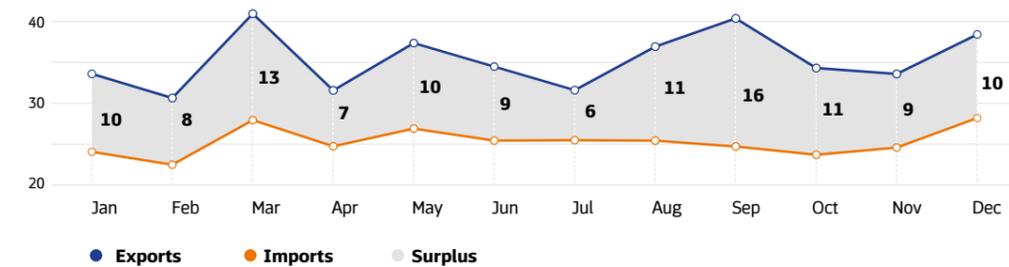
Total merchandise trade in Russia was USD 710.1 billion, down USD 137.6 billion YoY. Export geography changed, as the share of Europe shrank by 68% to USD 85 billion and businesses partially refocused on Asia. China remained Russia's key trading partner in Asia accounting for 42% of exports and 59% of imports. In 2023, trade with China soared to a record USD 240 billion, with its share in Russia's merchandise trade going up to 34% as a result of successful redistribution of commodity flows.

Russia's key macroeconomic indicators in 2022–2023, %



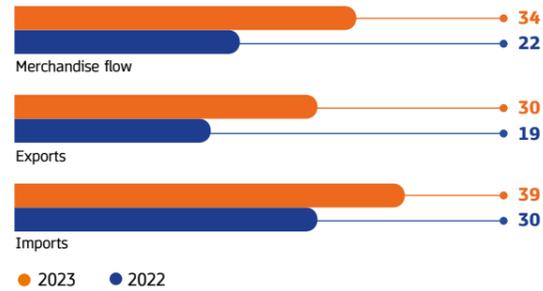
◊ Source: Eurasian Economic Commission

Russia's international trade by month of 2023, USD bln



◊ Source: Central Bank of the Russian Federation

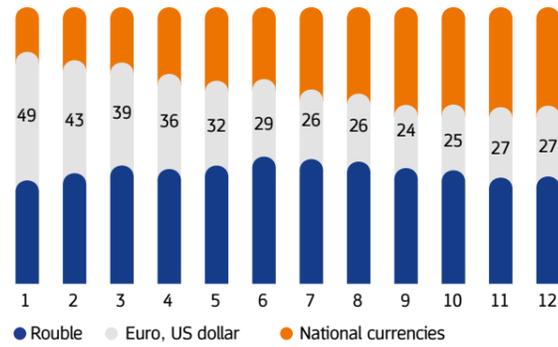
China in Russia's merchandise flows in 2022–2023, %



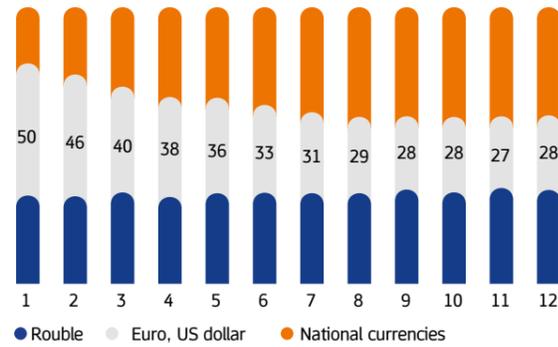
Source: Federal Tax Service of Russia, General Administration of Customs of the People's Republic of China

Russia's international trade settlements by month of 2023, %

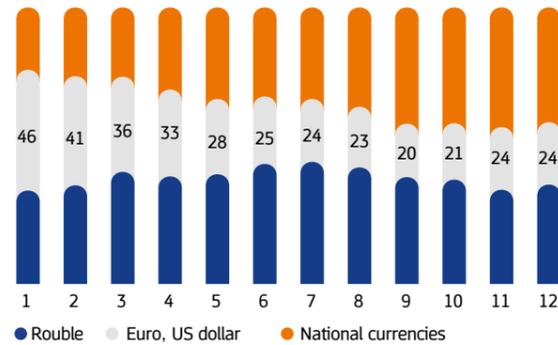
Exports total



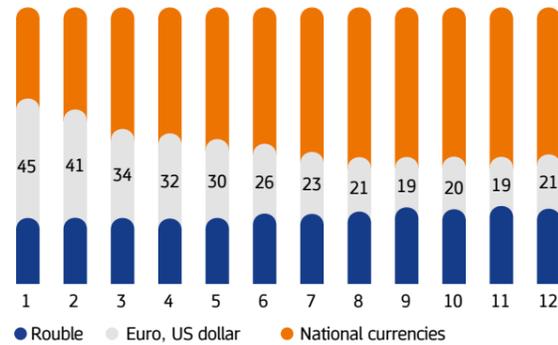
Imports total



Exports Asia



Imports Asia



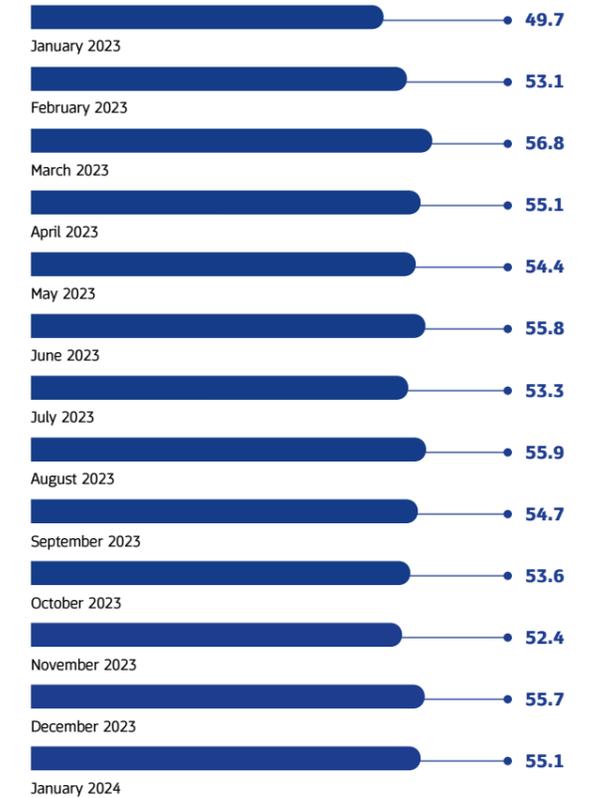
Source: Company data

A key driver impacting Russian trade was rebuilding of the payment system. In 2023, the share of payments in rouble and other national currencies increased by more than 25% to 75–80% of total international trade, which proves the successful adaptation of trade and payment routes to a new environment.

The key driving force behind changes is the Asian market, including China, India, Turkey and Iran, which accounts for over 37% and 40% of export and import payments in national currencies, respectively.

Russian industrial production is growing fast, as evidenced by the composite PMI which demonstrated a significant improvement compared to 2022. Russia is among the few countries retaining this figure above 50 points, falling behind only Saudi Arabia and the United Arab Emirates as at the end of 2023. The index peaked at 56.8 in March 2023 driven by indirect effects of sanctions, in particular increasing import substitution accelerated by the complete exit of foreign businesses from the Russian market, localisation of car parts manufacturing and assembly, and a growing number of investment projects across the country, including infrastructure construction. Russia is going through active reshaping of industries, which supports positive expectations for the near future.

JP Morgan Russia Composite PMI



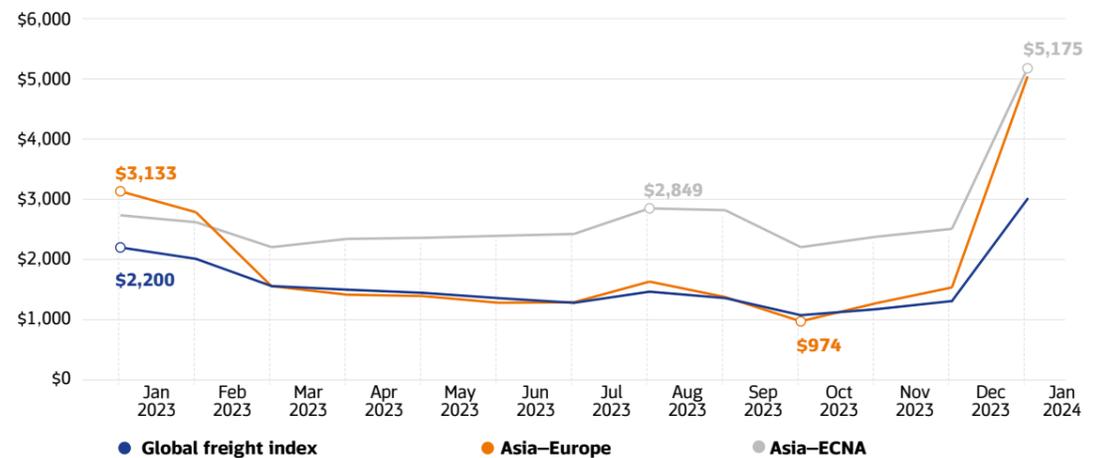
Source: PMI TM by IHS Markit

Global container logistics

In 2023, global logistics continued to evolve amid changes in the economic landscape and emergence of new trade ties. Such factors as the Panama Canal drought, geopolitical risks in the Middle East, and advancement of the global ESG agenda had a material impact on container transportation. The reporting

year saw a continued decline in international freight rates, which had peaked in 2021–2022. The rates were under pressure from the growing offer of global transportation capacities amid weaker demand for container transportation across the world.

Freight rate for a 40-foot container shipped from China to North Europe and the west coast of North America, USD



Source: Freightos

Container availability index (CAx) for 40-foot containers in Shanghai

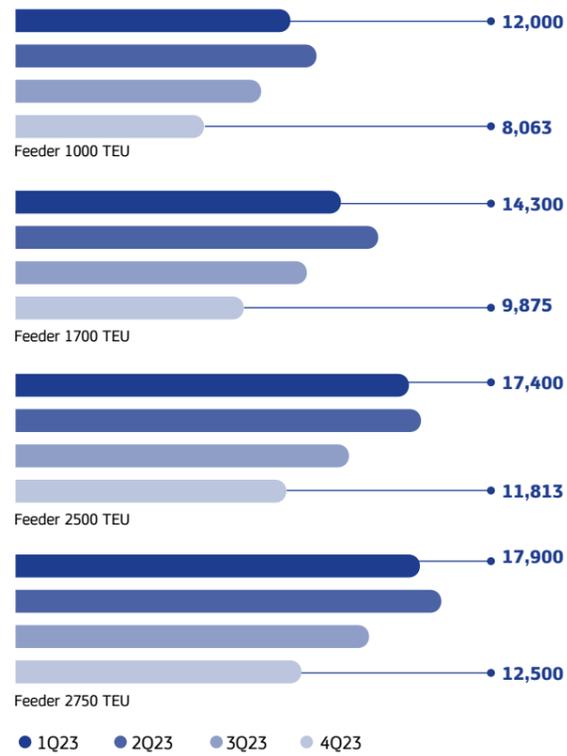


Source: Container Xchange

The Suez Canal crisis and the ensuing rerouting of vessels around Africa caused a rise in freight rates for transportation between Asia and North European ports and imbalance in container availability.

The container shipping industry saw record-high orders for new vessels in 2021 and 2022, with most of them to be commissioned in 2023–2024. The new vessels are set to boost container transportation capacities and supply. The diversion of vessels around Africa increased transit time and ensured balanced deployment of transportation capacities on the existing routes. While freight transit from China to Rotterdam took 10–14 days longer, a trend towards lower time-charter rates persisted, with an ongoing decline seen for main vessels types.

Time-charter rates, USD



Source: Braemar



Russian container market

In 2023, the Russian container market grew across the board compared to the previous year. The growth is primarily due to the low base of 2022, when international trade suffered a severe blow from sanctions, and the manufacturing sector did not manage to fully recover from multiple lasting lockdowns.

Logistics flows also benefitted from new market trends, such as:

- buyout of assets from foreign companies exiting Russia and their upgrade
- localisation of car parts manufacturing and assembly in Russia
- growing import substitution to ensure social security
- a larger number of investment projects
- parallel imports
- refocusing on the domestic market

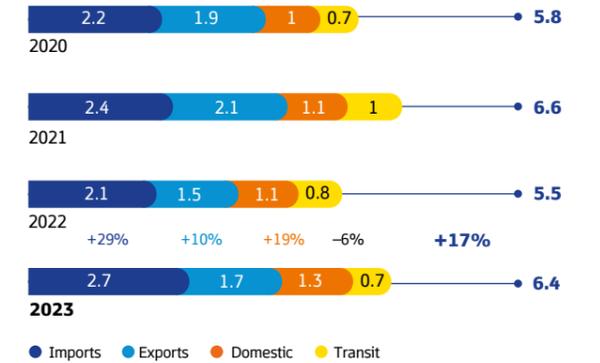
The above factors reshaped the market and container flows. That said, in 2023 the Russian container market expanded by 17% YoY to 6.4 million TEU, which is below the 2021 result of 6.6 million TEU.

The market grew in all domains, except for container transportation, which shrank to 702 thousand TEU. The decline was due to political restrictions forcing the EU to look for alternative routes bypassing Russia. Going forward, the Red Sea crisis and higher freight rates may cause transit flows to be redirected to Russia. In 2023, imports showed the biggest growth as a result of strengthening ties with friendly countries, redirecting trade to these countries, and developing parallel imports. An expansion of exports by 1.7 million TEU came on the back of recovery and adaptation of Russian industries to the current environment. Domestic transportation volumes reached 1.3 million TEU, which is directly linked to the localised manufacturing of certain goods and active construction of industrial facilities in the country.

6.4 ^{+17% YoY} mln TEU

Russia's container market in 2023

Russian container market by type of transportation, mln TEU



Source: Russian Railways data, Morcenter-TFC, Company calculations

Imports

Imports were the main driver of Russia's container market, which grew by 29% or 617 thousand TEU YoY. The growth was due to recovery in China (land shipments up 60% YoY) and a 40% YoY increase in imports via Novorossiysk thanks to expanding trade with Turkey, India and Egypt. Imports via Far Eastern and Baltic ports went up 20% and 9% YoY respectively.

Exports

In 2023, container exports added 10% or 155 thousand TEU YoY, with the biggest growth seen in land shipments to China (up 27% YoY) due to economic recovery, lifting of lockdowns, and pivot towards the East. Exports via Far Eastern ports went up 7% YoY, consistently beating exports via St Petersburg ports (down 5% YoY).

Domestic shipments

Domestic shipments expanded by 19% YoY on the back of an increase in railway transportation driven by the localised manufacturing of certain goods.



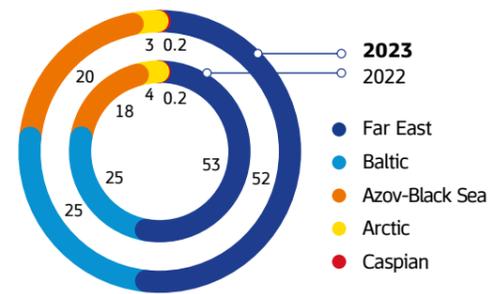
Transit

In 2023, container transit shrank by 6% or 143 thousand TEU YoY mainly in the Asia–Europe direction due to the desire of some countries to switch to alternative transit routes (trans-Asian route, deep sea) bypassing Russia. Transit from the Russian Far East to Belarus grew by a significant 131 thousand TEU per year.

Container handling

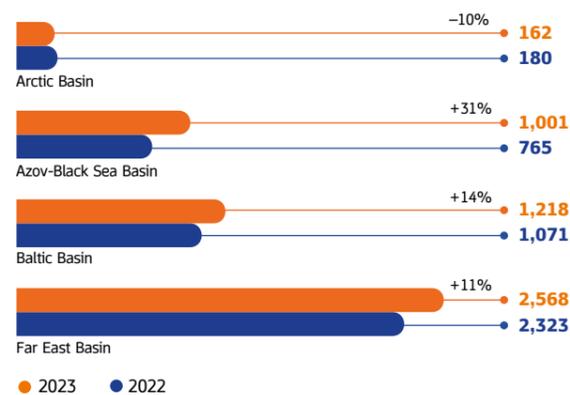
In the reporting year, container handling in Russian ports did not change dramatically across the basins. Handling in the Azov-Black Sea Basin rose to 1 million TEU thanks to sizeable growth of imports, while the Far East Basin saw a YoY increase in handling volumes of 11% despite a shrinking share. In the Arctic Basin, handling declined by 10% YoY.

Basins' shares in total container handling, %



Source: Morcenter-TFC

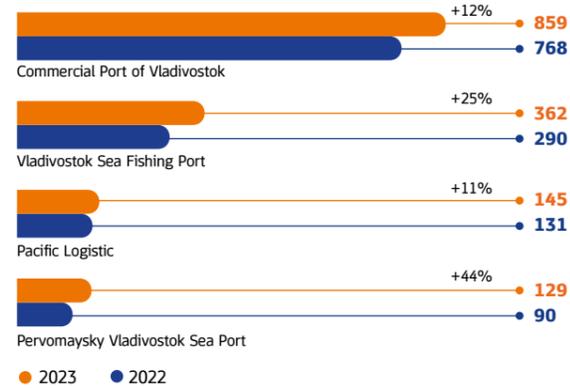
Loaded container handling in Russian ports in 2022–2023 by basin, k TEU



Source: Morcenter-TFC

The reporting year also saw growth across all basins, except for the Arctic Basin. The biggest contributor was the Azov-Black Sea Basin.

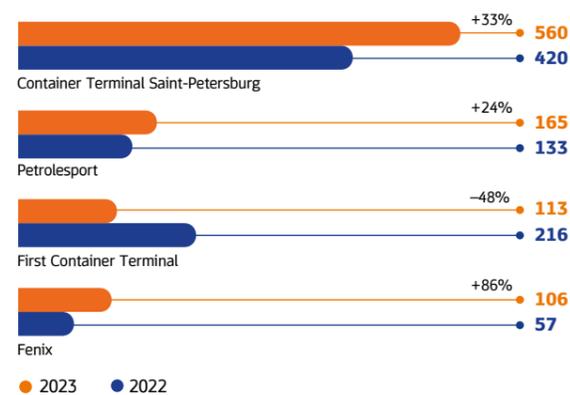
Container handling in major container terminals of the port of Vladivostok in 2022–2023, k TEU



Source: Morcenter-TFC

In 2023, container handling at VMTP increased by 12% YoY, with Vladivostok Sea Fishing Port showing the largest increase for the year (cargo turnover up 25% YoY). Pacific Logistic showed an 11% growth YoY, increasing cargo turnover to 145 thousand TEU.

Container handling in major container terminals of the Port of St Petersburg in 2022–2023, k TEU



Source: Morcenter-TFC

Among the terminals of St Petersburg port, only First Container Terminal recorded a decline in container handling (down 48% YoY). Container Terminal Saint-Petersburg showed the biggest growth, increasing its loaded container handling to 560 thousand TEU.

Operational overview

Maritime container transportation

FESCO provides domestic, export, import, and transit container transportation services and is the leader in shipping containers from Southeast Asian countries to Russia via the Far East. We also offer integrated services to transport dangerous, oversized, LCL, and general cargo along with special equipment. The Group operates 19 international and domestic sea routes, with its transportation geography spanning over 110 ports globally.

In 2023, we did the following in the international transportation segment:

- expanded the geography of the FCXP maritime service (Far East) connecting the ports of China and Russia, adding vessel calls to Lianyungang, Nansha, Dalian, and Shantou
- actively developed the FVDL service (launched in 2022) from Vietnam's main ports (Haiphong, Ho Chi Minh) to Russia, with over 28 thousand TEU transported (up 2.4x vs 2022). On top of that, we increased shipping frequency to Vietnam from once a month to once a week and set up a logistics hub at the port of Ho Chi Minh to consolidate and ship containerised cargo from Southeast Asia (Thailand, Malaysia, etc.) to Russia using the FVDL
- thanks to the expanded agent network we launched regular maritime container transportation from Bangladesh and Myanmar to Vladivostok with transshipment in the ports of China and Vietnam
- provided our own fleet and expanded our regular FBOL deep-sea service connecting the ports of China, India and Russia (St Petersburg)
- launched two services in the Black Sea to connect Novorossiysk with Egypt (FESCO Egypt Direct Line) and India (FESCO Indian Line)

In 2023, we did the following in the domestic transportation segment:

- replaced vessels with higher-capacity ones which, together with robust commercial activities, served to increase YoY transportation volumes by 24% to 105 thousand TEU
- ensured a seamless delivery of cargo required by the Far Eastern regions of Russia with a short navigation period as part of shipments to the northern territories of Russia. In 2023, FESCO vessels made five trips in severe ice conditions to deliver over 1.5 thousand TEU of consumer goods, construction materials, and other essentials to Chukotka
- launched FSCL, a regular maritime cargo transportation line between St Petersburg and Kaliningrad, with 16.3 thousand TEU transported in 2023. Key types of cargo include consumer goods, construction materials, and household appliances

These measures helped the Company to:

- ramp up international shipping by 23% YoY to 419 thousand TEU
- increase domestic maritime transportation by 24% YoY to 105 thousand TEU

>110 ports

our transportation geography globally

Key operating results of maritime container shipments, k TEU

Indicator	2020	2021	2022	2023	YoY change, % 2023/2022
International routes, k TEU	295	288	342	419	23
Domestic routes, k TEU	80	81	84	105	24

Source: Company data

Tramp shipping

FESCO implements a range of logistics solutions for its fleet aimed at project and special shipments.

Key operating indicators of the transport fleet

Indicator	2020	2021	2022	2023	YoY change, % 2023/2022
Operable vessel days	6,503	6,236	6,931	8,470	22

Source: Company data

In 2023, FESCO did the following:

- developed multi-purpose vessel transportation between Pevek, Nakhodka, Southeast Asian countries, and China. A total of over 84 thousand tonnes of general cargo and 1.6 thousand TEU were transported
- performed eight trips as part of a project to foster shipping along the Northern Sea Route
- continued cooperation with the National Centre for Polar and Ocean Research under the Ministry of Earth Science of India: diesel-electric ship Vasilij Golovnin successfully completed its first trip under a new five-year contract by delivering cargo to Bharati and Maitri Indian research stations



Intermodal services

FESCO provides domestic and international (export, import, and transit) intermodal container services.

In 2023, FESCO continued to develop its key services and tapped into new markets:

- we launched a regular Novorossiysk Shuttle from Novorossiysk to Moscow (Bely Rast station). The service enables our customers to order cargo delivery by road from the station to their own warehouse in Moscow or other Russian regions
- we launched a regular FESCO Neva Enisey Shuttle from St Petersburg to Krasnoyarsk. The service seeks to meet growing demand from the Northwestern Federal District for shipments to Eastern Siberia
- to expand domestic routes, we launched an intermodal container route from Moscow to Kaliningrad via St Petersburg. The route covers delivery by rail from Moscow (Bely Rast station) to St Petersburg (port of Bronka) as part of a new FESCO Moscow Baltic Shuttle railway service
- we launched a regular FESCO Irkutsk Shuttle from Vladivostok to Irkutsk. The service primarily focuses on the transportation of imported goods arriving at VMTP from East and Southeast Asia to Irkutsk
- we launched FESCO Chelyabinsk Shuttle, a regular container train from Vladivostok to Chelyabinsk with an option of domestic transportation and export delivery to Southeast Asia
- we launched FESCO Irtysh Shuttle, a regular container train from Moscow to Omsk. The service seeks to meet growing demand of the Group's Moscow and Moscow Region customers for a fast cargo delivery to the Omsk Region and the neighbouring Western Siberia
- we launched FESCO Automotive to transport cars and automotive industry cargo. FESCO delivers cars, SKD and CKD kits, and car parts from Asia to Russia using

sea, rail and intermodal transportation solutions, our offices receive and have cars loaded into containers in China

- we launched FESCO Agro to transport agricultural products. FESCO leverages in-house services and assets to offer the multimodal transportation of bulk and liquid cargo on export, import and domestic routes via the ports of the Far East, Novorossiysk and St Petersburg

By developing new services and ramping up import land transportation from China to Russia, FESCO was able to increase intermodal shipments by 23% or 118 thousand TEU YoY.

118 ^{+23% YoY}
thousand TEU
intermodal transportation growth

Key operating results of intermodal shipments, k TEU

Indicator	2020	2021	2022	2023	YoY change, % 2023/2022
Volume	393	465	507	625	23

Source: Company data

Terminal operations

FESCO provides stevedoring, surveyor, and freight forwarding services, including loading and discharging of vessels, railcars, and trucks, using its own terminal network, which comprises:

- the largest universal port in the Russian Far East,

VMTP, handling a broad variety of cargo types, including containerised, LCL, bulk, and general cargoes, machinery, and heavy-duty vehicles

- FESCO Gaydamak Terminal focusing on handling general cargoes, grain, construction materials, timber, and vehicles for export/import shipments

Key operating results of VMTP and FESCO Gaydamak Terminal

Indicator	2020	2021	2022	2023	YoY change, % 2023/2022
Total handling, kt	11,436	13,318	13,884	13,637	(2)
Container handling, k TEU	672	757	768	859	12
General cargoes handling, kt	4,614	5,195	5,138	4,328	(16)
Vehicle handling, units	71,248	81,748	110,783	97,443	(12)
Oil product handling, kt	358	389	480	454	(5)

Source: Company data

Heavyweight containers

The container handling volume increased by 91.3 thousand TEU YoY to 859 thousand TEU. The growth in container cargo turnover

was due to a timely increase in own assets (containers, fleet, fitting platforms), active cooperation with third-party sea carriers and freight forwarders, and the implementation of VMTP's integrated territory development programme.

General and bulk cargoes

General cargo handling went down 16% to 4.3 million tonnes due to the Group focusing on container transportation.

Vehicles

Handling of vehicles and machinery decreased by 12% to 97.4 thousand units vs 110.8 thousand units in 2022 as a result of restrictive sanctions from Japan and a higher recycling charge in Russia.

Vessel handling (unloading/loading) went up by 25% or 554 units YoY and reached 2,796 units.

1,885 + 17% YoY
vessels
handled at FESCO terminals in 2023

Key operating indicators of VMTP and FESCO Gaydamak Terminal

Indicator	2020	2021	2022	2023	YoY change, % 2023/2022
Vessel handling (unloading/loading), units	2,377	1,670	2,242	2,796	25
Vessel calls	1,790	1,128	1,613	1,885	17
Average daily fleet handling, kt	31.25	35.42	36.72	36.12	(2)
Rolling stock handling, k units	210.5	222.0	224.4	217.5	(3)
Average daily railcar handling, units	575	608	615	596	(3)

Source: Company data

Inland terminals

Key operating results of inland terminals, k TEU

Container handling	2020	2021	2022	2023	YoY change, % 2023/2022
Novosibirsk	90	101	117	116	(1)
Khabarovsk	52	52	52	43	(17)
Tomsk	10	7	8	9	13
Total	152	160	177	168	(5)

Source: Company data

In 2023, inland terminal handling volumes shrank by 5% YoY to 168 thousand TEU.

The decrease was associated with tougher external restrictions imposed by Russian Railways due to the prioritisation of export non-container cargo (coal, oil products, etc.), which had a significant adverse impact on the terminals' operating performance.

Routes going through terminals in Novosibirsk and Khabarovsk were altered to improve the Group's operating efficiency:

- the Company launched a new regular service from Novosibirsk to Irkutsk

- volumes and the share of regular services from Novosibirsk to Khabarovsk and Vladivostok went up
- the share of loaded container handling and receipt of loaded containers from western routes increased

With container handling unchanged in 2023, these measures helped FESCO boost its operating efficiency, revenue, commercial activity, and transportation geography via Novosibirsk.

Refrigerated transportation

FESCO dominates the refrigerated transportation market and is the only Russian operator relying entirely on its own assets.

In 2023, the Group continued to work on innovations for cargo shipments under continuous temperature maintenance and control. The diesel generator container fleet grew by 28% YoY to enable us to expand our geography in line with growing demand.

In 2023, we continued to tap into new markets, which yielded the following results in terms of freight turnover:

- a new FESCO Turkey Black Sea (FTBS) line from Turkey to Novorossiysk – 732 TEU

- a new FESCO Egypt Direct Line (FEDL) from Egypt to Novorossiysk – 244 TEU
- a new FESCO Saint-Petersburg Kaliningrad Line (FSKL) – 412 TEU
- FESCO Baltorient Line (FBOL) from Southeast Asia to St Petersburg and back – 1,084 TEU

As part of the Fish Shuttle project, we organised a comfortable transportation from domestic ports to Southeast Asia translating into a stable cargo flow on this route.

In 2023, refrigerated transportation volumes added 19% YoY and reached 20.2 thousand TEU.

Operating indicators of refrigerated transportation, TEU

Indicator	2020	2021	2022	2023	YoY change, % 2023/2022
Volumes	9,952	11,362	17,004	20,219	19

Source: Company data

Supply chain management

FESCO Supply Chain is responsible for managing our supply chains. As a 3PL service provider, FESCO cooperates with a wide range of partners across the globe. We represent freight owners during transportation and offer cargo delivery, storage and transfer to consignees using in-house and third-party (if necessary) transportation, warehousing, loading, and other solutions.

In 2023, we continued to develop our logistics services – Fesco Agro, Fesco Air, Fesco LCL, and Fesco Automotive, while also expanding the footprint of Fesco Supply Chain in Russia and abroad.

Key developments in supply chain management in 2023:

- a pilot LCL cargo was exported to the United Arab Emirates

- LCL cargo transportation increased on domestic routes (Sakhalin, Magadan, Petropavlovsk-Kamchatsky, and Chukotka) and railways by 52% YoY
- over 100 tonnes of cargo was transported by charter and regular flights as part of the FESCO Air project (a fourfold increase YoY)
- the first export cargo of 892 TEU arrived from Russia to South Africa
- process equipment was delivered to the manufacturer of photovoltaic modules in Novocheboksarsk
- we strengthened a network of external agents to provide a service with a wider outreach (Australia, Africa, Mexico)

FESCO is working to develop the transportation of chemicals in tank containers on export, import, and domestic routes. In 2023, the fleet of tank containers operated by the Group reached 667 units, as we expanded the number of leased containers to 317 and acquired 350 units.

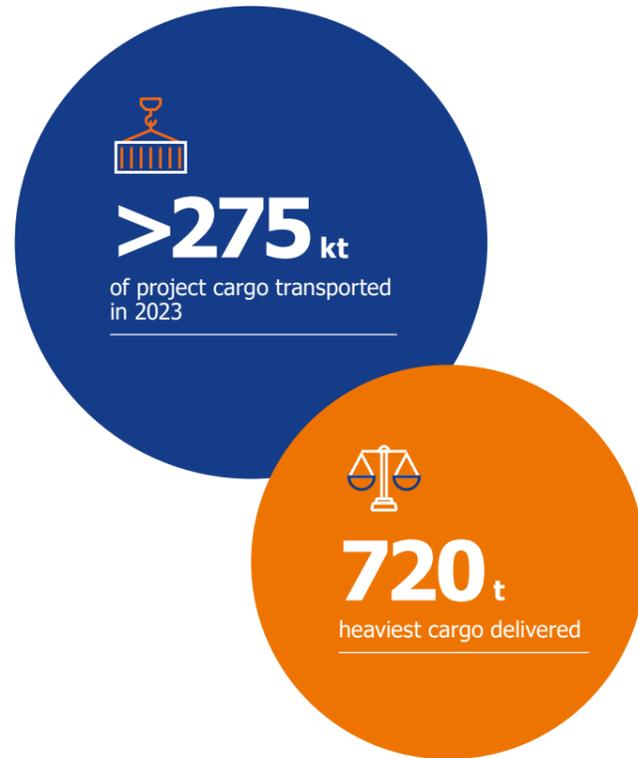
Project logistics

FESCO offers turnkey project transportation of bulky and heavyweight cargoes: from receipt at the manufacturing plant to lifting to the design position at the destination point. Transportation is fully compliant with the regulatory requirements for transit of cargo along the route, including border crossings.

FESCO's business priorities include expanding the portfolio of contracts signed with large customers and increasing the share of the market for transportation of heavyweight and oversize cargoes.

In 2023, we transported over 275 thousand tonnes of project cargo with the maximum weight of 720 tonnes and provided a full range of services, including infrastructure set-up and constructing temporary berthing facilities as part of equipment delivery. On top of that, we took part in unique projects to tow 56 to 93-thousand tonne marine facilities and structures.

In 2023, FESCO continued to operate a cargo terminal of the Akkuyu Nuclear Power Plant in Turkey, with more than 35 thousand tonnes of oversize and key heavyweight equipment of the reactor pressure vessel, steam generators, and a turbo generator delivered to the construction site. The equipment's maximum weight was 450 tonnes.



Additionally, FESCO implemented a number of projects to lift and install heavyweight and oversize cargo to the design position, assemble and start up process lines at facilities under construction. A total of 2 thousand tonnes of equipment was assembled at various key facilities.

Bunkering

FESCO provides a full range of oil product services: from fuel purchase and its handling at the Company's petroleum tank farm to transfer to the tanks of transport vessels at the ports of the Primorye Territory (in particular Vladivostok, Nakhodka, and Vostochny). As a fuel agent, FESCO arranges the supply of oil products to its fleet at foreign ports and renders centralised oil product logistics support to its own companies across Russia. Oil products are purchased from Russian producers and delivered

to the destination as well as from regional suppliers and distribution companies and delivered to vessels or land facilities.

In 2023, the Company rendered bunkering services primarily to its own companies.

By the end of 2023, bunkering volumes grew by 54% YoY to 151 thousand tonnes due to a fleet increase and expanded geography of FESCO vessels' operation.

Key operating indicators of the bunkering complex, kt

Indicator	2020	2021	2022	2023	YoY change, % 2023/2022
Bunkering volumes	67	63	98	151	54

Source: Company data

Digitalisation

In 2023, FESCO rolled out an extensive array of digitalisation initiatives, unlocking new opportunities for business development.

Our principal digitalisation challenges centred around maintaining FESCO's operational continuity amidst import substitution hurdles. Concurrently, we advanced projects set to build new logistics solutions and information systems. We also pursued innovative ventures as part of Data Office, a dedicated area we focus our efforts on.

FESCO's IT units now comprise a 280-strong workforce, with key expertise hubs in Moscow and Vladivostok and local offices across over 17 Russian cities. We are setting up competence and business support centres in FSU nations (Kazakhstan, Uzbekistan, Belarus) and in our offices overseas.

Collectively, these IT units manage and support upwards of 80 information systems for FESCO Group's over 6.5 thousand employees.

Guided by our digital strategy in effect, in the forthcoming years we will focus on the priority digitalisation areas below:

- critical information infrastructure and no reliance on imports
- digital business continuity
- digital architecture upgrades
- ongoing evolution into a digital freight forwarding business
- cybersecurity

>280 employees

in FESCO's IT units

>17 cities in Russia

FESCO's office network

Business digitalisation projects

Customer's personal account

MY.FESCO customer's personal account is a self-service portal for our customers.

Improvement of this service is the key priority of FESCO digitalisation. The main objective of the project is to provide a fully digital transportation service. Our efforts on portal improvement enabled us to implement one of the best and most feature-rich solutions in the market.

Priority areas of personal account improvement in 2023:

- Dalrefrans personal account launched
- contractual work (expanding the scope of electronic workflow operators for contract signing, entering into contracts with non-residents) continued

- export and import tracking systems for port-to-port shipments enhanced
- coverage of digitisation of door-to-door delivery calculations using a map location expanded
- routes as part of the approval protocol for dangerous goods transportation extended
- an API¹ suite for seamless customer system integration implemented
- a general cargo calculator for domestic shipments designed

The personal account was piloted in 2017 and back then only supported requests for intermodal imports from Southeast Asia to Vladivostok and Moscow. Today, the service can be used to request any of FESCO's key transportation services.

¹ Application Programming Interface.

In 2023, the growth of orders placed via the personal account continued:

- the number of orders placed via personal accounts increased by 12.5%
- TEU equivalent of orders via personal accounts grew by 22% YoY
- over 2.8 thousand contracts were made via the personal account during the year

📈 Increase in orders placed via the personal account in TEU equivalent, %



Currently, a record 7.5+ thousand users visit MY.FESCO.com every day.

The MY.FESCO services are mainly used to:

- submit and repeat requests for container transportation
- track the shipping and customs status
- download scans of accounting and transportation documents without contacting managers or requesting the documents by mail or phone
- check whether the dangerous goods can be transported along import/transit routes
- conclude contracts
- check if dangerous goods can be transported
- file for customs transit clearance

FESCO also works to develop the following additional services for customers:

- reconcile overpayments
- request and approve reconciliation reports
- control user access for their company
- request a system for securing dangerous or non-dangerous cargo inside the container
- provide feedback on service quality

Production systems

In 2023, FESCO continued to focus on the development of production systems.

FESCO INTEGRATED TRANSPORT

The year 2022 saw the initiation of a project series to overhaul the production system of FESCO Integrated Transport (FIT), introducing interlinked functional modules within a unified microservice architecture based on the 1C:Enterprise 8 platform.

By 2023, within the **FMS. Transportation Management** initiative, a component of this project suite, we rolled out the core production module, which automates the end-to-end business process of managing, planning, and executing transportation orders. It also encompasses mutual settlements and management reporting as part of the process.

The overarching goal is to supplant the existing production system. While building the solution, aside from automation, we streamlined business processes in place for execution within the system, with a modern domestic technology platform both enhancing the efficiency of key operations and mitigating sanctions risks.

Throughout 2023, the project's architecture was designed, establishing object and module interconnections, core functionalities were developed, and integrations were carried out with other information systems of the Group and key partners. The system's viability and the accuracy of its functionalities were validated by successful functional tests involving prospective users. Commercial deployment is slated for 2024.

These modules fit the overall FMS programme's concept, boasting a cohesive architecture and business process framework. This enables smooth integration with other FMS programme products and FESCO's overall IT infrastructure.

Several system's components were put into commercial operation in 2023:

- transportation of dangerous goods, including preliminary coordination with all parties involved in transportation
- document control – accounting for container expenses
- container repair – a web portal to arrange for container repairs at terminals and depots, enabling selection of the best supplier based on repair time, cost, and quality
- cost control operations – collection and recognition of direct transportation costs, enabling the calculation of the actual cost and profit margin of transportation services

Dalrefrans

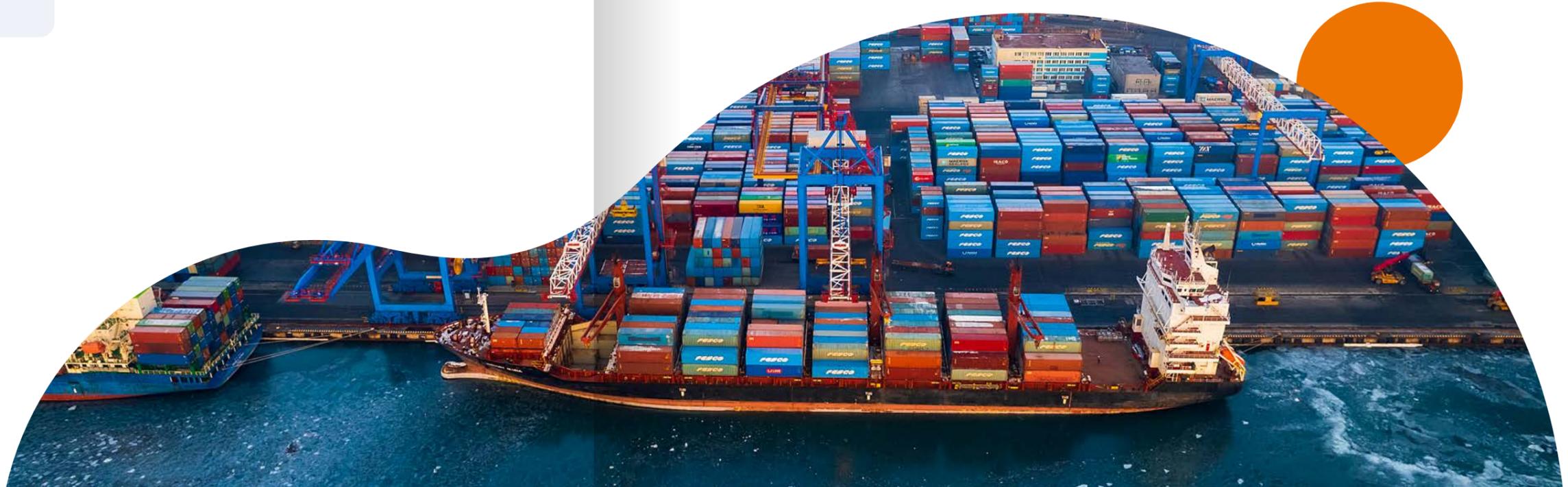
In 2023, special attention was paid to one of FESCO's key assets, Dalrefrans, its development and digitalisation of its operations. During the year, digitalisation solutions for the company's business processes were substantially redesigned:

- the customer's personal account added e-commerce features for refrigerated transportation
- rate-setting features were rearranged, simplified and scaled up
- tracking of containers by rail and sea was introduced
- controls were put in place, reducing human factor potentially affecting data accuracy and timeliness

Dalrefrans became an integral part of FESCO's digital ecosystem, and its customers can now use the information service according to the common standards of the Company.

The development of Dalrefrans' production system coincided with strong operating results, which in turn contributed to the company's growth and an increase in customer demand. In 2023, FESCO recorded a notable uptick in customer engagement compared to 2022:

- a 36% rise in customer transportation orders
- a 25% increase in the customer base



VMTP

FESCO invests considerable effort in rolling out IT solutions that streamline VMTP's internal processes. In 2023, industry professionals at the Digital Transportation forum acknowledged the achievements of VMTP's port management system, honouring it with awards in the Best Digital Transformation and Digital Leader of the Year categories.

VMTP introduced Russia's first integrated one-stop-shop system for regulators – the Federal Customs Service, Russian Railways, and the Federal Service for the Oversight of Consumer Protection and Welfare (Rosпотребнадзор). This development has dramatically accelerated document processing and cargo release from the port by an average of 16-fold and simplified procedures for the staff of all involved federal agencies. VMTP's digitalisation drive focuses on expediting cargo handling and reinforcing its dominance in Russia in this domain.

Key highlights:

- slashing the export order processing time from 10 hours to just two. In 2023, a staggering 90% of orders at VMTP were placed via its information system and filed to the Federal Customs Service using electronic workflow channels
- reducing customs authorisation times from 48 hours down to three
- cutting time needed for inspections and container weighing by three times
- increasing export container turnaround by 1.5 times and reducing average storage to 13.2 days from the previous year's 19.8

The Mobile Yantar project was completed, integrating a unified radiation control system across the entire VMTP area and introducing a mobile solution for the customs. It can change status of the customs control activities and grants real-time access to cargo history and customs declarations.

Key highlights:

- eliminating the need for a tally clerk on each radiation control location to register events of alarm going off
- freeing up warehouse space by dismantling stationary radiation survey instruments
- minimising human contact and relieving the workload for the customs staff

In 2023, VMTP took a leap forward by automating its LCL cargo storage warehouse and adopting bin location storage. LCL cargo handling intensity grew by 1.5 times.

The first phase of the Smart and Safe Port initiative wrapped up at the end of the year. We launched video analytics that can automatically detect silhouettes, biometrics, and hazardous zones. We can thus automate processes and mitigate occupational and transportation safety risks. The Company completed piloting the second phase, which will continue into 2024. The project helped set up oversight of loading and unloading operations. This includes AI-powered automatic identification of container numbers and damage received, along with cargo pinpointing and automatic location of loading/unloading place.

Automation of manufacturing companies in Kazakhstan

The Company's growth and launch of new businesses revealed the need to automate activities of the new companies in a quick and efficient manner. FESCO opted for proprietary IT solutions already implemented in the Group. This helped to bring down automation time and offer solutions factoring into the specifics and requirements of the companies. In 2023, these solutions served as the basis for the following companies:

- FESCO Dostyk Limited:
 - dispatch of containers from China with transshipment in Kazakhstan
 - automated tracking of container location along the entire journey from China to the destination stations in Russia
- FESCO Central Asia – organisation of multimodal container transportation to/from Kazakhstan



Internal digitalisation

Data Office

In 2023, FESCO created Data Office, a fruit of joint effort of business analysts and data engineers, which comprises:

- cutting-edge analytics and machine learning (ML) capabilities
- a secure reference data warehouse for the Group's data
- oversight of data reliability and integrity across all systems
- agile BI tools, business glossaries, and regulatory and reference data management
- a key event monitoring and notification system

An enterprise data platform was established, with services configured for an isolated development and monitoring environment. We also designed a target data architecture for analytics in order to scale it up and manage its complexity amidst burgeoning data volumes and variety.

In the realm of BI, analytics, and AI, we did the following:

- initiated major projects to develop reporting within a unified domain-focused architecture, which enables standardising analytical reporting and enhancing its accessibility
- deployed a new Russian BI system, started migrating analytical reports to domestic software
- piloted ML-based forecasting for VMTP staff shifts, identifying potential enhancements in freight turnover per container up to 14%
- are running a project to optimise cargo placement at the port
- initiated an HR initiative focused on talent acquisition and onboarding

FESCO asset map

An interactive FESCO asset map has been developed, offering a live view of the Group's assets: position of trains, vessels, and vehicles alongside location of branches and terminals. Users can also connect to terminal cameras in real time.

DIGITAL SERVICES FOR FESCO EMPLOYEES

In 2023, FESCO triumphantly accomplished a transition to HR electronic workflow for its employees.

- Key factors that facilitated a swift rollout included:
- commitment to the existing IT infrastructure
 - full project management by IT personnel
 - high level of HR service automation from the outset

We decided to integrate an external service, providing a digital signature platform for HR documentation, into our existing IT landscape. The organisational scope covered staffed companies, while the functional perimeter embraced nearly all HR documents, exceeding 95%.

FESCO IT steered all project workstreams – legal, methodology, security, and software development. The project was resource-efficient, largely due to the initially high degree of HR service automation.

Project outcomes:

- 26 FESCO companies moved to electronic workflow covering the employer-employee relationship
- over 80% of employees digitally sign documents, inclusive of blue-collar staff
- number of paper documents dropped by more than 40 thousand
- over ten new HR services were launched, with some accessible through a Telegram chatbot
- time and effort required to sign HR documents declined
- standards and processes for handling queries from personnel, including from business units, were aligned

Digital infrastructure



Anti-sanctions measures

In 2023, due to the international context, FESCO continued efforts to counteract sanctions along with infrastructure projects. Based on the solutions we tested earlier, a handful of projects were completed to mitigate sanctions risks:

- migration of all FESCO email to a Russian cloud service was completed
- a Russian data centre-based cloud portal went live, ensuring data transfer for units, with intact access rights
- a Russian video conferencing system was seamlessly integrated
- Russian equipment for reliable front office functioning was purchased and rolled out
- a print service from a domestic manufacturer was implemented to monitor office equipment and enable secure print jobs initiated by employee passes
- a total of 400 Russian-made laptops were purchased and put into operation

These solutions secure the Company's stable operation in today's environment



- Under another project, VMTP's wheeled vehicle fleet was outfitted with equipment enabling unified connectivity for all production-related IT devices



- FESCO's IT Infrastructure upgrade and fleet IT support



Import substitution

In 2023, FESCO devised a strategy to implement the import substitution programme. The Company selected a contractor and drafted agreements, whereby FESCO will be audited in a range of areas and a roadmap will be developed. Efforts include piloting projects in these areas:

- IT infrastructure
- information security (infrastructure)
- system software
- standard automated workplace (office software)
- automated process control systems for engineering networks
- telecommunication systems
- business applications



- Development of branches and offices FESCO is vigorously expanding, not only by establishing new offices but also by revamping existing ones:

- new branches were inaugurated in Yekaterinburg and Kaliningrad
- networks in Novosibirsk and Vladivostok were upgraded



- FESCO actively developed, maintained and upgraded equipment while also creating new jobs. In 2023, nearly 1 thousand workplaces were set up and over 150 thousand queries to technical support service regarding infrastructure and information systems were processed

With an eye on bolstering competitive edges and advancing fleet digitalisation, FESCO initiated an IT infrastructure upgrade and fleet support project. Accomplishments to date:

- IT audits of 27 vessels were completed. Based on their findings, we drafted technical specifications for a contractor to construct or upgrade the structured cable systems network depending on its current state
- state-of-the-art network hardware and user PCs were procured
- fleet-wide access to the corporate ServiceDesk system was set up, ensuring prompt support for IT-related crew queries
- efforts to provide the entire fleet with high-speed coastal (up to 50 km range) 4G-multirouter internet access and unlimited VSAT satellite internet access are about to finish
- regular IT auditing process in line with vessel service port visits was established



Cybersecurity

The escalating global geopolitical tensions in 2023 brought about an uptick in cyber threats across the digital domain.

Many Russian companies faced a surge in large-scale cyberattacks. FESCO's information systems were not immune, witnessing a 1.5-fold increase in network attacks and a tripling of malware infection attempts YoY.

In response to heightened cyber risks, FESCO is reinforcing its corporate network and refining processes to detect and patch IT infrastructure vulnerabilities.

The year saw a rigorous examination of personal data security processes within our information systems and an appraisal of the effectiveness of existing protective measures. We also conducted penetration tests,

simulating intrusion into our corporate network. Our cybersecurity arsenal expanded to include robust tools such as a vulnerability scanner for identifying perimeter threats, enhanced safeguards against illegitimate access to the corporate email system, and mechanisms to prohibit unsafe passwords. These measures significantly enhance the protection of information infrastructure from malicious attacks, reducing the risks of destructive effect on FESCO's digital services.

Customer experience management

The Company's communication with customers is underpinned by the following principles:

- **FESCO is the leader** in the container transportation market in terms of quality. We develop internal regulations for our processes and seek to standardise and automate them in line with a continuous improvement approach
- **FESCO is quick to launch new projects.** Our system easily adjusts to changes as we constantly develop and test hypotheses on potential opportunities and rely on quick project launch practices
- **FESCO appreciates the loyalty** of its key customers. We build seamless communication channels by focusing on consistent interaction and personalised approach to key customers. We foster loyalty in response to our consistent delivery against the commitments we have taken on



Our customers

FESCO's customer base

>18.5 thousand
customers in 2023



>1.5 thousand
new customers acquired in 2023

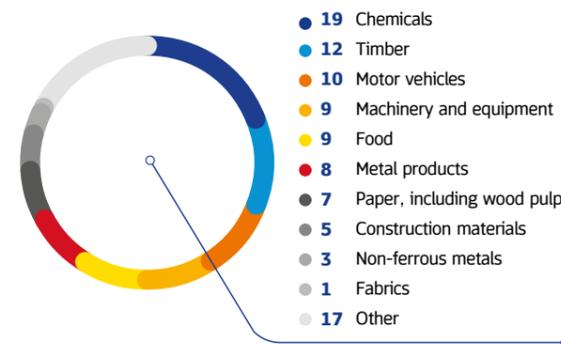


>30 customer offices
including in Southeast and Central Asia and in Europe



FESCO provides its services in the most essential industries.

FESCO transportation in 2023 by cargo type, %



Source: Company data

Mechanisms of customer communication

In 2023, FESCO focused on developing a chat function on its fesco.ru website and in MY.FESCO customer's personal accounts, as well as introduced a voice assistant for customers accessing the Company's call centre.

Via this channel, customers can now gain instant 24/7 advice on various aspects of interacting with FESCO, including:

- consultations on transportation routes and regular services
- information about current shipments
- technical support for FESCO's systems

We launched Technical Support for FESCO's Systems, the Company's most innovative block enjoying strong demand among FESCO's customers. It is designed to provide online technical assistance with MY.FESCO, Pocket Port, and 1C:Production. Technical support experts handled over 7 thousand queries in 2023, with the numbers expected to climb further on.

FESCO's call centre introduced the Voice Assistant project. This tool autonomously handles standard queries and escalates more complex ones to human operators. The system comprises over 30 scripted enquiry scenarios and five guides on frequently asked questions from customers.

With the voice assistant, customers can swiftly get in touch with the right employee without operator involvement, receive text messages with pertinent details, and acquire fast robot advice on common questions. This innovation has reduced the average time customers spend in the answering system to a mere 10 seconds.

>21 thousand

queries addressed by the FESCO team with prompt advice via the chat function

5 minutes

average response time



Most popular queries:

- technical support for MY.FESCO personal account users
- container tracking
- rate calculation and transportation requests

The chatbot's quality is measured by advice it provides.



89%

approval rating from FESCO's customers surveyed in 2023

Customer feedback

In 2023, FESCO remained focused on collecting customer feedback. Our team routinely carried out post-transportation satisfaction surveys, set up focus groups and held in-depth interviews to gauge perceptions of FESCO's market stance and communication practices. The goal was to dissect and enhance customer experiences by identifying and implementing quality enhancements.

The average NPS¹ for the year stood at 61%. The average CSAT² was 86%.

There was an almost 45% surge in participants of our regular NPS surveys in 2023 compared to the previous year, with survey outreach broadening across both destinations and Company units. We also added feedback feature to our mobile app, enabling customers to rate our services.

Customers commended FESCO for:

- user-friendliness of the MY.FESCO personal account
- dependable maritime services
- overall Company reliability

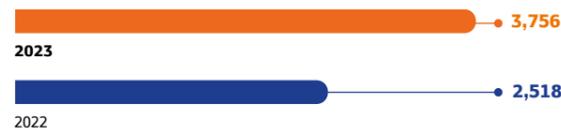
NPS, %



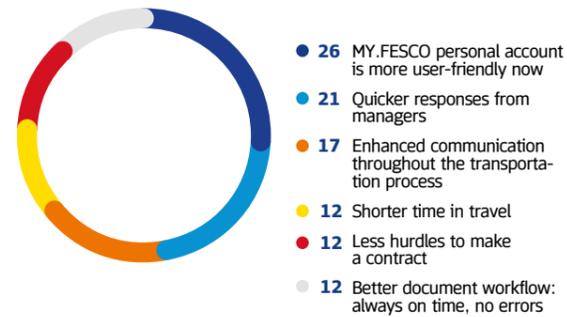
CSAT, %



Number of participants



Positive shifts FESCO's service quality in 2023, %



¹ Net Promoter Score.

² Customer Satisfaction Score.



Financial review

Financial overview

Financial results

Indicator	2022	2023	YoY change, % 2023/2022
Revenue, RUB mln	162,639	172,004	6
EBITDA, RUB mln	71,483	53,607	(25)
EBITDA margin, %	44	31	(13) pp
CAPEX	36,733	60,345	64

Revenue, RUB mln

Indicator	2022	2023	YoY change, % 2023/2022
Port Division	32,977	35,238	7
Rail Division	6,932	8,915	29
Liner and Logistics Division	138,926	146,608	6
Shipping Division	7,807	14,850	90
Fuel Division	2,788	2,884	3
Eliminations	(26,791)	(36,491)	36
FESCO Group	162,639	172,004	6

In 2023, the Group's consolidated revenue increased by 6% to RUB 172,004 million vs RUB 162,639 million in 2022. All business segments showed YoY growth of revenue.

The Port Division's revenue in 2023 went up by 7%, or RUB 2,261 million, to RUB 35,238 million. The main growth driver was higher container cargo transportation profits coming from rising handling volumes, increased share of imports, and additional services to manage container cargoes.

The Rail Division's revenue in 2023 rose by 29%, or RUB 1,983 million. The expansion of the fitting platform fleet accounted for most of this revenue growth.

The Liner and Logistics Division's revenue went up by RUB 7,682 million, or 6% YoY. The revenue growth was driven by:

- 23% rise in volumes carried by international routes

- 24% rise in volumes carried by domestic routes
- growing intermodal exports through the Commercial Port of Vladivostok
- increase in intermodal transit transportation volumes
- launch of FESCO Baltorient Line (FBOL) sea service
- launch of FESCO Indian Line (FIL) sea service
- growth of import land transportation services from China to Russia
- expanded geography of regular intermodal services to Chelyabinsk and Irkutsk

In 2023, the Shipping Division's revenue added 90%, or RUB 7,044 million, thanks to the acquisition of additional fleet.

The Fuel Division's revenue growth in 2023 was 3%, or RUB 96 million, driven by higher revenues from agency activities following the expansion of oil product agency services.



Operating expenses, RUB mln

Indicator	2022	2023	YoY change, % 2023/2022
Port Division	9,517	10,630	12
Rail Division	1,773	2,526	42
Liner and Logistics Division	82,033	113,288	38
Shipping Division	3,521	5,211	48
Fuel Division	2,588	2,622	1
Eliminations	(26,717)	(36,431)	36
FESCO Group	72,715	97,846	35

In 2023, the Port Division's operating expenses increased by 12%, or RUB 1,113 million, driven by improved cargo turnover and, as a result, higher expenses for additional cargo handling services, including third-party services, freight forwarding services, and dispatcher support for rolling stock.

In 2023, the Rail Division's operating expenses went up by 42%, or RUB 753 million, due to an increase in the rolling stock fleet and associated growth of repair and maintenance expenses, as well as a rise in railway tariff expenses.

Operating expenses of the Liner and Logistics Division grew by 38%, or RUB 31,255 million, due to higher transportation volumes and launch of new lines, which

triggered an increase in voyage expenses and a rise in expenses associated with railway tariffs, terminal services, and containers.

The Shipping Division's operating expenses were up by 48%, or RUB 1,690 million, mainly due to an increase in the number of vessels entailing higher fleet operating expenses.

In 2023, the Fuel Division's operating expenses saw a slight increase of 1%, or RUB 34 million.

Gross profit

In 2022, FESCO's gross profit stood at RUB 74,158 million vs RUB 89,924 million in 2021.

Administrative expenses, RUB mln

Indicator	2022	2023	YoY change, % 2023/2022
Salary and other staff related costs	15,559	15,181	(2)
Professional fees	1,520	3,235	113
Office rent	237	334	41
Other administrative expenses	2,323	5,005	115
Total administrative expenses	19,639	23,755	21

Increase in administrative expenses was primarily driven by higher legal, consultancy, business trip, and hospitality expenses to foster new businesses and unlock growth opportunities, as well as higher IT expenses.

EBITDA, RUB mln

Indicator	2022	2023	YoY change, % 2023/2022
Port Division	20,749	20,364	(2)
Rail Division	3,947	5,005	27
Liner and Logistics Division	48,771	22,347	(54)
Shipping Division	3,446	9,141	165
Fuel Division	125	154	23
Extra-divisional Group	(5,555)	(3,404)	37
FESCO Group	71,483	53,607	(25)

EBITDA margin, %

Indicator	2022	2023	YoY change, % 2023/2022
Port Division	63	58	(5)
Rail Division	57	56	(1)
Liner and Logistics Division	35	15	(20)
Shipping Division	44	62	18
Fuel Division	4	5	1
FESCO Group	44	31	(13)

The Port Division's EBITDA shrank by 2%, or RUB 385 million. While revenue increased by 7%, poorer EBITDA performance came as a result of higher production and administrative expenses.

In 2023, the Rail Division's EBITDA rose by 27%, or RUB 1,058 million, due to the expansion of the core fleet of fitting platforms.

In 2023, EBITDA of the Liner and Logistics Division decreased by 54%, or RUB 26,424 million, due to the revision of freight rates on key routes.

Freight rates on international routes went down to pre-pandemic values due to the recovery of supply chains and sufficient level of liner equipment in Russia.

In 2023, the Shipping Division's EBITDA gained 165% YoY, or RUB 5,695 million, mainly due to operation of new vessels.

A 23%, or RUB 29 million, increase in the Fuel Division's EBITDA in 2023 was driven by higher revenue rates and growing agency activities, as well as a reduction in boiler and heat maintenance costs.

Depreciation and amortisation, RUB mln

Indicator	2022	2023	YoY change, % 2023/2022
Port Division	941	1,044	11
Rail Division	1,901	2,319	22
Liner and Logistics Division	1,713	4,942	189
Shipping Division	1,709	2,695	58
Fuel Division	3	3	0
Extra-divisional Group	382	511	34
FESCO Group	6,648	11,514	73

In 2023, the Group's depreciation and amortisation charges added 73% to reach RUB 11,514 million vs RUB 6,648 million in 2022. The increase came on the back of the acquisition of new fleet, rolling stock, and containers.

Profit from operating activity

In 2022, FESCO's profit from operating activity stood at RUB 38,375 million vs RUB 50,899 million in 2022.

Net profit

Net profit stood at RUB 37,851 million vs RUB 39,388 million in 2022.

Other financial expenses

FESCO's other financial income and expenses (net) came in at RUB 5,256 million vs RUB 5,771 million in 2022.

Debt obligations, RUB mln

Indicator	31 December 2022	EBITDA	31 December 2023	EBITDA
Cash and cash equivalents	(30,677)	(0.4x)	(4,641)	(0.1x)
Debt obligations and lease liabilities ¹	33,308	0.5x	29,450	0.6x
◦ Short-term	4,133		5,332	
◦ Long-term	29,175		24,118	
Net debt	2,631	0.04x	24,809	0.5x

FESCO's liabilities as at 31 December 2023:

- RUB 26,515 million – loans and borrowings
- RUB 2,935 million – lease liabilities

Net debt rose from RUB 2,631 million as at 31 December 2022 to RUB 24,809 million.

Net debt / EBITDA ratio as at 31 December 2023 increased to 0.5x (excluding IFRS 16 impact).

¹ 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.

Capital expenditures

RUB 60,345 mln +64% YoY
the Group's CAPEX totalled in 2023

Fleet purchase CAPEX in 2023 came in at RUB 19,189 million. In 2023, FESCO's transport fleet added five new container vessels to grow international transportation on the FBOL line, and another three container vessels to strengthen domestic and Black Sea transportation. This increased the total deadweight by 144 thousand tonnes. Delivery of the sixth new container vessel under the contract signed in 2023 is expected in 1H 2024.

In 2023, FESCO continued expanding its rolling stock and invested RUB 8,428 million in it. Most investments went to the core fleet of fitting platforms. The fleet of FESCO's own fitting platforms was expanded with 114 40-foot platforms and 1,945 80-foot platforms to meet the growing demand amid the development of new railway services. Investments in the creation of innovative platforms totalled RUB 821 million.

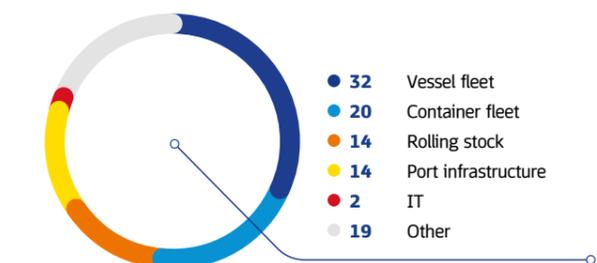
Investments in the Port Division's capacities totalled RUB 8,411 million during the year. The Company continues its development programme to ramp up the throughput capacity of the Port of Vladivostok. Most investments in 2023 went to the acquisition of cranes and machinery, and expansion/upgrade of capacities. VMTP's throughput capacity as at the end of 2023 reached 859 thousand TEU.

In 2023, the container fleet operated by the Company expanded to 170 thousand TEU. CAPEX required to purchase heavyweight containers in 2023 came in at RUB 12,096 million. The fleet of dry containers grew by 23% to reach 96,823 units, while the fleet of refrigerated containers expanded by 6% to 4,928 units. A total of 350 tank containers were purchased to support the chemical cargo transportation segment.

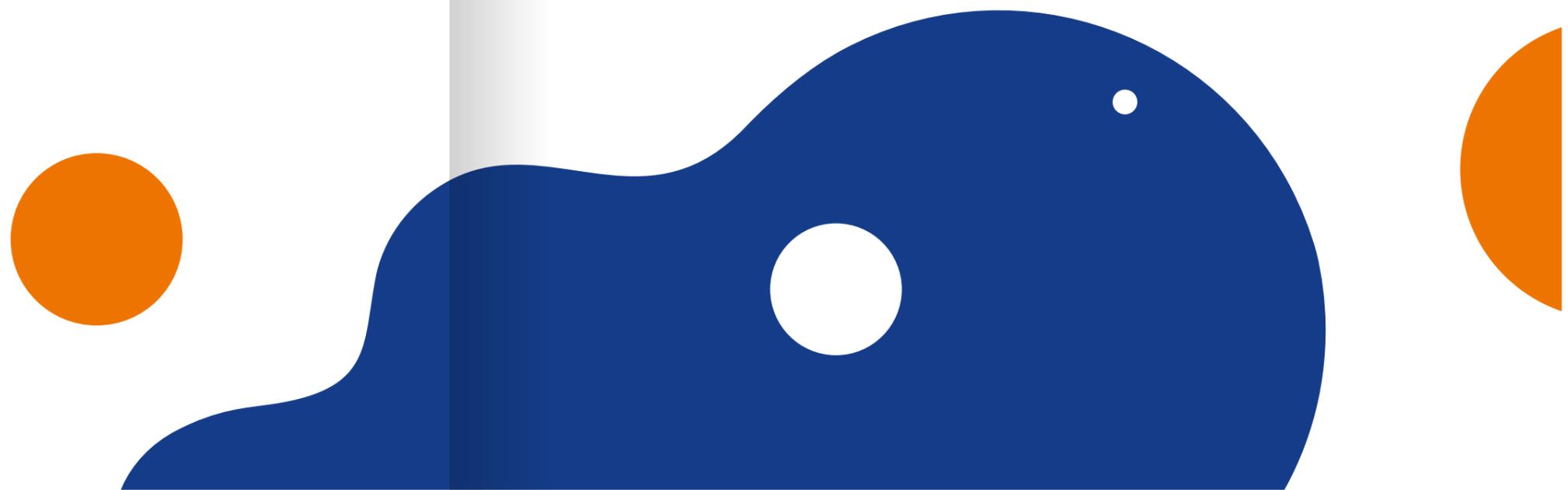
In 2023, FESCO invested RUB 988 million in IT with the aim of developing and maintaining corporate information systems of the production unit and back office, as well as substituting imports of software products.

Other capital expenses were associated with acquisition and repairs of wheel sets, dry docking, investments in inland terminals, tractors, trailers, along with other maintenance CAPEX.

CAPEX for 2023, %



◊ Source: Company data



03 Sustainable development

CARING FOR THE FUTURE



INITIATIVES CONTRIBUTING TO SUSTAINABLE DEVELOPMENT ACROSS OUR FOOTPRINT, WITH A STRONG FOCUS ON ENVIRONMENTAL AND SOCIAL RESPONSIBILITY ARE A TOP PRIORITY FOR THE COMPANY.

In the Environment, Personnel, State (EPS) responsible business rating, FESCO received the highest grade – AAA – "Leaders"¹.



RUB 425.9 mln
environmental safety expenses



~ **RUB 1.9 bln**
total social investments in 2023



+18.4%
average income growth of FESCO employees in 2023



> **RUB 150 mln**
financial aid expenses

¹ The rating was prepared by the Financial University under the Government of the Russian Federation and Mendeleyev Institute of Demographic Policy.

FESCO's approach to the sustainable development strategy fits into the classical definition set out in Our Common Future, report of the World Commission on environment and development (1987).



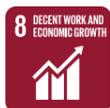
“Meeting the needs of the present generation without compromising the ability of future generations to meet their own needs.”

In its sustainable development strategy, FESCO relies on the Sustainable Development Goals (SDGs) set out in the Resolution of the UN General Assembly adopted on 25 September 2015.

The Company places emphasis on the following SDGs where it can make the greatest difference as part of its daily operations:



Goal 17: partnership for sustainable development – FESCO pays all due taxes in a timely manner and pursues comprehensive partnerships with government and international organisations as a way to ensure social prosperity



Goal 8: decent work and economic growth; and Goal 10: reduced inequalities – FESCO offers decent remuneration, honours all its social commitments, and closely cooperates with trade unions



Goal 3: good health and well-being – FESCO has never ceased to take care of its employees' lives and health by improving occupational health and safety technologies



Goal 12: responsible consumption and production – FESCO undertakes energy-saving and energy efficiency measures to reduce the energy intensity of its production activities



Goal 16: peace, justice and strong institutions – FESCO implements best anti-corruption practices and sticks to high business ethics standards



Goal 13: climate action – FESCO regularly sets targets to reduce specific greenhouse gas emissions, both on land and at sea



Goal 14: life below water – FESCO monitors marine ecosystems in its areas of operation and prevents their pollution by imposing restrictive requirements



Goal 15: life on land – FESCO seeks to minimise its environmental impact and continuously searches for best-in-class environmental technologies and solutions



Goal 9: industry, innovation and infrastructure – FESCO strives to apply the latest technologies across its operations

Stakeholder engagement

FESCO seeks to identify the full range of stakeholder interests in a timely manner and integrate them into its operations. Our relations with stakeholders are constantly evolving and improving. The Company's goal is to ensure effective communication and open dialogue with all stakeholders.

Stakeholder group	Stakeholder engagement tool/channel
Shareholders and investors 	<ul style="list-style-type: none"> General Shareholders Meeting annual report, information brochures and booklets financial statements press releases, mandatory disclosure publications meetings with the Company's management press conferences, presentations, forums corporate website, including the Shareholders and Investors section shareholder surveys query responses, provision of requested documents and information inclusion of independent directors in the Board of Directors to protect shareholders hotline and email
Suppliers and contractors 	<ul style="list-style-type: none"> Invitations to tender for the supply of goods, performance of works, and provision of services supplier and contractor reliability checks one-on-one and online negotiations formalisation of partnership (cooperation contracts and agreements) electronic trading and procurement platform
Customers 	<ul style="list-style-type: none"> Information on services, rates, and schedules available on the Company's website and via email MY.FESCO, customer's personal account single customer support service (call centre) NPS, CSAT, in-depth interviews with key customers, focus groups launch of a Telegram channel negotiations, offline customer events development of personalised transportation and logistics solutions for key customers participation in industry-specific conferences and exhibitions formalisation of contractual relations on-site customer support
Business partners 	<ul style="list-style-type: none"> Negotiations, meetings, presentations participation in conferences, forums and exhibitions membership in industrial unions and associations annual report, financial statements, press releases
Employees 	<ul style="list-style-type: none"> Corporate means of communications, including FESCO's news portal, Telegram channel, and educational webinars mass cultural and sports events personnel engagement surveys regular management meetings target management (KPIs) by-laws: remuneration, benefits and compensations, internal staff rules, personal data, training and development, staff recruitment collective bargaining agreement veteran council trade unions

Stakeholder group	Stakeholder engagement tool/channel
Local communities 	<ul style="list-style-type: none"> Long-term or one-off social, environmental and cultural programmes in the regions of operation partnership projects and programmes in the regions of operation volunteer programmes, projects and campaigns organisation of sociological and other studies, surveys, and focus groups, participation in them PR activities, including dedicated events, workshops, forums and competitions management meetings with representatives of local communities, including managers and employees of non-profit organisations, volunteer movements, social and cultural institutions, representatives of university students and teachers in the regions of operation, school students, teachers and administrative staff, veteran organisations, etc. meetings with officials from government agencies and local authorities in the regions of operation participation in industry-specific, public and other exhibitions, conferences, forums, etc. the Group's corporate websites and social media pages, the websites and social media pages of individual programmes and projects pursued by the Group
Members of professional industrial communities 	<ul style="list-style-type: none"> Membership in industrial unions and associations: <ul style="list-style-type: none"> Eurasian Union of Rail Freight Transport Participants Organisation for Cooperation of Railways Union of Railway Operators Market Association of Commercial Sea Ports Russian Chamber of Shipping International Coordinating Council on Trans-Eurasian Transportation Russian Union of Industrialists and Entrepreneurs (RSPP) Russian Association of Freight Forwarding and Logistic Organisations Public Council of the Northern Sea Route Russian-Chinese Business Council Association of Exporters and Importers Chamber of Commerce and Industry of the Primorye Territory Association of Operators of the Refrigerator Rolling Stock Association of Partners on Coordination and Usage of the Northern Sea Route participation in expert councils establishment of joint coordination committees and task forces participation in conferences, forums, round tables, plenary and strategic sessions
Higher education institutions 	<ul style="list-style-type: none"> Internship offers work in the project management office at the Far Eastern Federal University (FSC – Workflow Management, Accounting) organisation of competitions to select talented students (case championships, brain storms) lectures and master classes from FESCO experts resolution of project-based challenges
Rating agencies 	<ul style="list-style-type: none"> Regular contacts with agency officers information disclosure press releases disclosing financial results publication of financial statements and annual reports conference calls with management
Financial organisations 	<ul style="list-style-type: none"> Disclosures under financial monitoring engagement with analysts and lawyers during Q&A sessions held as part of disclosures monthly and quarterly management meetings with partner banks discussions with analysts and client managers as part of the efforts to manage bank product requests
Government agencies 	<ul style="list-style-type: none"> Participation in the meetings of intergovernmental commissions, their working bodies, and port expert groups; participation in official delegations accompanying Russian vice prime ministers and select ministers on their working visits to the countries where FESCO operates participation in conferences and task forces sponsored by allied associations (the Organisation for Cooperation of Railways, Union of Railway Operators Market, Association of Commercial Sea Ports, Russian Chamber of Shipping, Russian-Chinese Business Council, International Coordinating Council on Trans-Eurasian Transportation, Eurasian Union of Rail Freight Transport Participants, Russian Association of Freight Forwarding and Logistic Organisations, RSPP, Public Council of the Northern Sea Route, etc.) preparation of the Company's responses to requests submitted by government agencies sponsorship of regulatory initiatives on maritime shipments, stevedoring services at ports, container shipment by various means of transport participation in working groups, joint meetings, round tables, conferences, and forums submission of queries and proposals to federal and regional executive authorities interaction with relevant government agencies to obtain permits, certificates, licences, etc. implementation of initiatives for improving intermodal transportation processing procedures in partnership with relevant government authorities

Personnel

FESCO consistently implements its HR management strategy until 2025. The strategy covers all aspects of employer–employee relationships and envisages efforts in the following areas.



Staff acquisition:

- broader youth involvement
- wider geographical outreach and deeper student engagement
- enhanced online visibility in social media and career portals
- automation of the staff recruitment process and development of the employer brand



Staff development:

- corporate university and a shared training system
- talent pool for key positions
- career growth based on intra-Group transfers
- participation in cross-functional projects



Corporate culture and social protection:

- improvements in employee engagement
- enhancement of the employer's social responsibility
- uniform corporate culture
- interaction with trade unions



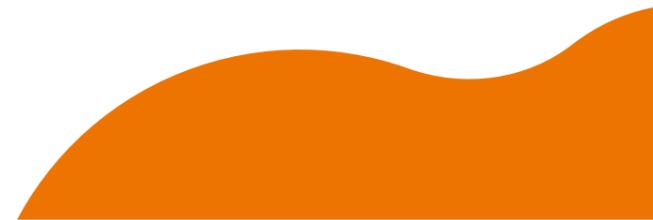
Improvements in the efficiency of HR management processes:

- description of HR processes for their automation
- 40% of processes undergoing automation, 20% of optimisation assignments completed, with more than 380 metrics and relevant calculation methodologies identified
- unification of HR processes increased to 97%, with the automation rate growing to 60%
- development of local regulations based on unified standards (in line with both mandatory labour law requirements and additionally approved criteria to meet specific business needs)
- introduction of electronic workflow in HR processes



Remuneration and incentives, employee benefits and organisational development:

- unified remuneration and incentivisation system
- unified system of employee benefits
- unified system for salary indexation and payroll reviews
- staff performance management system
- unified system for building organisational structures





Thanks to the implementation of strategic personnel management initiatives, FESCO Transportation Group made it to the ratings of Russia's best employers in 2023.

- For example, FESCO confirmed its golden status in Forbes' rating (just like it did in 2022), with the status in the Corporate Governance category upgraded from gold to platinum. Forbes' rating includes 125 companies divided into four groups depending on their score (Platinum, Gold, Silver and Bronze). One of the key social dimensions considered by the rating was implementation by the companies of employee support policies that go far beyond the standard social benefit package. Apart from that, Forbes experts reviewed the companies' staff retention and pay rise efforts, while also assessing their environmental policies and corporate governance quality.
- RBC included FESCO Transportation Group in its Strong Performance list. RBC research covered 166 companies employing over 2 million Russians, with experts from major Russian companies verifying

and suggesting improvements to the applied methodology and criteria. The rating's participants were assessed against the following groups of indicators (each group was assigned a certain weight during the calculation of final results):

- employees and working conditions – an average salary, investments in employee training, availability of a social benefit package, personnel turnover and injury rates
 - business efficiency and innovations – revenue growth, overall business profitability, and investments in business development
 - social responsibility – involvement of the companies in charity projects and their environmental expenses
 - corporate business reputation – lawsuits filed against the company (if any), litigation results, incurred costs, share of government inspections revealing violations
 - employee opinions – personnel satisfaction with salaries, social benefits, and opportunities for career growth and professional development
- According to HeadHunter, FESCO Transportation Group ranked among Top 100 major employers. HeadHunter's research covered 2,266 companies. The rating's participants were assessed against the following groups of indicators (each group was assigned a certain weight during the calculation of final results):
- HR questionnaire – information provided by HR experts of the participating companies to help assess HR functions in relevant companies
 - internally measured employee net promoter score (eNPS) – readiness of the staff to recommend the company as an employer
 - external assessment – opinion of job seekers who choose the companies they would like to work for

Staff composition

In 2023, FESCO's average headcount went up 11.3% YoY to 6,549 FTEs. The increase was driven by the development of new business lines and business growth.

FESCO's average headcount, FTEs¹

Location	2020	2021	2022	2023
Russia	4,897	5,008	5,702	6,313
Asia	146	146	146	202
Europe	48	33	35	34
Total	5,091	5,187	5,883	6,549

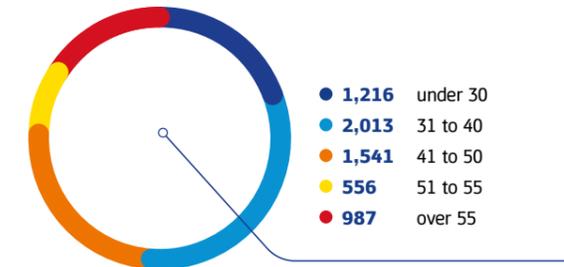
Source: Company data

¹ Full-time equivalent (abbreviated FTE) is the equivalent of full-time employment of company employees, which allows determining the level of employee involvement in the labour process.

6,549 +11.3% YoY
FTEs

FESCO's average headcount in 2023

Personnel structure by age in Russia in 2023, FTEs



Source: Company data

In implementing its HR policy as well as job compensation and social security policy, FESCO strictly respects the laws applicable to employees' rights and freedoms, offers equal opportunities, and guarantees employee protection against any forms of discrimination.

Job level structure by gender in Russia in 2023 (senior executives), FTEs

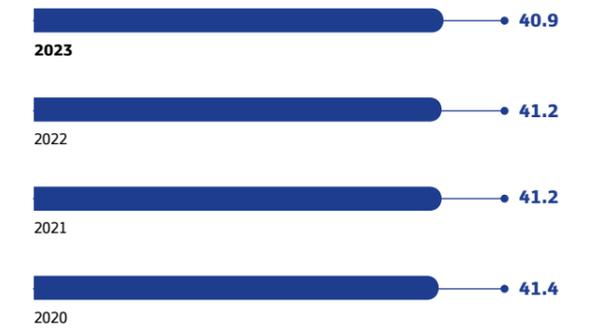


Job level structure by gender in Russia in 2023 (white-collar employees), FTEs



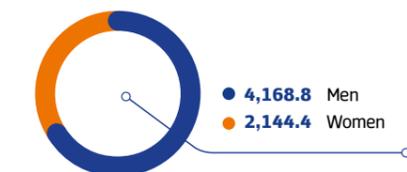
Source: Company data

Average employee age in Russia, years

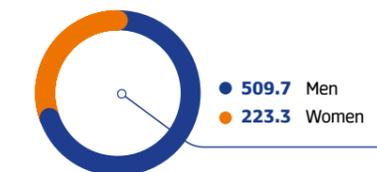


FESCO's employees come from various age groups.

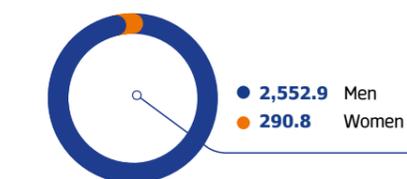
Personnel structure by gender in Russia in 2023, FTEs



Job level structure by gender in Russia in 2023 (executives), FTEs



Job level structure by gender in Russia in 2023 (blue-collar employees), FTEs

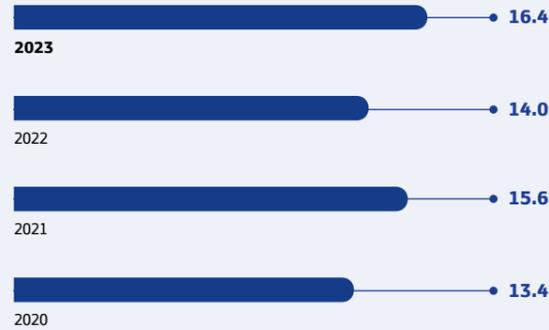


Personnel turnover

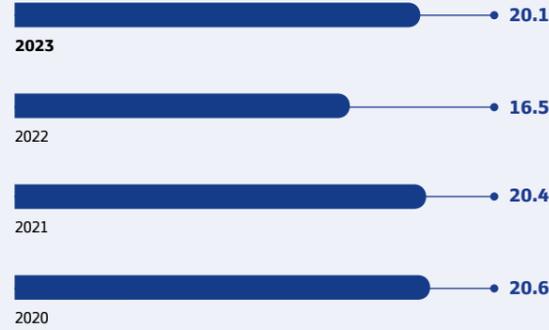
FESCO has an effective HR policy in place and uses a variety of staff recruitment methods, which help it maintain a stable personnel turnover rate in terms of dismissed employees. In 2023, it stood at 16.4%

for voluntary resignations and 20.1% for all reasons for resignation, showing a YoY increase to the level registered back in 2021.

Personnel turnover rate (voluntary turnover), %



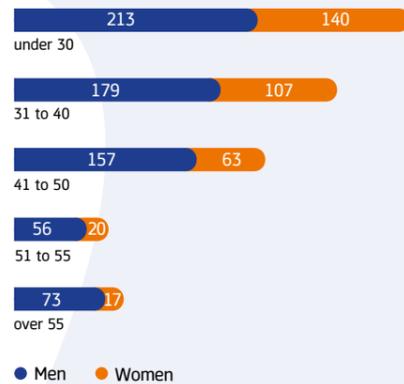
Personnel turnover rate (total turnover), %



Source: Company data

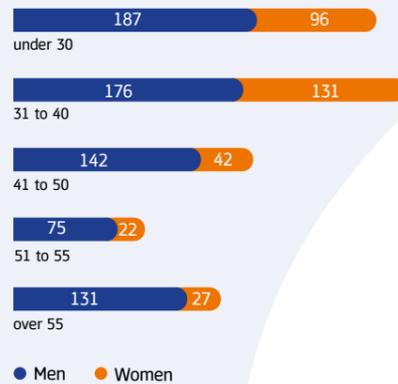
Number of hired and dismissed employees by age group and gender in Russia

Hired in 2020



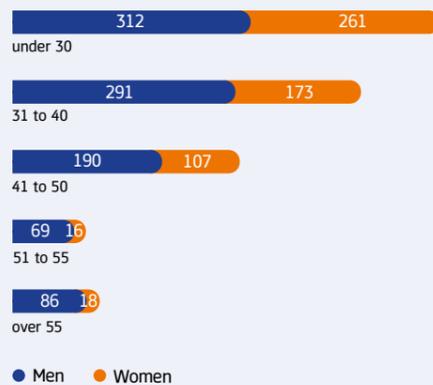
Total
1,025

Dismissed in 2020 (with FESCO's intra-company staff transfers factored in)



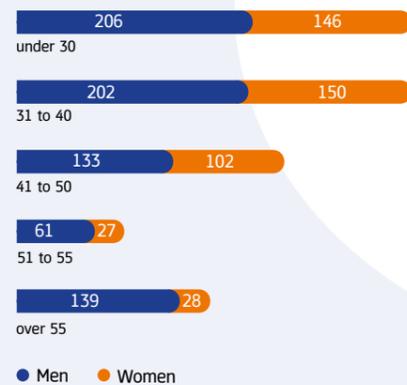
Total
1,029

Hired in 2021



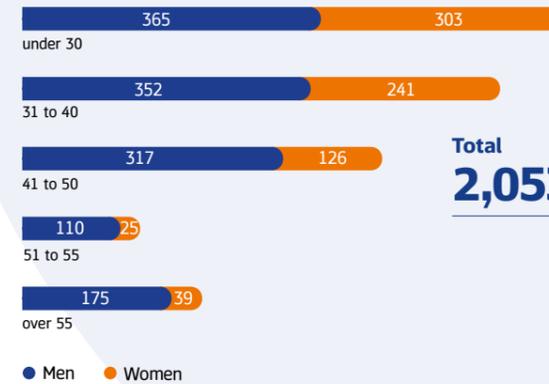
Total
1,523

Dismissed in 2021 (with FESCO's intra-company staff transfers factored in)



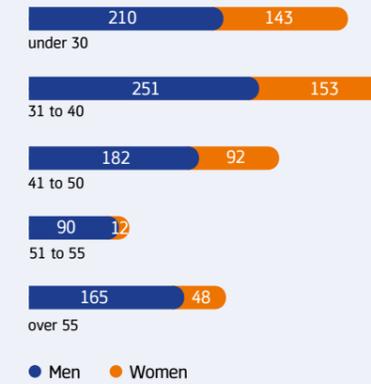
Total
1,194

Hired in 2022



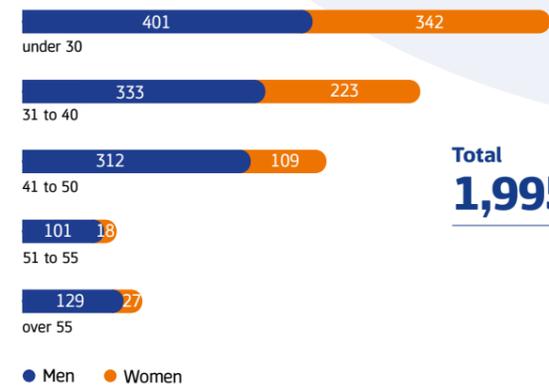
Total
2,053

Dismissed in 2022 (with FESCO's intra-company staff transfers factored in)



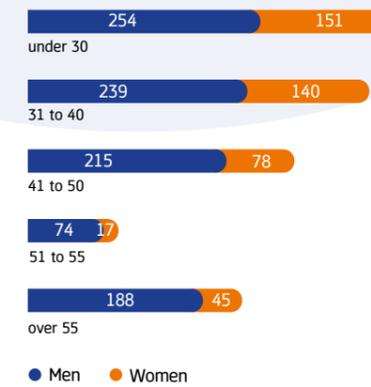
Total
1,346

Hired in 2023



Total
1,995

Dismissed in 2023 (with FESCO's intra-company staff transfers factored in)



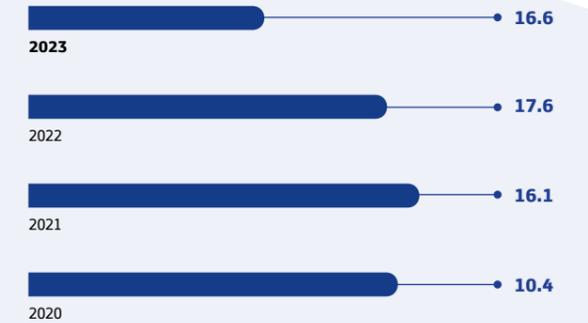
Total
1,401

Source: Company data

Average employee age in Russia as at the employment date, years



Recruitment of young professionals (under 35 years old), %



16.4%
personnel turnover rate
in 2023

Incentives

Financial incentives

FESCO strives to create comfortable working conditions for its employees and provides them with competitive salaries and corporate benefits.

The remuneration system contemplated by FESCO's strategy is focused on increasing transportation volumes and profit margins, improving the quality of cargo forwarding services, and enhancing labour efficiency. The incentive scheme provides for remuneration payment depending on employees' operating and financial performance and personal contribution.

In 2023, FESCO Transportation Group adopted a unified approach to employee incentives and benefits (voluntary health insurance (VHI), business trip and hospitality expenses, mobile telephony and transportation, relocation and training).

Additionally, FESCO approved a unified approach to salary indexation and payroll reviews.

In 2023, income of the Company's employees grew by an average of 18.4% YoY. This increase was driven by progressive annual salary indexations (in the companies covered by a collective bargaining agreement) and payroll reviews in other companies conducted to bring remuneration levels in line with the market average.

Social protection

FESCO provides its employees with social protection and benefits over and above those provided for by the Russian labour laws, which helps increase labour efficiency and performance. All FESCO employees hold VHI policies and can receive free medical care at the country's best healthcare facilities specified in the insurance contract. The VHI programme also covers outpatient care, hospital services, preventive vaccination, dental care, treatment procedures, round-the-clock trauma services, diagnostic testing, healthcare at home, and emergency medical services. VHI policies are made available to all of the Company's employees in the first month of their employment.

> RUB **130** +24% YoY
mln

VHI expenses in 2023

FESCO offers its employees financial aid on special occasions in their life or to help them and their families overcome serious health issues.

> RUB **150** ×2 YoY
mln

financial aid expenses in 2023

FESCO has developed and put in place additional support measures for all of the Group's employees as required by Russian President's Order No. 647 On Declaring Partial Mobilisation in the Russian Federation dated 21 September 2022. These additional support measures include financial aid, and mental health and legal assistance in the form of free psychological and legal consultations for the Group's employees and members of their families more than 18 years old. Financial aid is provided in the following cases

- one-off payment upon the mobilisation of an employee – RUB 100,000
- one-off assistance to pay for the mobilisation outfit and accoutrements – RUB 200,000
- average salary payments for the entire mobilisation period
- one-off payment upon the completion of mobilisation service – RUB 300,000
- one-off assistance to pay for health resort treatment upon the completion of mobilisation service – RUB 100,000
- one-off payment in case of minor injuries – RUB 500,000
- one-off payment in case of severe injuries – RUB 1 million
- one-off payment in case of decease of the mobilised employee during military service – RUB 3 million

Total social expenses in 2023 exceeded RUB 530 million (a 2.5x increase YoY), with a significant portion allocated to support mobilised employees of FESCO

Furthermore, we launch regular charity initiatives for our employees, including those centred on clothing collection boxes, blood donor days, and first aid and tactical medicine courses.

Staff recruitment and acquisition

In 2023, FESCO actively worked to enhance its HR brand as an employer, which had a positive effect on the recruitment funnel conversion. The total number of responses to job vacancies posted on work search websites increased by 10%, with loyalty growing among the potential candidates.

As part of process automation, for recruitment purposes the Company transitioned to an automated candidate management system, which was later integrated into internal corporate systems. The new system covers all recruitment stages – from managing job requisitions to hiring the candidate. Additionally, the assessment of recruitment performance was automated, which helped track process effectiveness, increase the loyalty of hiring managers, and make the hiring process more transparent.

By the end of the reporting year, hiring managers fully met their young talent acquisition targets thanks to the active participation of recruitment staff in youth forums and case championships. During these events, our staff selected the best graduates with relevant backgrounds to eventually offer them employment.

In 2023, personnel recruitment efforts covered 13 Russian regions and four foreign countries. Compared to the previous reporting period, the number of job requisitions increased by 11%, with the number of filled jobs rising by 9%. The average time to fill vacancies decreased by two days.

Job requisitions

Indicator	2021	2022	2023
Job requisitions received	1,193	1,655	1,839

Source: Company data

Requisition fulfilment by category

Indicator	2021	2022 ¹	2023
Commercial personnel	49	145	206
Blue-collar employees	65	413	412
Middle management	42	622	770
Top management	58	28	29
Total requisition fulfilment speed, days	49	39	37

Recruitment of young professionals

In 2023, FESCO launched Young Talent Engagement and Cooperation with Educational Institutions, a new function seeking to:

- staff FESCO Transportation Group with qualified personnel, including rejuvenation of the workforce
- attract young professionals from universities and vocational schools in the regions of operation, including through internships, apprenticeships and employment
- provide career guidance for schoolchildren in the regions where FESCO operates



> RUB **47** mln
staff acquisition costs in 2023
(flat YoY)

¹ Taking into consideration automated calculations introduced in 2022.

FESCO's youth policy has four focus areas:



Cooperation with universities and vocational schools. Engagement with existing students and young talents to get them work in FESCO Transportation Group

Partnerships were established with the following Russian universities:

- Far Eastern Federal University (Vladivostok);
- Admiral Nevelskoy Maritime State University (Vladivostok)
- Vladivostok State University (Vladivostok);
- Far Eastern State Technical Fisheries University (Vladivostok)
- Siberian Transport University (Novosibirsk);
- Siberian State University of Water Transport (Novosibirsk)
- Novosibirsk State University of Economics and Management (Novosibirsk)
- Admiral Makarov State University of Maritime and Inland Shipping (St Petersburg)
- Saint Petersburg State University of Economics (St. Petersburg)
- Higher School of Economics (Moscow)
- Russian University of Transport (MIIT) (Moscow)
- Financial University under the Government of the Russian Federation (Moscow)
- Kutafin Moscow State Law University (Moscow)
- Kazan Federal University (Kazan)

FESCO joined forces with the Far Eastern Federal University to deliver on the following initiatives:

- three case championships in economics held
- over 15 projects developed jointly as part of dedicated project activities
- Sea Inside co-working space established
- project management office launched in Building G, enabling students to gain practical experience and help businesses in addressing production challenges
- Company-branded classroom opened

Collaboration with universities is structured around four areas:

development of professional skills in students:

- apprenticeships
- internships
- employment
- involvement in projects
- work in a project management office (Far Eastern Federal University)

science and education:

- teaching
- workshops
- conferences
- open lectures

social and sponsorship support:

- classroom renovations
- establishment of public creative spaces (co-working spaces)
- assistance in maintaining administrative and household property

selection and assessment of students for future employment in FESCO Transportation Group

- case tournaments
- project activities
- participation in the state examination boards

FESCO also actively engages with educational institutions in Vladivostok and Novosibirsk to offer their graduates internships in FESCO Transportation Group.



Career guidance and industry promotion

Engagement with school students and graduates to help them choose their future profession and to raise awareness about opportunities offered by the Primorye Territory and the Russian Far East.



Industry ambassadors

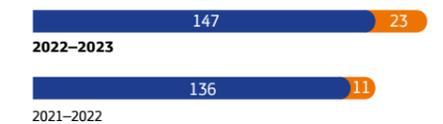
Transfer of practical professional knowledge to students and professors, development of communication between educational institutions, industry representatives and FESCO.



Social and sponsorship support for key educational partners



2023 saw an uptick in the number of hired graduates.



● Students who completed an apprenticeship and/or internship
 ● Graduates hired

Personnel training and development

In 2023, the training and development function gained further traction, as the Company unveiled FESCO Academy, a corporate structure combining several key aspects, including adaptation, training and development, assessment and talent pool, mentorship, and succession management.

Key objectives of the Academy are to centralise the training function, and to digitalise and automate all personnel development processes. In March 2023, the Company's new corporate educational platform entered an active phase. Employees can choose the courses, books, and interviews they are most interested in, with topics ranging from personal effectiveness, conflict management and governance to mastering new software packages and more. In less than 9 months, over 2 thousand people completed various courses on the platform.

In addition to asynchronous learning where the student interacts with pre-recorded materials, the Academy also actively develops synchronous formats (face-to-face and online). The Academy's methodologists monitored current processes to build several portfolios of programmes meeting a wide variety of business needs. These portfolios include Service Academy,

Leadership Academy, and Sales Academy, each offering its students training sessions, workshops, and live streams. From August to December 2023, 437 people completed training under the Academy's internal programmes. The Company also introduced internal coaching, with coaches hosting regular events in Moscow, St Petersburg, Vladivostok and Novosibirsk.

In addition to building its own pool of coaches, the corporate Academy expands cooperation with the country's leading business schools and universities to offer FESCO's employees best-in-class educational solutions. One of such partnerships with the Institute of Business Studies under the Russian Presidential Academy of National Economy and Public Administration resulted in the launch of corporate mini-MBA programme Development of Managerial Skills.

The drive towards centralisation enabled us to extend changes to the fleet staff training programmes. We launched document digitisation projects and introduced system improvements to track expiration dates of mandatory certificates in the real-time mode, provide training in a timely manner, and monitor trainee performance more efficiently. In addition to providing compulsory training required by applicable laws,

the Academy launched regular educational events for sharing experiences and discussing operational targets.

We use neural networks to produce some of the educational content: image selection and processing, summarisation of texts (including technical ones), and development of verification cases and assignments are all partially or fully delegated to generative artificial intelligence. This significantly reduces time inputs and costs.

The educational centre at the Commercial Port of Vladivostok also leverages new opportunities offered by artificial intelligence. In 2023, the centre is expected to digitise educational and methodological materials in key training areas, with neural networks helping to process images, structure materials, and quickly gather the required information. In 2023, the educational centre's programmes were accessed 11,250 times.

The internal expertise built as part of the personnel training and development process does not prevent the Company from engaging external providers. FESCO employees attend conferences, seminars, training sessions and practical workshops, while the corporate Academy helps select the best available solution and process structure. In 2023, we processed 322 training requests for 1,338 employees.

The applied nature of selected subjects and an opportunity to put the acquired knowledge into practice are important aspects of the training process. In 2023, to further enhance the learning process, the Academy set up an assessment unit designed to build core corporate competencies, develop profiles for different job categories, and find solutions for automating both the assessment process and issuance of recommendations in the form of individual development plans. By the end of 2023, more than 250 people completed assessment, with profiles for several competency categories and an approach to drafting recommendations developed.

In 2023, personnel development expenses rose 3.5 times YoY to reach approximately RUB 70 million.

Training sessions

30 internal training sessions

40 training days

320 training hours

285 attendees

75 absentees

Online training

4,290 employees registered on the platform

3,587 courses completed

762 students who completed the courses

Training on request

322 requests in total

1,338 students in total

488 students enrolled at Skyeng (online English school)



Corporate culture

Sports

At FESCO, we view sports as an element of our corporate culture, as they have a positive impact on employee performance primarily through the development of teamwork skills. Group companies provide all the basic opportunities for employees wishing to practise sports.

VMTP has built a fully-equipped gym offering its staff group and individual training sessions run by male and female coaches. In addition to the fitness facility, the gym has a sauna and a Turkish bath. Port workers can visit a swimming pool and attend volleyball, basketball, futsal, hockey, jogging and wrestling classes for free. Furthermore, VMTP hosts friendly Russian bench press, table tennis and ice hockey competitions.

Thanks to the promotion of sporting activities, the Company has its own sports teams: VMTP Tigers (basketball), Port Worker (football), and VMTP Sharks (hockey). Employees participate (including as part of the above teams) in various sports competitions of the Primorye Territory – winter and summer business spartakiads, the Interregional Amateur Basketball League, Alternative Hockey League of the Primorye Territory, Hockey Federation Cup of the Primorye Territory, Open Futsal Championship of Vladivostok,

Open Football Championship, etc. – and win different awards. FESCO's employees also take part in sports marathons such as Vladivostok Bridges and Hero Race.

In 2023, Vladivostok hosted a total of 12 sports events attended by over 700 people.

Other Group companies also invest a lot of effort into promoting sports:

- the Moscow office has organised regular football, hockey and yoga drills for FESCO employees;
- the St Petersburg office offers regular football drills.

More than 400 employees took part in the Hero League events – Hero Race and ZaBeg.

Cultural and corporate events

In 2023, 5,872 employees from 21 cities attended the FESCO Time corporate fest. Vladivostok hosted more than 40 events bringing together over 4,000 people. 6,000 employees were given gifts on special occasions. Additionally, all children of employees under the age of 14 received New Year gifts from the Company.

> RUB 10 ^{+35% YoY} mln

corporate sports expenses in 2023

> RUB 140 ^{x5.5 YoY} mln

expenses on cultural and corporate events in 2023

Trade unions

FESCO's trade unions are represented by six shop-floor trade unions consolidated into regional trade union organisations of Vladivostok and the Primorye Territory and forming part of three public organisations: the Primorye Territory Public Organisation of Sea Port Workers of the Russian Dockers' Union, the Water Transport Workers Union, and the Russian Seafarers' Union which is affiliated with the International Transport Workers' Federation.

In their activities, the trade unions of dockers and seafarers represent and protect the rights and legitimate interests of the trade union members in matters associated with labour relations and coordination of the trade union organisations' efforts to protect trade union members' individual and collective social, labour, professional, and other related rights and interests.

In 2023, more than 30% of all FESCO employees were trade union members, with management accounting for circa 25% of such members and blue-collar staff for 75%.

In 2023, the trade unions provided social support to trade union members and their families in the following areas:

- financial support (in connection with illness, death, child birth, marriage registration, employees' anniversaries, retirement, as well as for families with multiple children and those raising disabled children)
- presenting letters of acknowledgement to 224 trade union members for their professionalism and proactive attitude during a special ceremony, and offering them commemorative gifts on the occasion of their birthday
- awarding distinguished trade union members on the occasion of the Port Day with honorary diplomas and gift certificates
- offering legal assistance to 64 trade union members, including legal advice and document processing
- providing assistance to 26 trade union members in filling out the 3-NDFL form for tax deductions

- compensating the cost of tickets for children's New Year events (circus, theatre, morning performances, New Year's shows, and performances with entertainers), with compensations paid for 186 children of trade union members
- staging 105 corporate events for members of the VMTP trade union as a way to foster team spirit
- organising a tennis and chess tournament to mark the Defender of the Fatherland Day
- congratulating female trade union members on the International Women's Day and giving them sweets as a gift
- handing out Samberi gift cards and souvenir products to veteran home front workers in honour of the Victory Day
- holding Port of My Dreams, a creative drawing and craft competition, on the occasion of the Children's Day, and handing out gift certificates to 1,540 children of trade union members on the Knowledge Day
- corporate events staged by the Russian Union of Dockers for 200 trade union members on the Day of Sea and River Fleet Workers: a rafting getaway on the Partizanskaya River and an excursion to the Valley of Atlantis
- arranging visits to the Gorky Theatre for over 1,000 trade union members, and organising excursions with experienced guides to the Benev Waterfalls for more than 100 members
- holding a clean-up day at Regional Children's Hospital No. 2 in partnership with VMTP

The trade unions maintain an ongoing and constructive dialogue with the employer – FESCO Group. In 2023, the following amendments were made to collective bargaining agreements.

- The collective bargaining agreement of VMTP:
 - provisions on financial assistance in case of an employee's decease were amended to reflect the Group's unified approach
 - provisions on financial assistance in case of a child birth were amended to reflect the Group's unified approach
 - Regulations on Indexation were adopted as an appendix to the collective bargaining agreement
 - the amount of disability benefits was modified (the amount was fixed in hard monetary terms by eliminating ties to the statutory minimum wage)
 - age range was modified for jubilee payments



- compensation of health resort treatment packages was modified
- the list of companies included in the Single Stevedore project was expanded to calculate the previously omitted compensations payable to employees departing due to retirement
- provisions were added on one-off compensation of moral harm caused to the health of employees as a result of a workplace accident or occupational disease
- provisions on remuneration, bonuses and corporate awards were taken out from the collective bargaining agreement and added to local regulations as a way to align the collective bargaining agreement with FESCO's general approaches
- payments made to employees before their annual paid leaves subject to their employment record were cancelled, and payments due to employees of Vladportbunker were raised as follows: starting 1 January 2024, the basic salary and hourly tariff rate will increase by RUB 625 and RUB 3.79 respectively
- employee payments on the occasion of the Defender of the Fatherland Day, International Women's Day, and the Day of Sea and River Fleet Workers were cancelled
- The collective bargaining agreement of FESCO's Vladivostok branch:
 - the cost of daily seafarer diet and food compensations payable to crew members on auxiliary ships were increased by 30%
 - the insurance amount paid to beneficiaries in case of decease of the insured person or for any other reasons not specified in the collective bargaining agreement was increased from RUB 16,000 to ten minimum wages, with the insurance company undertaking to pay said amount under respective personal accident insurance contracts
 - the maximum amount paid to compensate the cost of trips to children's stationary recreational camps and health resorts was increased from RUB 8,000 to RUB 10,000 per each child of an employee (up to 14 years old inclusive)
 - as part of the efforts to align remuneration approaches across Group companies, FESCO introduced additional payments for the employee's lost-time injury days (no more than five working days per calendar year)

FESCO Council of War and Labour Veterans

FESCO finances the Council of War and Labour Veterans. The funds allocated in 2023 were used as follows:

- financial assistance provided in connection with illness and costly medical treatment, including for the purchase of medications, dental treatment and prosthetics
- partial compensation of funeral costs to the families of deceased veterans
- operations of the Council of War and Labour Veterans
- jubilee payments
- one-time financial assistance paid on the Victory Day, on the Day of Sea and River Fleet Workers, and to the widows of deceased sailors



RUB 7,840 +20% YoY **thousand**
 support for the Council of War and Labour Veterans in 2023

Human rights policy

FESCO's human rights policy aims to ensure respect of human rights and freedoms enshrined in Russian law, the Universal Declaration of Human Rights adopted by the UN General Assembly, and other international regulations. FESCO views its commitment to human rights in all aspects of the Company's activities as a fundamental principle underpinning the effective structuring and implementation of the human rights policy.

Key principles of FESCO's human rights policy

- Non-discrimination. The Company respects cultural diversity and individual differences among employees, and prohibits all forms of discrimination, including by gender, nationality, language, social background, age, religious beliefs, and others. The Company strives to participate in the social and political life of local communities in the regions of operation, and treats people in a fair and just manner.
- Prohibition of child and forced labour. The Company's employees work on a voluntary basis, they are familiar with the working conditions and receive regular wages. The Company upholds children's rights, taking a zero tolerance approach towards child labour.
- The Company guarantees people dignity and equality by preventing all forms of persecution and violence and taking appropriate response measures.
- Official employment and personnel decisions guided by legal and objective criteria such as employees' knowledge and skills.
- Decent, competitive, and fair remuneration that meets or exceeds the statutory minimum wage requirements; equal pay for equal work, taking into account salary differences across regions.
- Compliance with all regulatory requirements on working and rest hours, commitment to minimising overtime work (in situations where it is not required by production needs) and to ensuring appropriate compensation.
- The Company provides equal access to social guarantees, benefits, and training opportunities to all stakeholders to help them maintain sufficient living standards necessary for health, well-being, and improvements in life quality.
- Effective communication between employees and management, respect for freedom of association and collective bargaining, timely notification of employees about changes that might affect them.
- The Company takes a responsible approach to respecting the rights and addressing the issues related to the well-being of local communities and indigenous peoples in the areas of operation. It also collaborates with relevant government authorities and respects residents of the areas where it operates.

Code of Corporate and Business Ethics

FESCO vigorously supports and strictly respects employment regulations and employees' rights and freedoms, offers equal opportunities, and guarantees employee protection against any form of discrimination. FESCO's ethical conduct rules apply to employee relations through its Code of Corporate and Business Ethics, which states that the Company has no work limitations based on gender, ethnic origin, religion, or any other grounds or circumstances unrelated to employees' business qualities.

The Company follows the principles of an honest, fair, and open policy in respect of both its own staff and external counterparties:

- promoting open attitudes in business communication

- ensuring workplace management conducive to effective teamwork and employees' satisfaction with their job
- creating and maintaining a stable favourable moral environment for personnel to ensure an open exchange of opinions facilitating efficient implementation of tasks assigned and to unlock staff members' potential
- creating conditions for staff training and skill enhancement

The Code of Corporate and Business Ethics applies to staff relations with external counterparties.

Occupational health and industrial safety

Occupational health and environmental, industrial and fire safety are a priority in FESCO Group's internal policy.



In 2023, in line with the amended Occupational Health and Safety Management System Regulations, the Company updated its Occupational Health and Industrial, Environmental and Fire Safety Policy (fundamental document reflecting FESCO's position on safety of operating processes), adopting ten vital rules.

1. I never turn up for work under the influence of alcohol, intoxicants or drugs, or when feeling ill.
2. I always move around following safety rules, notice and eliminate unsafe conditions/situations, and stop unsafe actions.
3. I do not leave unattended and I properly store/use explosive and fire hazardous materials, I do not smoke or start fires in inappropriate places.
4. I never stand under a suspended load / in an area where machinery is operating.
5. I understand what kind of work can be hazardous and I never start without a valid work permit and briefing.
6. I always use personal and collective protective equipment while working, including seat belts in the car.
7. I always check isolation/lockouts of all sources of hazardous energy of machinery and equipment before starting work.
8. I do not use communication devices or take my eyes off the road while driving, nor do I break the speed limit.
9. I take measures to protect myself from falling from heights.
10. I am responsible for my own safety!

FESCO Group's key principles and commitments in occupational health and safety:

- full compliance with Russian laws and international treaties entered into by Russia in the areas of occupational health, environmental, industrial and fire safety
- priority of the health and lives of employees over operational performance
- continuous improvement of the occupational health and safety management system
- set of preventive measures to avoid occupational injuries and diseases
- safe working conditions that meet today's requirements and expectations
- strong corporate safety culture
- mitigation of accident risks at hazardous production facilities

In 2023, the following regulations were developed and updated in pursuance of our Occupational Health and Industrial, Environmental and Fire Safety Policy:

- Investigation and Keeping Records of Workplace Accidents
- Qualification Requirements in Occupational Health, Environmental, Industrial and Fire Safety Mandatory for Suppliers, Service Providers and Contractors
- Industrial Safety Risk Management and Organisation of Process Control
- Management of Material Environmental Aspects and Organisation of Industrial Environmental Control
- FESCO Group's Management System in Occupational Health, Environmental, Industrial and Fire Safety
- Procedures for Hazard Identification, Occupational Risk Assessment and Management

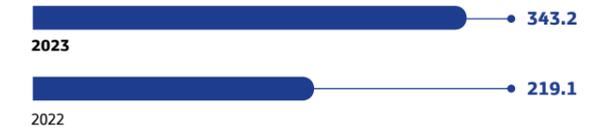
The Company developed and approved the Regulations on the Procedure for Technical Investigation of Root Causes of Accidents and Incidents Involving Vehicles and Lifting Equipment (Mechanisms).

To deliver against its occupational health and safety targets, the Group completed the following activities in 2023:

- carried out a special assessment of working conditions that covered 836 new workplaces
- assessed professional risks at 54 workplaces
- engaged in on-site control over compliance with sanitary rules and regulations, hygienic requirements, and sanitary and anti-epidemiological (preventive) measures at 740 workplaces
- arranged for mandatory medical check-ups for 2,062 employees
- provided personal protective equipment, detergents and decontaminants to 2,882 employees
- as at the end of 2023, recorded a headcount of 2,090 employees working in harmful and/or hazardous conditions
- in 2023, provided RUB 171.5 million in guarantees and compensations that employees are eligible for under the Russian Labour Code

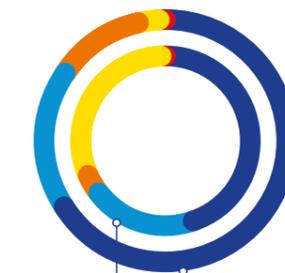
In 2023, FESCO Group achieved a total of RUB 5.5 million savings of insurance payments towards mandatory social insurance as per the Rules for Financing Preventive Measures to Reduce Occupational Injuries and Diseases (approved by Order No. 467n of the Russian Ministry of Labour and Social Protection dated 14 July 2021) by having its expenses reimbursed by the Russian Pension and Social Insurance Fund.

Occupational health and safety expenses, RUB mln



Source: Company data

Measures taken in 2023



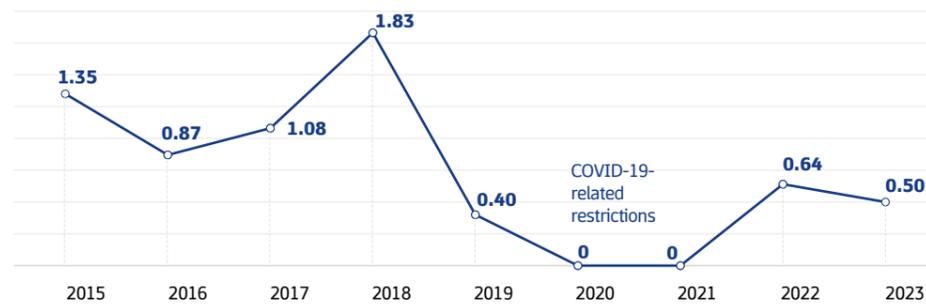
Category	2022	2023
Sanitary and hygienic measures	98	226.1
Provision of PPE	43.2	64.2
Process and technical measures	8.7	41.1
Organisational measures	67.4	9.0
Employee training in occupational health	1.8	2.8

Source: Company data

- Organisational measures include special assessment of working conditions, on-site control, professional risk assessment, occupational health and safety activities, medical check-ups, and vaccination.
- Process and technical measures refer to equipment and power control systems, street lighting improvement, provision of personal and collective protective equipment, and use of anchor lines.
- Sanitary and hygienic measures relate to lighting available in workplaces and places for employees to warm up and eat, disinfection and disinsection, medical check-ups and examinations, and on-site control.
- Employee training in occupational health and safety includes education, awareness raising, equipment of health and safety classrooms, and upgrades of training materials, including based on VR technologies.
- Provision of personal protective equipment means provision of protective clothing and footwear and other personal protective equipment.

In 2023, FESCO reduced its lost time injury frequency rate (LTIFR) from 0.64 to 0.50 YoY.

Changes in LTIFR



Source: Company data

Comparative LTIFR performance

Indicator	2022	2023
Port Division	0.26	0.51
Rail Division	0	0
Liner and Logistics Division	0	0.49
Shipping Division	2.94	1.48
Fuel Division	0	0
FESCO Group (average across divisions)	0.64	0.50

Source: Company data

Digitalisation in HSE, industrial and fire safety

To reflect industry best practices and rely on the latest achievements in R&D and technology, FESCO Group as part of its digital transformation efforts started the first stage (survey of internal systems and processes) of rolling out an automated HSE, industrial and fire safety management system to standardise processes and documents, provide for accurate planning, reduce the share of routine operations, mitigate administrative impact risks, and improve employee performance.

Integration of the HSE, industrial and fire safety management processes into the Smart Port project will help track and prevent risks of incidents and accidents in operations and hazardous areas while also reducing the risk of human error when engaging in high-hazard operations.

The new system will cover automation of processes in organisation and management of occupational health, environmental, industrial and fire safety.

Environment and energy efficiency

In line with FESCO Group's mission to offer the best logistics solutions, we recognise that our customers want and need to see our carbon footprint minimised, and respond to that.

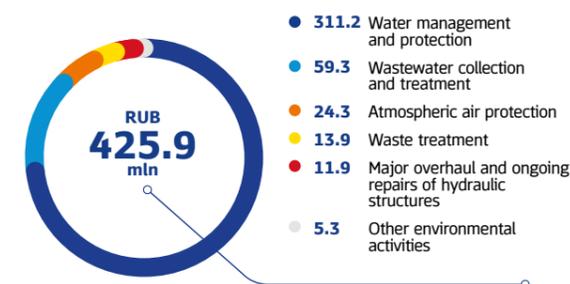
To stay true to sustainable development principles, FESCO is reducing the carbon footprint of cargo transportation and handling, with a focus on digitalisation and solutions that ensure unbiased monitoring of energy consumption and the state of the environment.

Carbon footprint reduction and preservation of marine biota are FESCO's key goals in the environmental protection domain.

As part of our commitments to the state and the public, we take the following steps in every region where we operate:

- install and upgrade treatment facilities (to guarantee that water returning into the environment is safe and meets all the applicable quality criteria)
- on an ongoing basis, monitor noise levels at control points in adjacent housing premises during the day and at night
- engage in continuous environmental monitoring of atmospheric air at the production sites and at the borders of sanitary protection zones (data received from monitoring devices is then quickly made available on a dedicated website of the Primorye Territory Division of the Federal Service for Hydrometeorology and Environmental Monitoring)
- analyse marine biota (organisms that live in the same habitat), including examinations of the state of aquatic biological resources near FESCO's sites
- analyse bottom sediments in the waters of the Golden Horn Bay to control potential contamination resulting from VMTP's operations

Environmental safety expenses, RUB mln



Source: Company data

2,724 t 886 t down YoY
waste generated at FESCO's facilities in 2023

69%
waste sent for treatment, neutralisation, and recycling

FESCO prioritises separate waste collection and sorting in order to have it recycled and reused.

Waste management process	Hazard class, tonnes				
	I class	II class	III class	IV class	V class
Waste generated during the year	0.2	0.3	195.3	407.7	2,120.4
Waste transferred to the regional operator	0	0	0	76.4	0
Waste transferred for neutralisation	0	0	117.2	76.2	1.9
Waste transferred for recycling	0.2	0.3	78.2	64.5	222.0
Waste transferred for disposal	0	0	0	190.6	588.2
Waste transferred for treatment	0	0	0	0	1,308.3

In line with existing environmental laws and regulations and sanitary and hygienic requirements, FESCO has temporary waste storage facilities in place.

We engage in consistent efforts to reduce our waste generation.

Key provisions governing the safety and quality of the environment and environmental protection are set out in FESCO's Occupational Health and Industrial, Environmental and Fire Safety Policy. It applies to all branches, standalone and structural units within FESCO Group, as well as its subsidiaries and affiliates.

To implement the Policy's priorities, the Company has in place the 087-02-09-2022 environmental management system (EMS), which covers documented procedures, plans, SOPs, internal, external and regulatory inspections, self-assessment, and management analysis exercises.

In 2023, environmental watchdogs identified no violations of applicable Russian regulations by FESCO to result in any fines.

FESCO was awarded the Leader (AAA) level under the national standard Index of Business Reputation of Companies (EPS Rating), ranking 26th in the overall rating and fourth in the Transport and Storage sector, with the maximum score awarded for the Environment factor.

For 2023, FESCO Transportation Group ranked 69th in the ESG rating, climbing up 30 positions compared to the previous year.



In 2023, inspections confirmed that FESCO Group complies with the requirements of Eurasian Economic Commission certification under the following standards:

GOST R ISO 9001-2015 (ISO 9001:2015) Quality management systems. Requirements, GOST R ISO 14001-2016 Environmental management systems. Requirements with guidance for use and GOST R 54934-2012 / OHSAS 18001:2007 Occupational health and safety management systems. Requirements.

Reduction in greenhouse gas emissions

In 2023, FESCO continued active efforts to implement mechanisms that aim to decrease greenhouse gas (GHG) emissions, including through reductions in fuel and energy consumption.

Through the reduction of specific GHG emissions generated by FESCO Group's operations, we managed to achieve a relative reduction in GHG emissions of 10.7 thousand tonnes of CO₂-e, or 2.4%.

FESCO Group's Energy Policy

Aware of the role of FESCO in the Russian market for transportation and logistics services, shipments in the Far East leveraging international sea routes and rail network to/from Asia and domestic sea lines, the management of FESCO Group considers energy saving and energy efficiency improvement measures to be among the key priorities in what we do.

In 2023, FESCO received its first ever group certificate for compliance with the international standard (ISO 50001:2018) and its Russian equivalent (GOST R 50001-2023) Energy management systems – Requirements with guidance for use.

The Energy Policy is the basis for FESCO Group to analyse and set its energy goals and objectives and to select prioritised and highest potential energy saving and energy efficiency improvement measures.

This was made possible by consistent efforts to set up FESCO's energy management system and prepare for a certification audit:

- FESCO Group's Energy Policy was updated;
- job descriptions of responsible employees were reviewed and improved
- a procedure was approved for internal audits of the energy management system, with relevant internal audits carried out across the Group's facilities
- the Energy Analysis Methodology was updated, with the energy analysis procedure examined
- a procedure was approved for FESCO Group's management to analyse the energy management system

Following the audit of the energy management system at FESCO Group's facilities, an internationally accredited certification body produced a positive opinion and issued certificates to that effect.

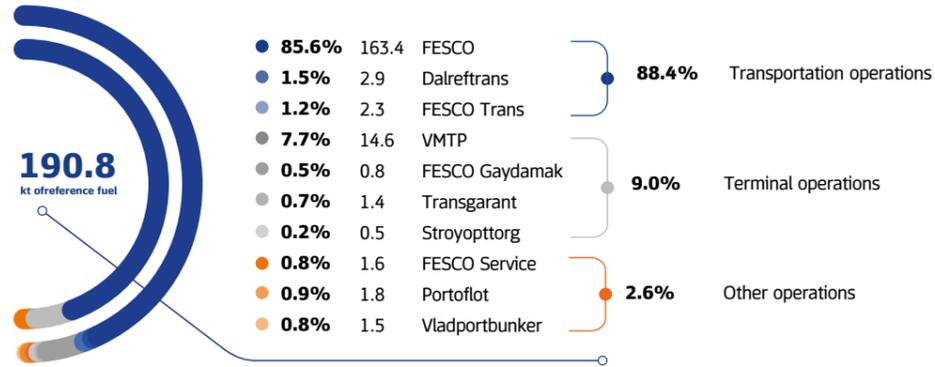


Energy consumption

At FESCO Group, fuel and energy resources are mainly consumed in transportation operations, with fuel used in cargo transportation by sea, road, and rail (refrigerated transportation), and in terminal operations, where fuel is required for the handling of container and non-container cargoes at VMTP and other terminals.

In 2023, FESCO Group consumed a total of 190.8 thousand tonnes of reference fuel, of which transportation and terminal operations accounted for 88.4% and 9.0% respectively.

Fuel and energy consumption across all types of operations (broken down by FESCO Group facility), kt of reference fuel, %

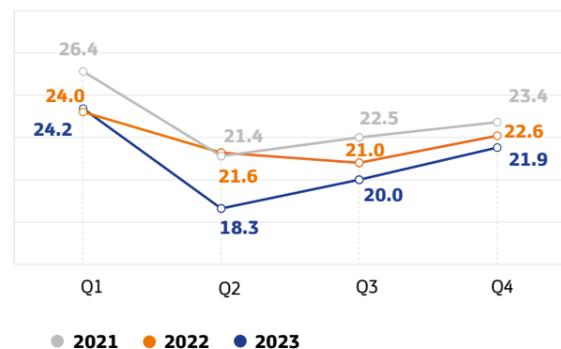


Source: Company data

In 2023, we started developing a corporate automated system for fuel and energy consumption, which is to be integrated with related information and production systems of FESCO Group's facilities.

The scale of reduction in specific consumption of fuel and energy associated with FESCO Group's operations proves that we are on the right track with the measures we implement.

Changes in energy intensity of terminal operations, kg of reference fuel per HCC

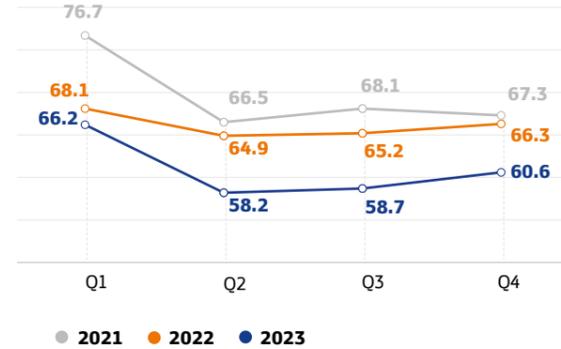


Source: Company data

Energy intensity of container handling at FESCO Group's terminals stood at 21.1 kg of reference fuel per HCC in 2023, which is a 5.5% reduction YoY.

Energy intensity of cargo transportation by sea for 2023 was down by 3.5% to 63.7 kg of reference fuel per mln DWT miles*10⁻¹.

Changes in energy intensity of cargo transportation by sea, kg of reference fuel per mln of DWT miles*10⁻¹



Source: Company data

Key energy intensity metrics for FESCO Group's operations

Indicator	Fuel consumption, kt of reference fuel		Energy intensity of operations, kg of reference fuel / volume of operations		Energy intensity YoY change, %
	2022	2023	2022	2023	
Terminal operations					
including container cargo handling	13.10	13.13	22.3	21.1	(5.5)
non-container cargo handling	4.08	3.45	7.67	7.64	(0.4)
Transportation operations					
Cargo transportation by sea	126.8	157.1	66.1	63.7	(3.5)
Cargo transportation by road	2.3	2.4	44.2	42.9	(2.9)
Cargo transportation by rail (refrigerated containers)	2.9	2.9	133.7	138.9	3.9

Energy saving activities

In pursuance of its Energy Policy, FESCO Group developed the Energy Saving and Energy Efficiency Improvement Programme for 2023, which describes organisational and technical initiatives planned by the Group in this area.

The Energy Saving Programme includes activities with the following focuses:

- improvement in the efficiency of resource use in shipping operations
- improvement in the efficiency of resource use in heat generation facilities and other heat supply system facilities
- improvement in the efficiency of resource use in the maintenance of buildings and structures
- improvement in the efficiency of resource use in operations of loading and unloading, special and motor transport vehicles and equipment
- improvement in the efficiency of resource use in railway operations
- improvement in energy efficiency of lighting systems
- improvement in the efficiency of resource use in operational processes

5.7 vs 5.3 kt target
kt of reference fuel

total fuel and energy savings driven by the Energy Saving and Energy Efficiency Improvement Programme in 2023



Savings

3.3 kt
Marine fuel



0.9 mln kWh
Electricity



344 thousand l
Diesel fuel



200 t
Heating oil



As part of the Programme, heat supply facilities at VMTP were switched from an oil-fired boiler house to city-level heating grids following the construction of a new cutting-edge automated central heating station with weather compensation. We also upgraded in-port heating grids and installed heat metering devices as delivered to consumers. In 2023, the efficiency of these measures expressed as the energy equivalent averaged 28% YoY.

At 11 container handlers, the lighting system was replaced with LED options. A pilot project was implemented to convert light towers at VMTP to LED lights with a light dimming technology. The project showed that in addition to more uniform illumination, the new solution helped reduce electricity consumption per light tower by more than 50%.

As part of a project to convert in-port equipment to electronic waybills, a fuelling station located at VMTP was mothballed. Instead, three automated containerised fuelling stations were installed at the port. All loading and unloading equipment and terminal tractors have the GLONASS positioning system that monitors their diesel fuel consumption.

FESCO continued to implement Smart Ship Viewer, a comprehensive system for monitoring vessels' performance and fuel consumption. In 2023, it was put in place at four vessels.

FESCO vessels comply with the requirements of the International Convention for the Prevention of Pollution from Ships (MARPOL) in terms of energy efficiency of ships. Fuel consumption is monitored in accordance with the approved Ship Energy Efficiency Management Plan (SEEMP). All of the Company's vessels are certified by the Register confirming correct data collection.

The Group's vessels operated in territorial waters near the European part of the global ocean comply with the EU MRV¹ Regulation, which requires them to have an approved energy efficiency plan and collect and submit data on fuel consumption, greenhouse gas emissions and activities completed to date. These measures are also designed to reduce GHG emissions into the air.



¹ Monitoring, reporting and verification.

SOCIAL PROJECTS

Our approach

As one of major transport and logistics players in Russia and beyond, FESCO Transportation Group recognises its accountability to stakeholders and society as a whole and is committed to doing socially responsible business.

Initiatives contributing to sustainable development in the regions of operation is one of the key priorities of FESCO's corporate social responsibility strategy.

FESCO's definition of "corporate social responsibility" is based on ISO 26000 Guidance on Social Responsibility: "Responsibility of an organisation for the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that:

- contributes to sustainable development, including health and the welfare of society
- takes into account the expectations of stakeholders
- is in compliance with applicable law and consistent with international norms of behaviour
- is integrated throughout the organisation and practised in its relationships."

In addition to that, FESCO takes into consideration national development goals envisaged by Russian President's Order No 474 On National Development Goals of the Russian Federation for the Period until 2030 dated 21 July 2020:

- population preservation, people's health and well-being
- self-fulfilment and talent development opportunities
- comfortable and safe living environment
- decent and effective labour, and successful entrepreneurship

FESCO also shares the position on corporate social responsibility set out in the Social Charter of the Russian Business.



As part of its charity activities, FESCO takes on additional voluntary commitments aligned with the SDGs:

- 4 QUALITY EDUCATION**
- 11 SUSTAINABLE CITIES AND COMMUNITIES**
- 17 PARTNERSHIPS FOR THE GOALS**
- 3 GOOD HEALTH AND WELL-BEING**
- 11 SUSTAINABLE CITIES AND COMMUNITIES**
- 17 PARTNERSHIPS FOR THE GOALS**

- promoting culture and education to unlock human potential in the key regions of operation
- providing consistent and ongoing assistance to local communities in addressing the most pressing challenges

Social responsibility as a part of FESCO's everyday life

The social responsibility principle is embedded into FESCO's development strategy and day-to-day operations. Commitment to the principle manifests itself at all levels of the Company. The social responsibility principle also underpins the internal and external communication; the Company's employees develop competencies and motivations required to use it in the decision-making process and operations.

FESCO seeks to continuously improve its social responsibility practices, keeps monitoring its impact on social, economic and environmental systems, and analyses the effects of its social, cultural and environmental initiatives. The Company analyses the potential social and environmental impacts of its decisions and integrates the social responsibility principle into its procurement, sales and investment practices.

The Group became a finalist in Our Contribution, Russia's first government award that recognises the contribution of businesses and non-profit organisations to national goals and national projects, and gained the status of "Partner of National Projects".



In 2023, the Group earned the highest A+ status in the Leaders of Corporate Charity ranking. FESCO moved up two notches from the B+ status of 2022. The experts praised FESCO's active efforts to address social problems, develop and realise talents across its footprint. The ranking is put together by the Donors Forum (Association of Sponsoring Organisations) in partnership with National Priorities, Kommersant publishing house, and B1 Group.

In the Environment, Personnel, State (EPS) rating prepared by the Financial University under the Government of the Russian Federation and the Mendeleyev Institute of Demographic Policy, **FESCO received the highest grade – AAA – and was categorised by experts as one of the "Leaders".**



Management of corporate social responsibility strategy

The Board of Directors and the Executive Board of FESCO are the main governing bodies in charge of corporate social responsibility.

Their duties include approving the Company's strategy in this area, monitoring its progress, and assessing performance. On an annual basis, the Board of Directors approves an Annual Report that contains exhaustive information about progress against programmes and projects run as part of the corporate social responsibility strategy.

business units, contractors and partners are involved to implement the activities under the agreed programme, while external experts assess the programme effectiveness. Publications in the media and social networks are monitored to assess the PR effect.

Departments responsible for the development and implementation of the Company's corporate social responsibility strategy annually submit a programme of charity initiatives and social projects to the Executive Board for it to approve this programme and associated expenditures. The relevant departments are responsible for implementing the programme within their remit, leveraging their own resources and engaging the employees of related business functions. Where necessary, cooperation is facilitated between federal government or local authorities and the Group's

The annual programme is developed in line with FESCO's corporate social responsibility strategy whereby the social responsibility principle is embedded into the Company's development strategy and day-to-day operations.

To have a better understanding of the impacts its programmes produce, the Company regularly collects every stakeholder feedback through surveys (covering both employees and local communities), focus groups and interviews.

Partner selection principle

FESCO's values include a focus on the overall result, professionalism and responsibility. Committed to these values, the Company strives to maximise the efficiency of its external social and charity programmes by building long-term partnerships with the government and society.

In addition, the mandatory selection criteria for external social and charity programmes and projects include:

- needs of stakeholders and the regions of operation
- systematic approach to achieving specific sustainable development goals, focus on a measurable result
- potential of long-term partnership with a minimum risk of creating dependence of the target audience on charity support
- proportionality of costs and expected effect

A special role is played by professionals: social entrepreneurs, community-focused non-profit organisations, and charity experts.

The Company supports the following forms of external social programmes



FESCO takes consistent efforts to improve the quality of external social and charity projects in which it participates. The efforts include engagement of internal and external experts in programmes and projects, evaluation of results, and promotion of ideas, principles and best practices of corporate social responsibility, social entrepreneurship and charity.

Our goals and objectives

The Company's corporate social responsibility efforts in the regions of its operations are focused on developing human capital, improving the quality of life, and creating new opportunities for self-fulfilment of local people.

Objectives of FESCO's social policy:

- supporting social initiatives contributing to sustainable development in the regions of operation
- supporting socially significant events and projects aimed at solving social, economic and environmental issues in the regions of operation
- supporting projects and programmes focused on the development of social institutes in the regions of operation

Areas of FESCO's charity and sponsorship:

- Supporting educational activities:
 - assisting in projects to create new educational opportunities across the Group's footprint
 - supporting institutions of pre-school education, general education, vocational education and professional university education, as well as institutions of additional education
- Supporting cultural activities:
 - fostering cultural projects and programmes, as well as projects aimed at preserving and promoting cultural heritage in the regions of operation
 - supporting projects that contribute to the formation and development of cultural identity in the regions of operation
- Comprehensive support for family and childhood
- Supporting sports activities:
 - assistance in organising and holding sporting events
 - assistance in organising and holding projects and programmes aimed at promoting sports and engaging people in regular physical activities and sports
 - supporting projects and programmes focused on the development of children's and youth sports
- Supporting activities aimed at the development of social infrastructure in the regions of operation
- Supporting socially vulnerable and unprotected people
- Supporting organisations and institutions focused on flora and fauna conservation, as well as supporting animal shelters
- Other efforts aimed to address pressing social and economic issues across the Group's footprint

Exceptional role of the Primorye Territory and Vladivostok

Since the history of FESCO establishment and evolution is closely linked to the exploration and development of the Russian Far East, the region as a whole and Vladivostok as its capital play an exceptional role in the Company's corporate social responsibility strategy. FESCO prioritises external social and charity projects and programmes implemented in the Primorye Territory.

Alongside that, the Group takes into account the importance of other regions of operation and carries out charitable projects there as well; some programmes are rolled out at the federal level.

In running external social and charity projects and programmes in the Russian Far East, FESCO keeps in mind the region's special geopolitical position, historical development, social and economic aspects.

The youth policy is a top priority for FESCO seeking to create an inviting environment for young talents, develop infrastructure to support the potential and aspirations of young people, and encourage the younger generation to preserve and study the region's cultural and historical heritage.



Social, cultural and sports initiatives by FESCO in 2023

FESCO provides active support to initiatives aimed at the development of cultural and social life in the regions where it operates with total social investments coming close to RUB 1.9 billion and more than 100 thousand people benefitting from a variety of the Company's social and cultural initiatives.



Sea of Opportunities, a contest of social projects

The Sea of Opportunities grant contest is a cornerstone of FESCO's local community support and development programme. In 2023, as part of this competition, FESCO Transportation Group continued to allocate grants to non-profit organisations, government institutions and volunteers to address the most acute social problems of the Primorye Territory.

Grant contests as a tool of interaction with local communities are used throughout Russia, however, the Primorye Territory had not seen any such initiative until 2020. This was one of the main reasons for launching the programme. Another important goal of the programme is related to a global trend – a large-scale evolution from targeted charity to consistent efforts to create a permanent and lasting framework for dealing with social problems.

Based on the results of the fourth annual contest in 2023, 55 applications were submitted by non-profit, government and municipal organisations, as well as volunteer groups involving FESCO employees, from Vladivostok, as well as cities and towns of the region – Nakhodka, Artem, Ussuriysk, Partizansk, and more.

23 projects received grants under the core programme: 21 grants of up to RUB 300,000 and two more grants of up to RUB 500,000, successfully presented in person to the Contest's selection committee.

In addition, five projects were awarded grants in a special category by VMTP, which has been a partner of the competition since 2022. The port provides funding for projects aimed at the development of the Jägerskiöld neighbourhood.

The Sea of Opportunities seeks to strengthen social partnership between FESCO, the public, government, and local authorities of the Primorye Territory in order to:

- implement innovative sustainable development technologies in the Contest territory
- run projects seeking to improve the quality of life, including development of education, creation of new public spaces, preservation of cultural heritage, and creation of new opportunities for self-actualisation, in the Contest territory
- develop local community institutions
- promote social and corporate volunteering
- foster social entrepreneurship

In 2023, the grant fund totalled RUB 9.2 million. As the Sea of Opportunities winners managed to raise additional RUB 5 million on their own, the total social impact of the contest exceeded RUB 14 million. The projects covered over 6 thousand beneficiaries, with more than 500 people registering as volunteers to help implement the social initiatives.

RUB 9.2 mln

grant fund

RUB 5 mln

funding raised by grant recipients



Key areas of projects under the Sea of Opportunities contest



Social protection, psychological assistance, promotion of creativity, and career guidance:

- introduction of new methodologies and technologies for social and psychological protection and support for children (including orphans and children with disabilities), teenagers and young people, the disabled, veterans, the elderly, the unemployed and other socially vulnerable people
- support for creative R&D efforts, career guidance



Environment:

- fostering of an eco-friendly culture and popularisation of environmental knowledge
- introduction of new technologies for environmental protection and conservation
- landscaping and gardening campaigns
- development of cognitive tourism



Culture:

- preservation of cultural heritage and cultural and historical sites
- ramping-up the region's creative and tourist potential
- creation of new meaningful forms of leisure



Sports and healthy lifestyle:

- promotion of sports and healthy lifestyle
- creation of conditions for the development of physical culture and mass sports
- introduction of effective forms of organising sports activities and hobbies for children and adults



Social entrepreneurship:

- development of social and entrepreneurial initiatives

The Company continues to place a heavy emphasis on networking, horizontal links between participants and other stakeholders, and training for applicants and winners to enable them to be successful in other grant contests going forward. The contest operator, Razvitiye Autonomous Non-profit Organisation, a provider of advanced professional training and consulting services,

acting as a resource centre for non-profit organisations in the Primorye Territory, held a series of educational events for potential grant recipients, spring and autumn grant schools, and provided ongoing expert consulting support both at the stage of preparing applications for the contest and during project implementation.

An independent [review](#) of the Sea of Opportunities conducted by FESCO at the end of 2023 for the first time in the contest history found that 58% of the surveyed participants from previous years managed to expand the reach of their projects using the funds received and help even more people.

~60%

projects acquiring new partners to jointly implement initiatives that are important for the local communities

Official website of the contest



Supporting culture and arts

Opening a public space of the State Tretyakov Gallery in Vladivostok

As part of the continuing strategic partnership between FESCO Transportation Group and the State Tretyakov Gallery, a public space of the State Tretyakov Gallery was opened in Vladivostok in July 2023. In addition to financing, FESCO provided the Tretyakov Gallery with premises for this project. The representative office of the Tretyakov Gallery is now located in the historical building of Far-Eastern Shipping Company at 15 Aleutskaya Street, Vladivostok. The Tretyakov Gallery's public space works as a cultural and educational platform hosting exhibitions, workshops, lectures, film screenings and other events. Apart from that, visitors will be able to work and study here, as the Gallery's representative office features a small library with books on painting and fine arts, several fully equipped workplaces, and a lounge area.

Visitors of the Tretyakov Gallery in Vladivostok can read art books, catalogues of the gallery's exhibitions in Moscow, meet like-minded people and take part in cultural, scientific and educational events.

Exhibition projects

In 2023, FESCO acted as the general partner of the Age of Graphics exhibition at the New Tretyakov Gallery in Moscow, where visitors could see new additions of works of graphics of the 20th and 21st centuries.

With the support of FESCO, the Primorsky State Picture Gallery in Vladivostok also hosted the exhibition dubbed "Energy of Colour. Archetypes of the Avant-Garde". The project was implemented in partnership with the State Tretyakov Gallery and Far Eastern State Museum. The exhibition gathered more than 50 works that most vividly reflected the traditions of the Russian avant-garde.



Master's programme in museum studies

The cooperation between FESCO and the Tretyakov Gallery goes beyond cultural initiatives. FESCO contributed to launching the master's programme in museum studies in 2021 at the Far Eastern Federal University in Vladivostok, and 2023 saw the first eleven Master's students defend their qualification works, with nine of them awarded diplomas with honours.

Since 2023, FESCO has been providing financial support for the implementation of a similar master's programme at Immanuel Kant Baltic Federal University.

As part of it, students develop skills for working in museums, while the State Tretyakov Gallery employees and the professors participate in classes on fundraising, exhibitions, hands-on course on writing about arts, digital environment and museum PR.

The programme graduates will be able to join the talent pool of the Tretyakov Gallery branches in Vladivostok and Kaliningrad.

In 2023, FESCO also implemented a number of joint partnership projects with the **Pushkin State Museum of Fine Arts, Russian and Polytechnic museums.**

Together with **Dom Tvorchestva Peredelkino**, FESCO organised Through Time and Space, a literary residency for authors from the Primorye and Khabarovsk territories, where under the guidance of experienced mentors and with the support of each other they could write original texts about the link connecting generations in the Far East.

To mark the 115th anniversary of the birth of Anna Shchetinina, the world's first woman to serve as a captain of an ocean-going vessel, FESCO republished her memoirs *On the Seas and Beyond the Seas*, which were issued as a separate book only in 1988. Over 900 books were donated to the libraries of the Primorye Territory, Admiral Nevelskoy Maritime State University and Far Eastern Federal University.

Education

FESCO's main goals in rolling out educational projects are to achieve the national objectives of personnel training for the transport and logistics industry. A strong talent pool is impossible without early career guidance programmes for schoolchildren, which is why FESCO places great emphasis on such projects.

FESCO's IT class

In late May 2023, FESCO opened a computer class for training in relevant IT professions at the Kvantorium children's technology park. The programme is designed for pupils in grades 7–11, including those left without parental care, from large or distressed families.

The training curriculum covers programming, 3D modelling, VR app development, and industrial design.

Culture Contour creative camp

The first Culture Contour, a creative camp for children, was organised in summer 2023 jointly with the New Teacher Charity Foundation, bringing together 140 teenagers aged 13 to 17, who worked for a fortnight to prepare their creative projects and then present them at a city festival. The camp was hosted by school No. 32, where the participants of the foundation's Teacher for Russia programme are supported by the Primorye Territory's Ministry of Education and FESCO.



Culture Contour

In November 2023, a three-day training programme was held for teachers to upgrade their skills: more than 60 teachers from the Primorye Territory learnt the tools and technologies of informal pedagogy and project approach during the workshop Organising Activities at School and Beyond.

This is not the first instance of cooperation between FESCO Transportation Group and the New Teacher Charity Foundation, as previously FESCO supported the launch of the Teacher for Russia programme in the Primorye Territory.

Ticket to the Future federal project

VMTP joined the Ticket to the Future federal project as part of the Education national project. The project introduces schoolchildren interested in professions related to vessels, ports, and logistics to the workplace conditions and nature of work. The relevant agreement was signed on 1 December 2023. As part of the initiative, schoolchildren from Vladivostok and the Primorye Territory visit the port on career guidance tours to solidify their knowledge.

In parallel with the Ticket to the Future activities, the tours are also offered to pupils in grades 7–11 left without parental care, from large or distressed families.



Ticket to the Future

FESCO for the Kids programme

FESCO pays special attention to programmes that contribute to the comprehensive development of children and unlock their potential, as well as to projects aimed at supporting children with disabilities.

These activities are implemented in the following areas:

- project to support children's and family reading by reprinting Soviet children's books and publishing new ones, donating them to educational and health facilities and conducting educational programmes
- partnership with charities to support severely ill children
- volunteering: visiting organisations for orphans and children left temporarily without parental care, organising events for parents and patients of children's healthcare facilities
- support for projects aimed at developing and unlocking the potential of children and young people as part of the Sea of Opportunities grant contest



Programme objectives



To help children resolve their social problems and improve the quality of life.



To create career guidance educational programmes for schoolkids and children from special institutions.



To promote the development of intellectual and creative abilities.



To strengthen the ties between parents and children through spending time together.



To integrate FESCO's volunteering activities into the strategy of assistance to special institutions across the Company's footprint.



Main beneficiaries of the FESCO for the Kids programme:

- children of different ages: providing educational and recreational opportunities for children of different age groups in line with their needs and interests
- children with disabilities: helping severely ill children by supporting their health and providing access to education and cultural events
- families and parents: supporting family reading, fostering stronger ties between children and their parents, creating shared time for learning and development
- local educational and healthcare facilities: providing reprinted children's books to cultural (libraries), educational (schools, kindergartens) and healthcare institutions, thus enhancing their educational content
- local communities: supporting the development of the region's cultural and educational environment, which strengthens local communities and social ties

Project to support children's and family reading

For more than three years, FESCO has been implementing a programme to support children's and family reading as part of FESCO for the Kids programme: it reprints popular Soviet books for children and teenagers, implements its own publishing projects and engages in awareness-raising and educational activities.

3,180

 children

covered by educational programmes in 2023

>100

 thousand

books published by FESCO and donated to educational institutions, libraries, healthcare facilities and social institutions in Vladivostok and the Primorye Territory in 2023

2023 saw FESCO introduce the programme to support children's and family reading in the cities where the Company operates – at the Arts and Reading Festival in Tomsk, the Museums to Children festival in St Petersburg, and Russia Expo at VDNH.

Support for severely ill children of Primorye

Since 2020, FESCO Transportation Group together with Rusfond, Russia's largest charity foundation, has been providing assistance to seriously ill children from the Primorye Territory. The goal is to create a system of swift and effective targeted assistance to severely ill children that for various reasons are unable to get treatment for their conditions under mandatory health insurance. In 2023, high-tech medical care under the programme was provided to 16 children.

The Group also supports the development of the bone marrow donor register in the Far East.



Sports initiatives

FESCO makes sports more accessible and gives an opportunity to children of different ages to lead an active lifestyle and go in for their favourite sports.

In 2023, more than 15 different projects were accomplished, with more than 5 thousand people involved. The Group is actively engaged in organising and holding competitions and tournaments at various levels, as well as supporting projects promoting sports and healthy lifestyles.

FESCO supported a number of important events, including those involving Olympic champions and world-class athletes – Children of Primorye International Games, IPFC 7 international tournament, Lilia Akhaimova gymnastics tournament, and more.

FESCO sponsored more than ten tournaments in full-contact karate, triathlon, wrestling, sambo, and other martial arts, held a FESCO children's basketball tournament, jointly with Lev Yashin Football

Academy of Dynamo organised Far East FESCO Cup – an international football tournament, held competitions in intellectual sports, weiqi and go. All tournaments are organised in close cooperation with regional governments and sports federations.

FESCO's significant contribution to the development of regional sports is the support of HC Admiral from Primorye. The hockey club celebrated its tenth anniversary in 2023, and FESCO has been its reliable partner since day one.

One of the goals of FESCO's social policy is to provide opportunities even to the most vulnerable people. In 2023, the Company and Adaptivnoe Sambo non-profit organisation held several events for children with disabilities: the first FESCO Inclusive Games, Special Olympics and Inclusive Spartakiad.

15 different projects

accomplished in 2023

5 thousand people

involved in FESCO projects in 2023



Development of social and public infrastructure

Creating a comfortable urban environment is one of the top priorities in the Group's corporate social responsibility strategy. The following key initiatives were implemented in 2023:

- signing an agreement with the Vladivostok administration to improve one of the city's main centres of attraction – Tokarevsky Lighthouse, the oldest lighthouse in Vladivostok. It is planned to renovate the territory near the lighthouse, create a lit promenade area with resting places and landscaping

- repair and restoration of Admiral Nevelskoy Maritime State University
- repairs in schools, leisure centres, and sponsored institutions
- repair and equipment of sports facilities
- FESCO Assistance – multifunctional automotive systems for solving problems on the roads and integration of the LizaAlert facial recognition system to help in the search for missing people
- opening of playgrounds in Vladivostok



Corporate volunteering

Since 2023, FESCO has been actively promoting corporate volunteering. In addition to strengthening corporate culture, team building, and invaluable contribution to external social projects, corporate volunteering makes a significant contribution to the achievement of the national development goals by involving the most active part of the nation – professionals who really care – in socially impactful activities. Moreover, volunteer programmes help to expand the network of contacts and forge partnerships for further mutually beneficial cooperation.

In 2023, the FESCO volunteer team won in the Corporate Volunteer Organisation of the Primorye Territory nomination at the Volunteer of the Year 2023, a regional contest for recognition, support and rewarding of the best volunteers. The competition is held to popularise and develop volunteering in the Primorye Territory and implement the Social Activity federal project as part of the Education national project.

In its corporate volunteering programme, FESCO follows the principles set out in the Group's corporate social responsibility strategy, coordinating the efforts of volunteers towards implementing the strategy and increasing the efficiency of social investments in the development of local communities.

On 14 November 2023, at the 12th Corporate Volunteering International Forum in Moscow, FESCO Transportation Group headed the Regional Representative Office of the National Corporate Volunteering Council in the Primorye Territory.

Priority areas of corporate volunteering:

- social assistance: aid to vulnerable groups and people with disabilities, urgent assistance upon request of the community without the involvement of the employer, etc., assistance to children and pensioners
- environmental protection
- promotion of sports and healthy lifestyle
- cultural and educational projects



Procurement

FESCO Group's procurement function has its own specifics, as the operations of the Port Division companies are governed by Federal Law No. 223-FZ On Procurement of Goods, Works and Services

by Certain Types of Legal Entities dated 18 July 2011, while procurement operations of the other companies are governed by the Group's internal documents.

FESCO Group's documents related to procurement:

- Regulations on the Procurement of Goods, Works and Services for the Needs of PJSC Commercial Port of Vladivostok and its Subsidiaries¹ available on the official website of the Unified Information System in Public Procurement (<https://zakupki.gov.ru/>). The Regulations were updated in May 2023.
 - Regulations establishing the procedure for interaction when carrying out procurement and supply activities
 - Guidelines for contracting expensive equipment directly from manufacturers, including foreign ones (except for those under the jurisdiction of unfriendly countries)
 - Target model of procurement and supply operations of FESCO Group
 - FESCO Group Procurement Concept
- The following documents were approved in 2023:
- Uniform Procurement Standard for FSC

Basic principles in organising and conducting procurement



Openness: information transparency in procurement.



Efficiency: ensuring targeted, economically justified, and efficient spending on the procurement of goods, works, and services (taking into account life cycle costs) and implementation of measures aimed at reducing the costs of FESCO Group companies.



Timeliness: implementation of procurement processes to provide FESCO Group companies with goods, works, and services in a timely manner and to inform suppliers in advance of planned procurements.



Competitiveness: equality, fairness, non-discrimination, and no unreasonable restrictions on procurement participants, prevention of corrupt practices and abuse in the procurement process.

¹ Applicable to the Port Division companies only.

Procurement management and control

2023 saw the following changes:

- FESCO Group established procurement commissions and defined their powers and competences:
 - Central Procurement Commission (procurement as part of investment programmes for all FESCO Group companies, except for IT and fleet acquisition/operation)
 - Procurement Commission of the Shipping Division (procurement as part of investment programmes providing for the acquisition and/or technical operation of fleet, purchase of petroleum products)
 - Procurement Commission of the Liner and Logistics Division (Moscow) (procurement as part of day-to-day operations)
 - Procurement Commission of the Liner and Logistics Division (Vladivostok) (procurement as part of day-to-day operations)
 - Procurement Commission of FSC (procurement as part of IT investment programmes, IT procurement, and consulting services)

To ensure the transparency of FESCO Group's procurement, promote competition, and empower procurement participants, FESCO expanded its presence on the following e-commerce platforms in 2023:

- joining RTS-Tender and B2B-Centre
- registering with Fabrikant and Roseltorg

2023 RESULTS

In 2023, the Company carried out 12,761 procurement procedures totalling RUB 115.4 billion (net of VAT), with procurement record amounting to RUB 114.4 billion.

Procurement in 2022 and 2023

Activity	Procurement procedures in 2022	Procurement procedures in 2023	Amount of procurement record in 2022, RUB, net of VAT	Amount of procurement record in 2023, RUB, net of VAT
Investing activities	553	640	35,743,059,932	30,233,187,667
Day-to-day operations	10,131	12,120	36,992,672,839	82,981,685,388
Financial operations	2	1	95,477,019	1,191,740,911
Total	10,686	12,761	72,831,209,790	114,406,613,966

STRENGTHENING **OUR** POSITIONS

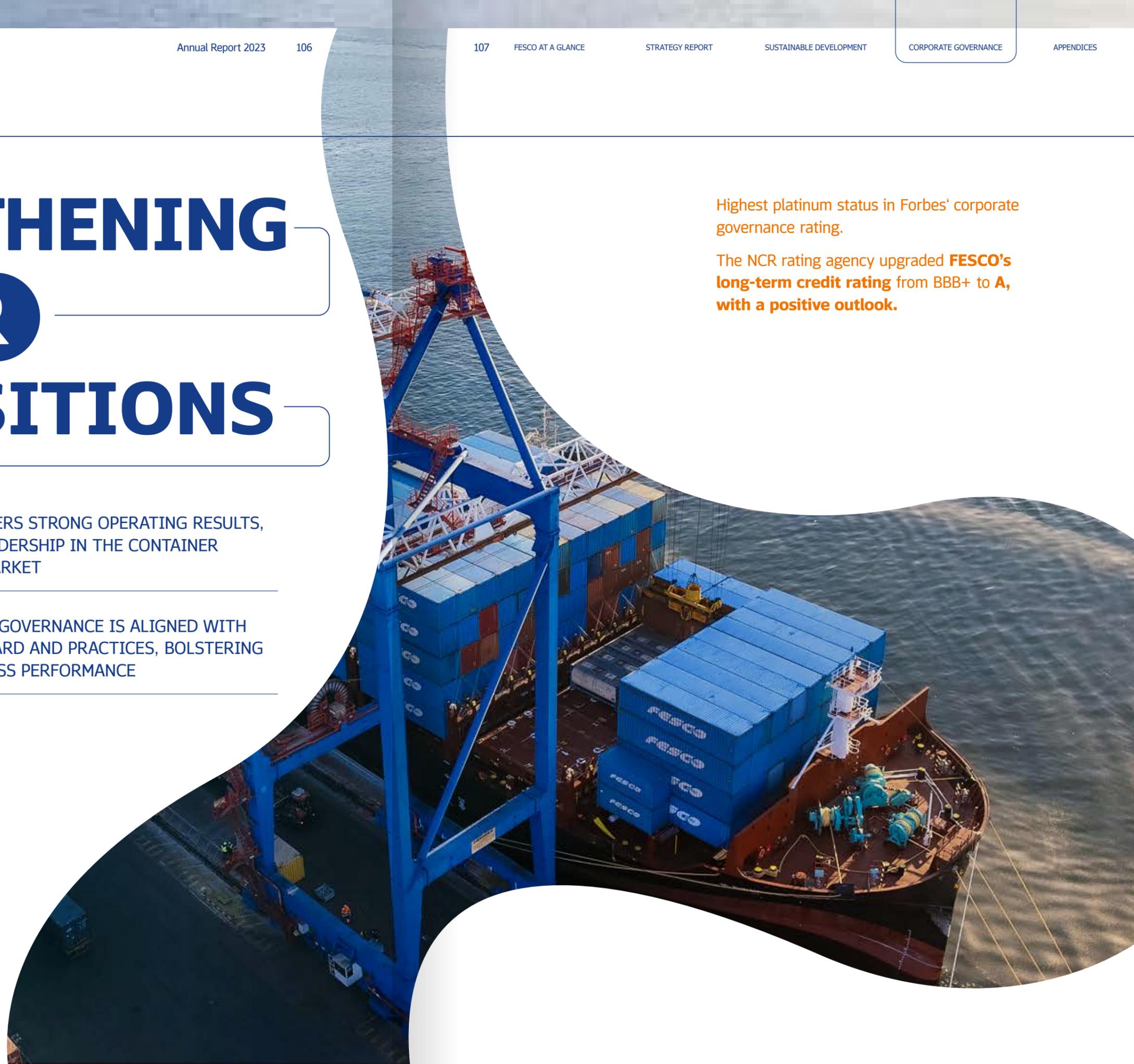


THE COMPANY DELIVERS STRONG OPERATING RESULTS, SOLIDIFYING ITS LEADERSHIP IN THE CONTAINER TRANSPORTATION MARKET

FESCO'S CORPORATE GOVERNANCE IS ALIGNED WITH GLOBAL BEST STANDARD AND PRACTICES, BOLSTERING THE GROUP'S BUSINESS PERFORMANCE

Highest platinum status in Forbes' corporate governance rating.

The NCR rating agency upgraded **FESCO's long-term credit rating** from BBB+ to **A**, with a positive outlook.



Corporate governance in 2023

A leading player in the transport and logistics industry, FESCO is guided by best standards and practices while retaining its own well-established competences.

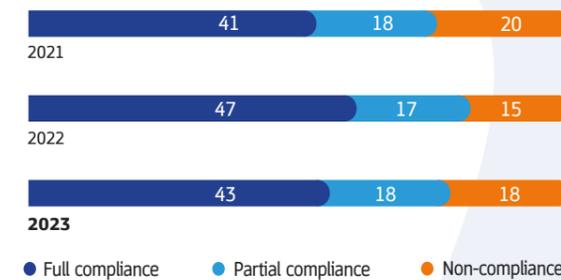
In 2023, FESCO's corporate governance was geared towards preserving and improving the efficiency of the Group's operations amid sanctions and actions of unfriendly countries that sought to undermine the Russian economy, including the transport industry, and that affected corporate resilience of Russian companies. Despite the restrictions in place, the Company's corporate governance framework was fully compliant with requirements for the Level 2 Quotation List of the Moscow Exchange, as well as with the requirements of the applicable laws, which is in line with the expectations of the Company's shareholders and stakeholders.

In assessing the quality of corporate governance, FESCO also relies on the Bank of Russia's Corporate Governance Code¹, which defines relevant principles. The Report on Compliance with the Principles and Recommendations of the Corporate Governance Code pre-approved by the Company's Board of Directors as part of the annual report details the extent of the compliance.

In the reporting year, the number of principles of the Corporate Governance Code that the Company fully complied with saw a decrease, primarily because we were forced to limit our disclosure in response to unfriendly states' sanctions in order to protect the interests of FESCO and respect the rights and interests of all stakeholders.

As a result of consistent efforts to enhance corporate governance over the past few years, in 2023, FESCO won the highest platinum status in Forbes' corporate governance rating of companies.

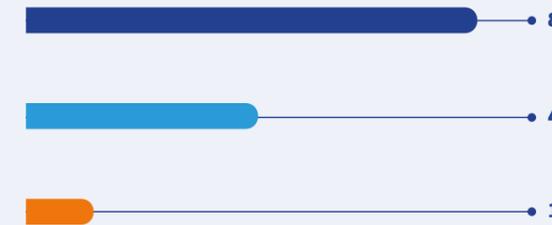
Compliance with the Bank of Russia's Corporate Governance Code in 2021–2023



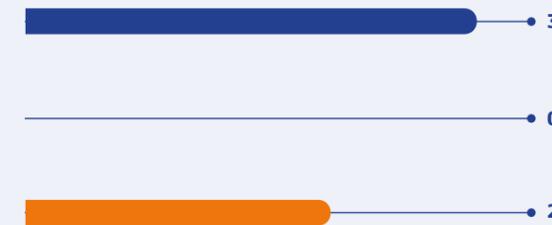
Compliance with the Bank of Russia's Corporate Governance Code in 2023¹

● Full compliance ● Partial compliance ● Non-compliance

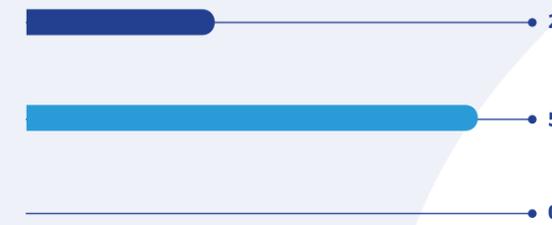
Shareholder rights and equitable treatment of shareholders



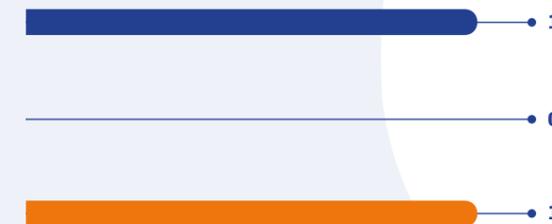
Material corporate actions



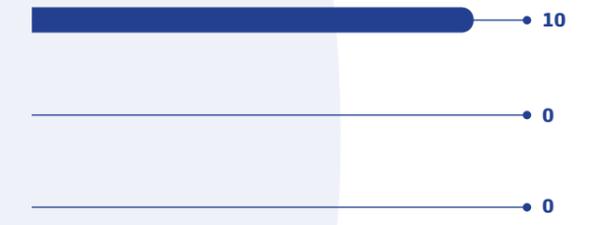
Disclosures and the Company's information policy



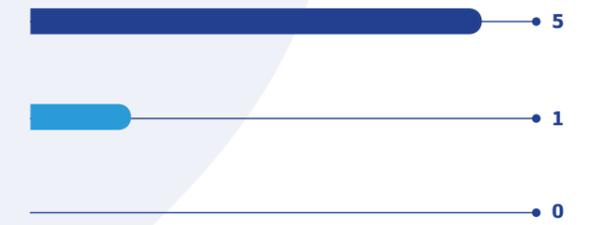
Corporate secretary



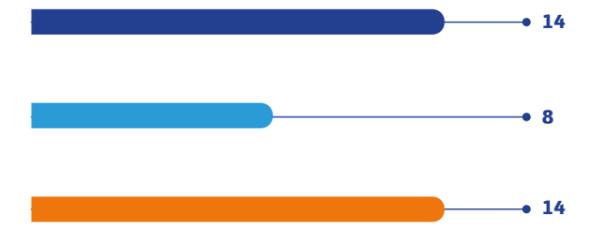
Remuneration of directors, members of executive bodies and other key officers



Risk management and internal controls



Board of directors, committees, competencies and independence



¹ Statistics is provided based on the 2023 Report on Compliance with the Principles and Recommendations of the Corporate Governance Code recommended by the Bank of Russia, Letter of the Bank of Russia No. IN-06-28/102 dated 27 December 2011 On Disclosure of Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint Stock Company.

General Shareholders Meeting

The General Shareholders Meeting is the supreme governing body through which shareholders exercise their right to participate in the Company's governance. The procedure for shareholders to participate in corporate governance, and the scope of authority, timing and procedure of the General Shareholders Meeting are defined in FESCO's Articles of Association and Regulations on the General Shareholders Meeting¹ as required by the applicable laws.

Meetings of shareholders in 2023

Type and form	Date	Agenda	Quorum, %
1. Extraordinary General Shareholders Meeting held in the form of absentee voting	18 January 2023	<ol style="list-style-type: none"> FESCO's participation in the Russian–Chinese Business Council Association FESCO's participation in the Russian Union of Industrialists and Entrepreneurs Approval of a new version of the Regulations on Remuneration and Compensation for FESCO's Board of Directors Approval of a major related-party transaction (a number of interrelated transactions)² 	57.924351
2. Annual General Shareholders Meeting held in the form of absentee voting	30 June 2023	<ol style="list-style-type: none"> Election of FESCO's Board of Directors Approval of FESCO's auditor for 2023 Approval of FESCO's 2022 Annual Report Approval of FESCO's 2022 annual financial (accounting) statements Profit distribution (including dividend payment) based on performance results in 2022 FESCO's participation in the Russian–Turkish Dialogue Association FESCO's participation in the Digital Transport and Logistics Association FESCO's participation in the CIS Business Centre for Economic Development Association 	32.9088 ³
3. Adjourned Annual General Shareholders Meeting held in the form of absentee voting	4 August 2023	The adjourned Annual General Shareholders Meeting had the same agenda as the failed Meeting dated 30 June 2023	33.7241

¹ Approved by the adjourned Annual General Shareholders Meeting on 16 November 2020, Minutes No. 53 dated 20 November 2020.

² No resolution was adopted on this agenda item.

³ The Annual General Shareholders Meeting of 30 June 2023 was deemed failed due to no quorum present.

In order to foster the most favourable environment for shareholders to exercise their rights, the Company adheres to the following recommendations of the Corporate Governance Code.



- Shareholders can propose items for the General Shareholders Meeting agenda and nominees to the Board of Directors within 60 days after the end of the financial year



- Additionally, shareholders can communicate with the Company via ir@fesco.com or the Company's contact centre¹



- The Company's team advises minority shareholders on exercising their rights (participation in shareholders meetings, inheritance, and sale and purchase of shares)



- Notices of the General Shareholders Meeting are published on the Company's website at www.fesco.ru at least 30 days prior to the date of the respective General Shareholders Meeting



- Information on General Shareholders Meetings is available on the corporate website at www.fesco.com in the Messages for Shareholders section

Shareholder register

FESCO's shareholder register is maintained by Novy Registrator JSC (perpetual registrar licence No. 045-13951-000001 issued by the Federal Financial Markets Service on 30 March 2006).

The registrar is located at: 30 Buzheninova St., Bld. 1, floor/office/room 2/VI/32, Moscow, 107996.

The Far-Eastern Branch of Novy Registrator is responsible for servicing FESCO shareholders in Vladivostok. Address: 28 Aleutskaya St., office 404, Vladivostok, 690000.

Information on shareholder support in other Russian cities is available at www.newreg.ru.

¹ Contact centre phone: +7 495 780 6001.

Board of Directors

The Board of Directors is a cornerstone of the governance system that helps drive the Company's strong performance.

The activities of the Board of Directors are governed by federal Russian laws, the Company's Articles of Association and the Regulations on the Board of Directors approved by the General Shareholders Meeting in 2022. The Board of Directors is responsible for the overall strategic governance of the Company, its strategic development, approval and monitoring of the budget, business plans, investment programmes and projects, review of matters related to financial operations, risk management and other matters that fall within the Board's remit and require its attention to achieve the Company's strategic goals.

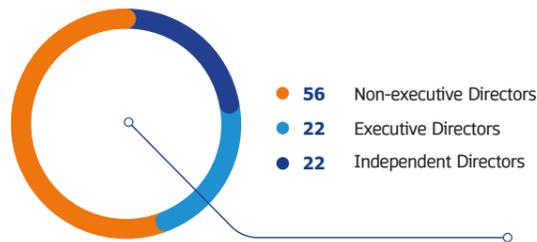
According to the Articles of Association, FESCO's Board of Directors comprises nine members. The number of members of the Board of Directors is in line with the law and makes it best positioned to operate to the scale and ambition of the Company and serve shareholders in an optimal way. The members of the Board of Directors are elected by the General Shareholders Meeting on an annual basis for the period

until the next Annual General Shareholders Meeting. The Board of Directors is accountable to the meeting of shareholders of the Company.

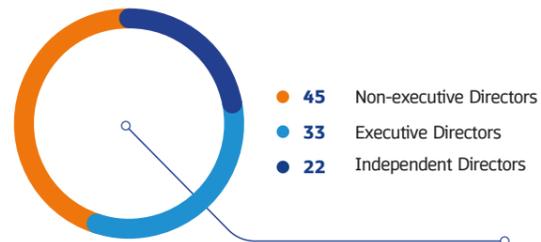
In the reporting year, the Company had the Board of Directors elected by the Annual General Shareholders Meeting on 6 May 2022, and the Board of Directors elected at the adjourned Annual General Shareholders Meeting of 4 August 2023, which remained unchanged following the meeting. As at 31 December 2023, FESCO's Board of Directors was comprised of two independent directors, three executive directors and four non-executive directors.

Nominees are elected to the Board of Directors based on their personal and business abilities and compliance with the independence criteria stipulated by the Listing Rules of the Moscow Exchange. Members of the Board of Directors have the required knowledge of strategic, operational and financial matters, as well as track record in transport and logistics.

Categories of the Board members in 2022, %

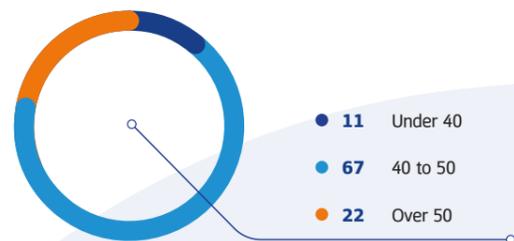


Categories of the Board members in 2023, %

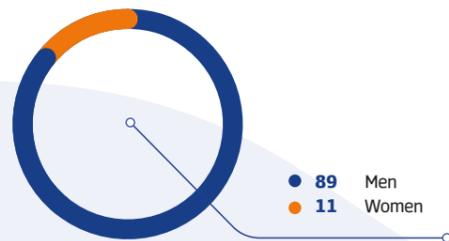


Main characteristics of the members of the Board of Directors

Age of the Board members, %



Gender profile of the Board of Directors, %



Key competencies of the members of the Board of Directors

Industry knowledge



Finance and investments



Law and corporate governance



Strategy



Risk management



Personnel management



Accounting and audit



Information technologies



Induction Programme for new members of the Board of Directors

The Company has an Induction Programme for new members of the Board of Directors, which helps them become acquainted with the practices of the Board of Directors, its committees, key activities, and financial metrics as quickly as possible. This approach ensures that the Board of Directors fulfils its functions more effectively.

The programme includes the following activities:

- learning about the Company's key matters and business: strategy and long-term development programme, budget, operating and financial highlights, risk management and internal control, controlled entities, management, motivation system, and organisational structure

- familiarising with the Company's internal documents and key regulations and policies, along with work plans of the Board of Directors and its committees
- learning about the duties and powers of the Board of Directors, status of the members, and resources available for the Board of Directors to carry out its functions
- learning about ways in which communication is ensured between the Board of Directors, the Executive Board and the management of the Group

Board of Director's Report

Despite challenges driven by geopolitical developments, FESCO maintains its leadership in the Russian transport and logistics industry, which has been made possible by the strong involvement of the Board of Directors in managing the Company's operations.

The Board of Directors held 27 meetings and considered 232 items within its remit in 2023.

The Board of Directors' strong performance is among other things due to the planning of activities of the Board of Directors on a half-year basis, preparation for and conduct of meetings via an automated information system, detailed consideration of key items by the Board's dedicated committees, and professionalism of the management and the Corporate Secretary.

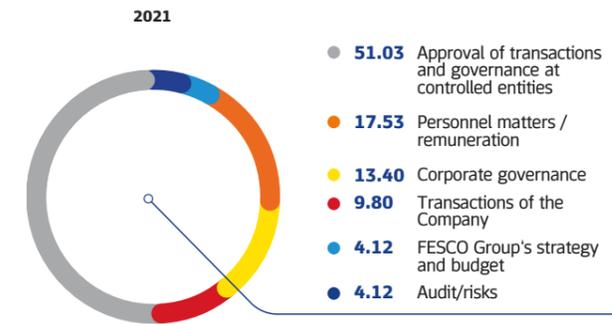
100% of the members of the Board of Directors participated in the work of the Board.

In the reporting year, the Board of Directors considered and adopted resolutions on the following key matters:

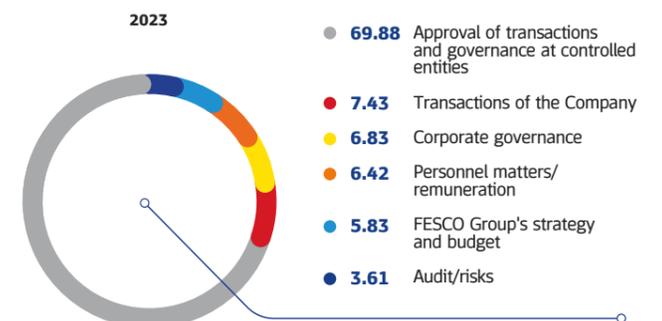
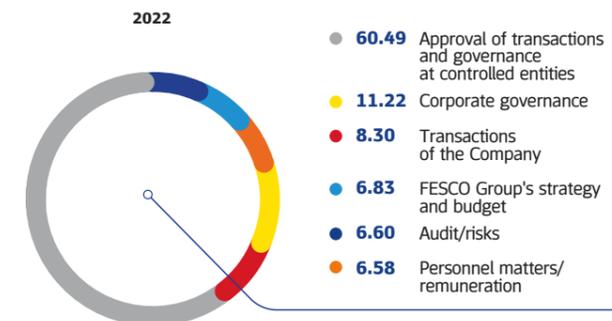
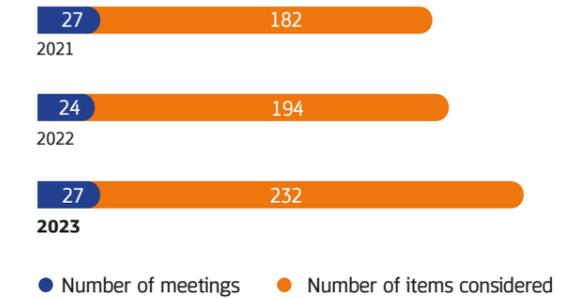
- consideration of matters pertaining to the Group's priority areas of operations
- consideration and approval of business development plans in the CIS and non-CIS markets
- approval of programmes to develop new areas of operations and the Group's digital transformation
- approval of transactions and governance at controlled entities
- consideration of the 2022 budget execution report of FESCO and its subsidiaries and affiliates, and approval of the 2023 budget and key metrics to put together the 2024 budget for FESCO and its subsidiaries and affiliates
- consideration of matters pertaining to corporate governance, internal control, risk management, and internal audit
- consideration of HR matters related to the Group's management, and matters related to FESCO's organisational structure

Information on the meetings of the Board of Directors and the key resolutions made is disclosed by the Company on the website of an authorised agency at <https://e-disclosure.ru/portal/company.aspx?id=83> subject to disclosure exemptions granted by the Russian Government's Resolution No. 1102 dated 4 July 2023¹.

Structure of agenda items considered by the Board of Directors, %



Number of the Board of Directors' meetings



¹ Russian Government's Resolution No. 1102 dated 4 July 2023 On Details of Disclosure and/or Provision of Information that Must be Disclosed and/or Provided under Federal Law On Joint-Stock Companies, and by the Federal Law On the Securities Market.

Committees of the Board of Directors

The Company has three committees of its Board of Directors:

- Strategy, Investment and General Affairs Committee
- Human Resources and Remuneration Committee
- Audit Committee

Board committees play an important role in maintaining high standards of corporate governance by engaging in preliminary consideration and comprehensive analysis of various matters and by issuing recommendations to the Board of Directors for decision-making.

Participation of the members of the Board of Directors in the Board committees in 2023 was reported at 100%.

The committees' activities, rules of procedure, goals, objectives and remit are set out in the Company's relevant regulations approved by the Board of Directors¹ and made available on the Company's website.

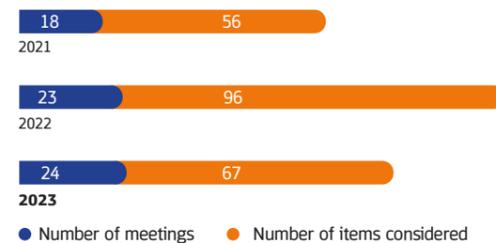
Members of committees of the Board of Directors

The committee members are elected by the Board of Directors at its first meeting following the Annual General Meeting of Shareholders and continue in office until the new Board of Directors is elected.

Presently, the committees are made up of members of the Board of Directors, and each member of the Board of Directors is a member of one or two committees.

A majority of the Audit Committee consists of independent directors, a composition maintained since 2021.

Meetings of the Board committees



Committees report

To organise the work of its relevant committees in a way that ensures their efficiency, the Company relies on the following principles:

- Committees review the most important matters related to FESCO's business
- Committees engage in an in-depth consideration of matters and provide recommendations to the Board of Directors to inform its decisions
- Committees are involved in monitoring and overseeing the implementation of resolutions and instructions of committees and the Board of Directors
- Majority of the Audit Committee consists of independent directors
- There is effective communication between different committees of the Board of Directors
- Committees may engage FESCO Group's officers and employees, as well as third-party advisors and experts

Strategy, Investment and General Affairs Committee

Number of meetings and items considered

In 2023, the Committee held **nine in-person meetings** to consider **31 items**

Objectives

Putting together recommendations to the Board of Directors for strategic management, implementation of investment projects and long-term development programmes, budgeting, and operating performance evaluation for the Group's companies

Key items considered in 2023

- Key matters related to the development of the Group, including development strategies for controlled entities, concepts for FESCO's expansion into CIS and non-CIS markets, performance evaluation of new projects
- new investment programmes and adjustments to existing development programmes for FESCO's services
- FESCO's 2023 budget implementation forecast and approval of key metrics of FESCO Group's budget for 2024
- the President's reports on the fulfilment of the Strategy Committee's assignments, investment and general affairs

Human Resources and Remuneration Committee

Number of meetings and items considered

In 2023, the Committee held **three in-person meetings** and three meetings in absentia to consider **11 items**

Objectives

Putting together recommendations to the Board of Directors for the personnel policy, motivation and remuneration system, and corporate culture development of Group companies

Key items considered in 2023

- Consideration of HR projects on development and improvement of HR management systems within FESCO Group
- streamlining approaches across FESCO Transportation Group to manage the organisational structure and employee motivation system
- consideration of a consistent approach to indexation and revision of salaries at FESCO Group
- evaluation of the performance of the top management of FESCO and employees directly reporting to the President, of the top management of FESCO's controlled entities, and of the Corporate Secretary
- reports on the fulfilment of the instructions given by the Human Resources and Remuneration Committee

Audit Committee

Number of meetings and items considered

In 2023, the Committee held **nine in-person meetings** to consider **25 items**

Objectives

Putting together recommendations to the Board of Directors for exercising control over the Company's financial and business operations related to risk management, internal control and corporate governance, conducting internal and external audits, and accounting

Key items considered in 2023

- Review of the results of monitoring of FESCO Group's investment projects
- FESCO Group's 2023 quarterly material risk maps
- consideration of potential auditors of FESCO and its controlled entities for the audit of the 2023 financial statements under RAS and IFRS and determining the auditors' remuneration
- reports on the fulfilment of the instructions given by the Audit Committee
- consideration of work plans and progress reports of the Internal Audit Department on a quarterly basis

¹ Approved by resolution of the Board of Directors on 28 November 2022, Minutes No. 22/22 dated 29 November 2022.

Executive bodies

The Company's executive bodies:



President and CEO acting as the sole executive bodies



Executive Board acting as the collegial executive body

President and CEO

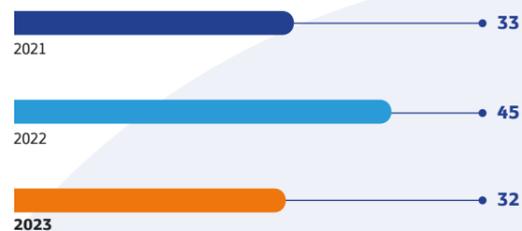
The President and the CEO are permanent sole executive bodies that manage the Company's day-to-day operations and resolve issues that do not fall within the remit of the General Shareholders Meeting, the Board of Directors, and the Executive Board, acting to achieve strategic goals set by the Board of Directors, ensure business profitability, and protect rights and legitimate interests of shareholders.

The President and the CEO act independently of each other within their respective scopes of authority as provided for by FESCO's Articles of Association and Regulations on the Sole Executive Bodies¹.

- The President is responsible for addressing issues related to the Company's day-to-day operations. The President's activities aim to ensure profitability and competitiveness of the Company, its economic and financial sustainability, respect for shareholder rights and social protection of the Company's employees. The President acts as Chair of FESCO's Executive Board.
- The CEO's scope of authority includes the Company's operations related to the use of information constituting a state secret, its protection, activities related to the use of such information, as well as decision-making on personal data processing when using information constituting a state secret.

Statistics of meetings and items considered by the Executive Board

Number of meetings



Number of matters discussed



¹ Approved by the Annual General Shareholders Meeting on 20 June 2019, Minutes No. 51 dated 20 June 2019.

Executive Board

The Executive Board as the collegial executive body manages the Company's day-to-day operations within the respective scope of authority established by FESCO's Articles of Association.

Activities of the Executive Board are governed by the Articles of Association and the Regulations on the Executive Board¹.

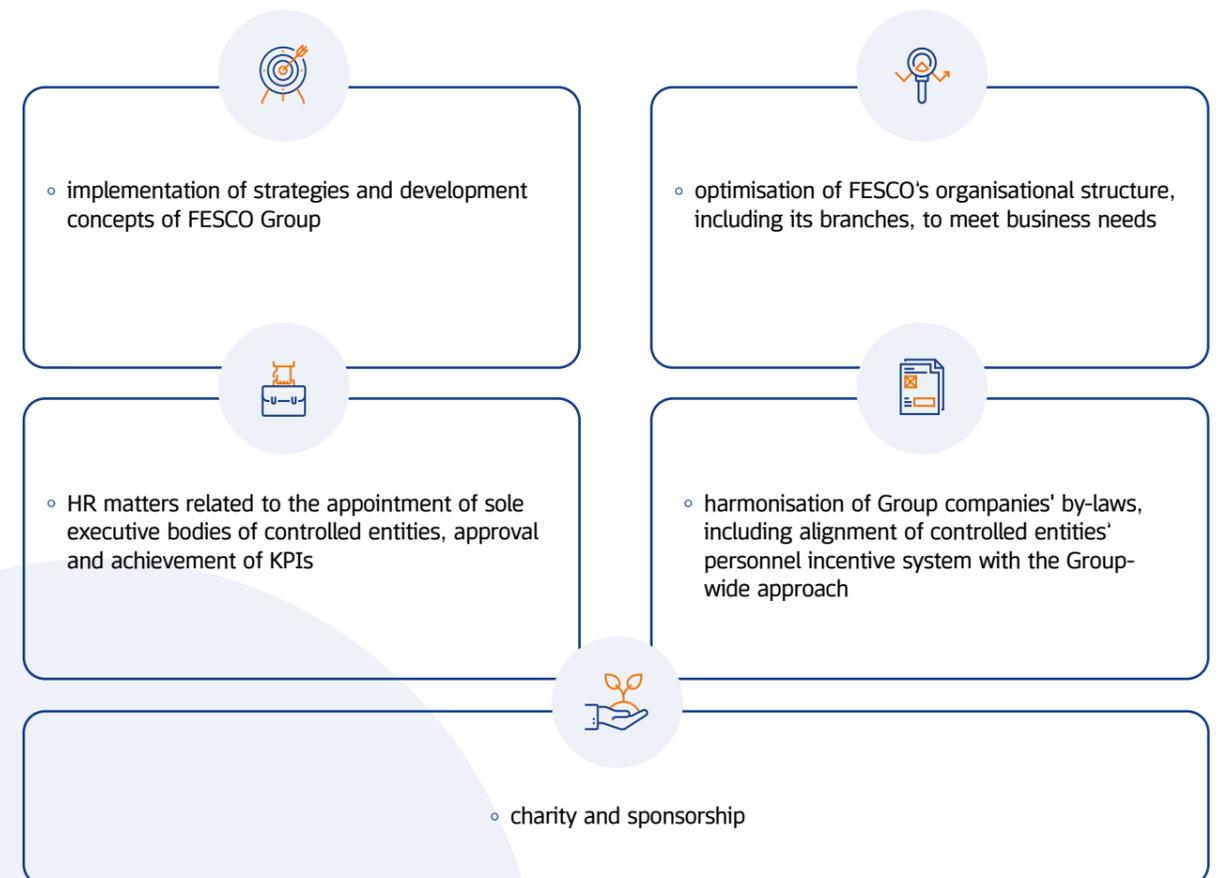
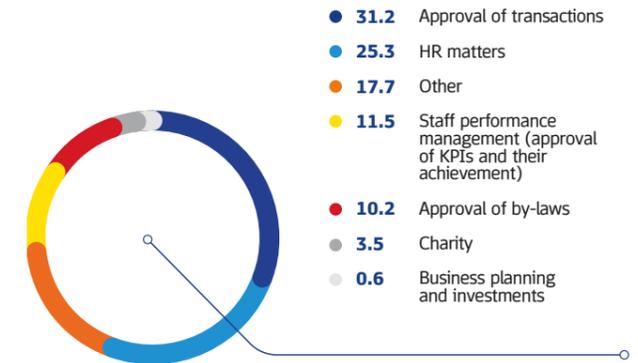
Members of the Executive Board are nominated by the President of the Company and elected by resolution of the Board of Directors. The number of the Executive Board members is set by the Company's Board of Directors and shall be optimal for practical discussion of matters and making timely and effective decisions.

As at 31 December 2023, the Executive Board was composed of seven persons.

There were no changes in the composition of the Executive Board in 2023.

In 2023, the Executive Board held **32 meetings** and considered **231 items**, most of which (223 items) were concerned with performance of the Group's companies, including items on:

Items related to performance of controlled and dependent entities considered by the Executive Board, %



¹ Approved by the Annual General Shareholders Meeting on 20 June 2019, Minutes No. 51 dated 20 June 2019.

Remuneration of the Company's executive bodies

The Company's remuneration policy for members of the Board of Directors, executive bodies, and other key employees is set out in the following by-laws:

Role	Regulations
Board of Directors	<ul style="list-style-type: none"> Regulations on Remuneration and Compensation for Members of FESCO's Board of Directors¹
Executive bodies (President, CEO, and Executive Board)	<ul style="list-style-type: none"> Regulations on Bonus Payment to FESCO's Top Management² Short-Term Employee Incentive Programme (covering all employees of FESCO Group)

When building the remuneration framework, the Company seeks to establish the level of remuneration of its governing bodies and the relevant payment procedure in line with the principles and recommendations of the Corporate Governance Code.

The current level of remuneration of members of the Board of Directors and executive bodies provides sufficient motivation, supports their performance, and helps retain employees with required skills and qualifications.

In 2023, the Company revised by-laws establishing the level of remuneration of members of the Board of Directors and executive bodies.

Remuneration of the Board members

The procedure for calculating remuneration is determined by the Regulations on Remuneration and Compensation for Members of FESCO's Board of Directors, as amended and approved by the Extraordinary General Shareholders Meeting on 18 January 2023.

The new version of the document takes into account best practices and provides for a clear remuneration structure (base and additional remuneration).

Base remuneration is paid for performing the duties of a member of the Board of Directors.

Additional remuneration is paid for performing additional duties related to the exercise of functions of the Chairman of the Board of Directors, Chairmen and members of Committees of the Board of Directors.

The level of annual remuneration of members of the Board of Directors is established in accordance with the Regulations on Remuneration and Compensation for Members of FESCO's Board of Directors.

¹ Approved by the Extraordinary General Shareholders Meeting on 18 January 2023, Minutes No. 58 dated 19 January 2023.

² Approved by resolution of the Board of Directors on 22 August 2023, Minutes No. 16 dated 23 August 2023.

Types of remuneration for the corporate year¹

Indicator	Remuneration
Base remuneration, RUB	15,000,000
Additional remuneration ² , %	
Chairman of the Board of Directors	50
Committee Chairman	50
Committee member	25

Base remuneration is paid quarterly in equal instalments within 30 calendar days of the end of the respective reporting quarter based on actual attendance of meetings of the Company's Board of Directors and meetings of the Company's committees on which the director sits in the reporting period.

These are the only form of monetary remuneration for the members of the Board of Directors. The Company has no other forms of motivation or financial incentives. There are no additional payments or compensation in case of early termination of powers of the members of the Board of Directors.

The Company compensates members of the Board of Directors for expenses related to their work on the Company's Board of Directors. Compensation is payable only for actually incurred, documented, and reasonable expenses.

Total remuneration paid to the members of the Board of Directors in 2023 was RUB 196.74 million. Total compensation paid amounted to RUB 406,000.

No loans were granted by the Company to the members of the Board of Directors in the reporting year.

Remuneration of members of the executive bodies

The remuneration of the sole executive bodies and the Executive Board members as the Company's top executives consists of an official salary paid on a monthly basis and a bonus paid after summing up the results of achieving the KPIs for six months.

The Company's remuneration policy for members of executive bodies is established by the Board of Directors based on recommendations of the Human Resources and Remuneration Committee.

The Human Resources and Remuneration Committee assesses the effectiveness of the remuneration policy twice a year and provides recommendations on how to improve it and draws final conclusions on whether the Company's management has achieved the KPIs.

The KPIs are set individually for each top executive, include operational, financial, and strategic criteria, and are approved by a meeting of the Board of Directors for each six-month period.

The Board of Directors may resolve to pay an additional remuneration to the top management for their special contribution to the achievement of the Company's financial results and implementation of particularly important projects.

The remuneration paid to the members of the Executive Board and the sole executive bodies in 2023 totalled RUB 3,062.32 million. Neither reimbursement for expenses was paid, nor loans were granted to the members of the Executive Board in the reporting period.

¹ The calculation period for payment of remuneration and compensation is established from the election date of the Company's Board of Directors at an annual General Shareholders Meeting of the Company to the date of the next annual General Shareholders Meeting of the Company at which new members of the Company's Board of Directors will be elected.

² Additional remuneration is calculated as a percentage of the base remuneration for the corporate year.

Corporate secretary

Corporate Secretary is governed by the Company's Regulations on the Corporate Secretary¹.

The Office of the Corporate Secretary performs its functions under the Corporate Secretary's supervision.

The Corporate Secretary is responsible for ensuring that the Company's governing bodies and officers comply with the Russian laws and the by-laws setting out the procedure for protecting the rights of shareholders; preparing and holding General Shareholders Meetings and meetings of the Board of Directors, its committees, and the Executive Board, disclosing information about FESCO as required by the laws on the securities market, and dealing with insider information. One of the Corporate Secretary's key tasks is to maintain a strong corporate culture and improve corporate governance practices at the Company and at the Group.

The Corporate Secretary serves as Secretary of the Board of Directors and is functionally subordinate to it, and administratively to the President of the Company. The approval of nominees for the position of the Corporate Secretary, their

remuneration and the Regulations on the Corporate Secretary falls within the remit of the Board of Directors, which ensures independent and efficient performance of the Corporate Secretary's functions.

To ensure compliance with the Corporate Governance Code and oversee the Company's corporate governance system, the Board of Directors reviews the Corporate Secretary's reports for the reporting year. Corporate Secretary's Report for 2023 was approved at the meeting of the Company's Board of Directors on 28 December 2023. The Board of Directors gave a positive assessment of the 2023 performance of the Corporate Secretary and the Office of the Corporate Secretary.

In the reporting year, the Corporate Secretary focused on achieving the Group's business goals, securing consistent and efficient work of the governing bodies against the background of restrictive measures, maintaining sustainable corporate governance procedures, and improving control over the progress against the governing bodies' decisions.

¹ Approved by resolution of the Board of Directors on 6 February 2019, Minutes No. 1/19 dated 7 February 2019.

Controlled entities

FESCO operates more than 100 Russian and foreign legal entities that support its business.

The governance at its controlled entities is based on a legal framework put in place to ensure the interests and rights of FESCO as the major shareholder/member of the Group. Below are the key principles underpinning it:

- all transactions and actions of the controlled entities require approval by the Board of Directors and/or the Executive Board of FESCO as set out in the Company's Articles of Association
- the Board of Directors and the Executive Board of FESCO approve the voting position of the Company's representatives in the governing bodies of the controlled entities on key matters
- the governing bodies of the Group's companies (boards of directors (supervisory boards), executive bodies) are made up of FESCO's representatives
- FESCO or its controlled entities are authorised to exercise the powers of the sole executive body at certain companies of the Group
- the constituent and internal documents and the remits of the governing bodies of the Group's companies are harmonised at the Group's level

The framework for governance at FESCO's controlled entities is implemented by FESCO Service Centre (FSC), an integrated centre servicing most of the Group's companies.

The governance control is regulated either via a three-tier system (general meeting, board of directors / supervisory board, sole executive body) or via a two-tier system (general meeting, sole executive body).

FESCO has control over the following key matters related to operations of the Group's companies:

- approval of budgets, strategic development programmes, business plans, investment programmes and projects
- approval of certain transactions and actions specified by the Articles of Association of FESCO and its controlled entities
- approval of candidates to be elected as the sole executive body or to the board of directors / supervisory board at FESCO's controlled entities
- preliminary consideration of matters related to the appointment of management at the controlled entities
- approval of candidates to the auditors at controlled entities

In 2023, the Board of Directors and the Executive Board of FESCO passed about 397 resolutions related to governance at controlled entities.

Control and audit

Internal controls

An integral part of corporate governance, our risk management and internal control system embraces all operations, key business processes and governance levels. Its key objective is to provide reasonable assurance in the Company's ability to achieve its strategic and day-to-day goals amid uncertainty and unfavourable conditions.

Risk management and internal controls are continuous integrated processes performed by governing bodies and employees as part of their duties.

To provide governing bodies with complete and accurate information on the Company's operations, FESCO established the Internal Audit Department.

The Department is responsible for the regular and independent assessment of how effective and reliable the Company's risk management and internal controls are as well as their improvements. The Internal Audit Department also works to enhance the effectiveness and efficiency of corporate governance practices and business processes and reduce costs, oversees safe and sustainable use of assets, and ensures compliance with corporate governance principles.

The Department is governed by the FESCO Internal Audit Policy.

External audit

The Annual General Shareholders Meeting appointed Kept as the Company's external auditor for 2023. The external auditor is responsible for auditing the Company's financial and operating performance as prescribed by the applicable laws of the Russian Federation and pursuant to the contract signed between the Company and the auditor. According to clause 4, article 5 of Federal Law No. 307-FZ On Audit Activities dated 30 December 2008, no open tender is required to select the issuer's external auditor.

The issuer shall select the external auditor through a tender procedure (Russian laws on procurement do not apply to said tender procedures). The Company shall select its external auditor by collecting and comparing bids submitted by the auditors. The proposed nominee for the external auditor role shall be approved by the General Shareholders Meeting.

Risk management

Risk management system

The risk management system (RMS) is a set of risk management components (culture, competences, methodology, practices, resources), methods, and processes integrated into the Group companies' strategic planning and operational management and designed to achieve its goals. The RMS relies on international and national risk management standards.

Today's companies require dynamic and flexible risk management to promptly respond to external and internal changes. The Company identifies and monitors risks on an ongoing basis, assessing the effectiveness of its risk management measures and using, among other things, the Company's emerging opportunities for business development and value growth.

We keep improving our risk management system to timely respond to changes, maintain strong performance, and increase efficiency amid risks and uncertainty.

In 2023, RMS was developing in line with the approved plan to 2023. The following measures were adopted as part of the plan:

- establishment of the Risk Management Department, a unit responsible for the Group's risk management
- identification and initial assessment of FESCO's strategic risks
- regular monitoring of key sanctions risks, including the development of plans for their management
- creation of a list of risk indicators (quantitative or qualitative indicators reflecting the current risk level at varying time horizons)
- regular updates about key FESCO risks and their changes submitted to the Company's management

Risk management at FESCO



Risk mitigation initiatives

Board of Directors

- Defines principles of and approaches to the RMS
- Approves by-laws setting out the risk management policy
- Considers matters related to the organisation, functioning, and efficiency of the RMS
- Assesses RMS efficiency

Risk Management Department

- Coordinates risk management processes
- Develops methodological documents
- Organises employee training
- Analyses the risk portfolio and develops proposals on action plans and reallocation of resources in relation to the management of relevant risks
- Prepares consolidated risk reporting
- Monitors the risk management process
- Secures the risk management process and informs the governing bodies about its effectiveness

Internal Audit Department

- Carries out internal audits of the effectiveness of risk management initiatives and assesses the effectiveness of the RMS
- Provides information on risks identified during internal audits, their assessment, and risk management initiatives

Audit Committee

- Exercises control over the reliability and efficiency of the RMS
- Analyses and assesses the implementation of the risk management policy
- Executes preliminary consideration and preparation of recommendations to the Board of Directors on matters relating to the RMS

Executive Board / President

- Ensures efficient risk management for the Group

Risk Committee

- Decides on the approach and costs of key risk management
- Decides on roles and responsibilities for key risk management
- Monitors the status of key risks and the adequacy of measures to manage them

Risk owners

- Identify individual risks
- Assess individual risks
- Draft initiatives to manage individual risks in accordance with the selected risk management approach
- Implement initiatives to manage individual risks

All Group employees

- Take part in the risk management process within their remit

RMS functioning principles

Continuous improvement

Alignment with targets

Focus on security

Continuity

Adaptability

Integration

Structuring and comprehensiveness

Involvement

RMS

Corporate map of material risks

As part of the RMS, a list of key risks and risk owners were identified, risks were assessed, and risk management initiatives were developed and implemented.

Comprehensive risk management efforts made it possible to largely offset negative factors affecting the Group's goals.

Detailed description	Assessment of impact / probability	Comment	Risk management
Commercial risks Commercial risks are risks of losses arising from external (demand, competition, market changes, etc.) and internal (quality and price of services provided, etc.) volatility	High/medium	In 2023, the impact of risk materialisation was assessed as insignificant. The risk remains in 2024	The Group mitigates commercial risks through a balanced pricing policy. The management of commercial risks is based on long-term partnerships with counterparties designed to increase the Company's financial stability in the hostile economic environment. Another tool is optimisation of internal business processes and shipment structure in order to respond efficiently to market changes
Geopolitical risks Geopolitical risks stem from the US, EU and other countries building up their sanctions pressure, including potential sanctions against FESCO, its customers and the industries where they operate, as well as FESCO's customers and suppliers exiting the market	High/medium	In 2023, the impact of risk materialisation was assessed as insignificant. In 2024, the risk probability is expected to increase	FESCO operates in strict compliance with the Russian and international laws and constantly keeps track of all regulatory changes affecting its operations. The Company regularly monitors the sanctions pressure, analyses the possibility of new sanctions, and promptly adjusts its activities, where necessary
Operational risks Given the Group's significant transport assets (railcars, containers, vessels, terminals), the management of operational risks is one of the key priorities due to their sheer number	Medium/medium	In 2023, the impact of risk materialisation was assessed as insignificant. The risk remains in 2024	As part of its risk mitigation initiatives, FESCO repairs and upgrades its assets, invests in new equipment, refines its control over the quality of asset management and protection
Financial risks The most material financial risk for FESCO is liquidity risk	High/low	The risk did not materialise in 2023. In 2024, the risk consequences are expected to increase	The cash flow budget, including short- and medium-term planning tools, is the key instrument for managing liquidity risks

Objectives for 2024 and the medium term

Among the priority areas of RMS progress and improvement are the following tasks stipulated in the FESCO's plan to develop its risk management system in 2024:

2024



updating internal methodological documents and reporting forms as regards risk management



integrating the risk management process into FESCO's key activities and business processes



improving the RMS performance and risk awareness by unifying, standardising, and automating risk management processes



increasing involvement of the Group's management in the risk management process



Information for shareholders

Shares

FESCO shares are traded on the Moscow Exchange and included in the Level 2 quotation list (ticker: FESH). In 2023, FESCO share price surged by 135% from RUB 33.59 as at 30 December 2022 to RUB 78.99 as at 29 December 2023. FESCO's market capitalisation increased from RUB 99.1 billion as at the end of 2022 to RUB 233.1 billion as at the end of 2023.

Exchange-traded bonds

FESCO fulfilled its obligations in full with respect to BO-01 and BO-02 bonds.

Cash to be paid to holders of 65,345 outstanding bonds was deposited with a notary due to the technical inability to fulfil obligations as stipulated by the issue documents.

Dividend policy

Pursuant to the Company's Articles of Association, resolutions on the payout of dividends are made by the General Shareholders Meeting following a recommendation of the Board of Directors. The recommendation is based on the Company's current financial position, taking into account its development plans. In 2023, no dividends were accrued or paid.

Share capital

As at 31 December 2023, the Company's charter capital amounted to RUB 2,951,250,000.

The Company's charter capital is divided into common registered uncertificated shares in the amount of 2,951,250,000 with a face value of RUB 1 per share.

All common shares have the same face value, are registered uncertificated securities, and provide equal rights to their holder (shareholder).

In accordance with the Articles of Association, the Company is entitled to place 737,812,500 common shares with a face value of RUB 1 each in addition to the outstanding shares.

Credit ratings

As at the end of 2023, the Company maintained an A rating with a positive outlook from National Credit Ratings, a Russian credit rating agency.





05 Appendices

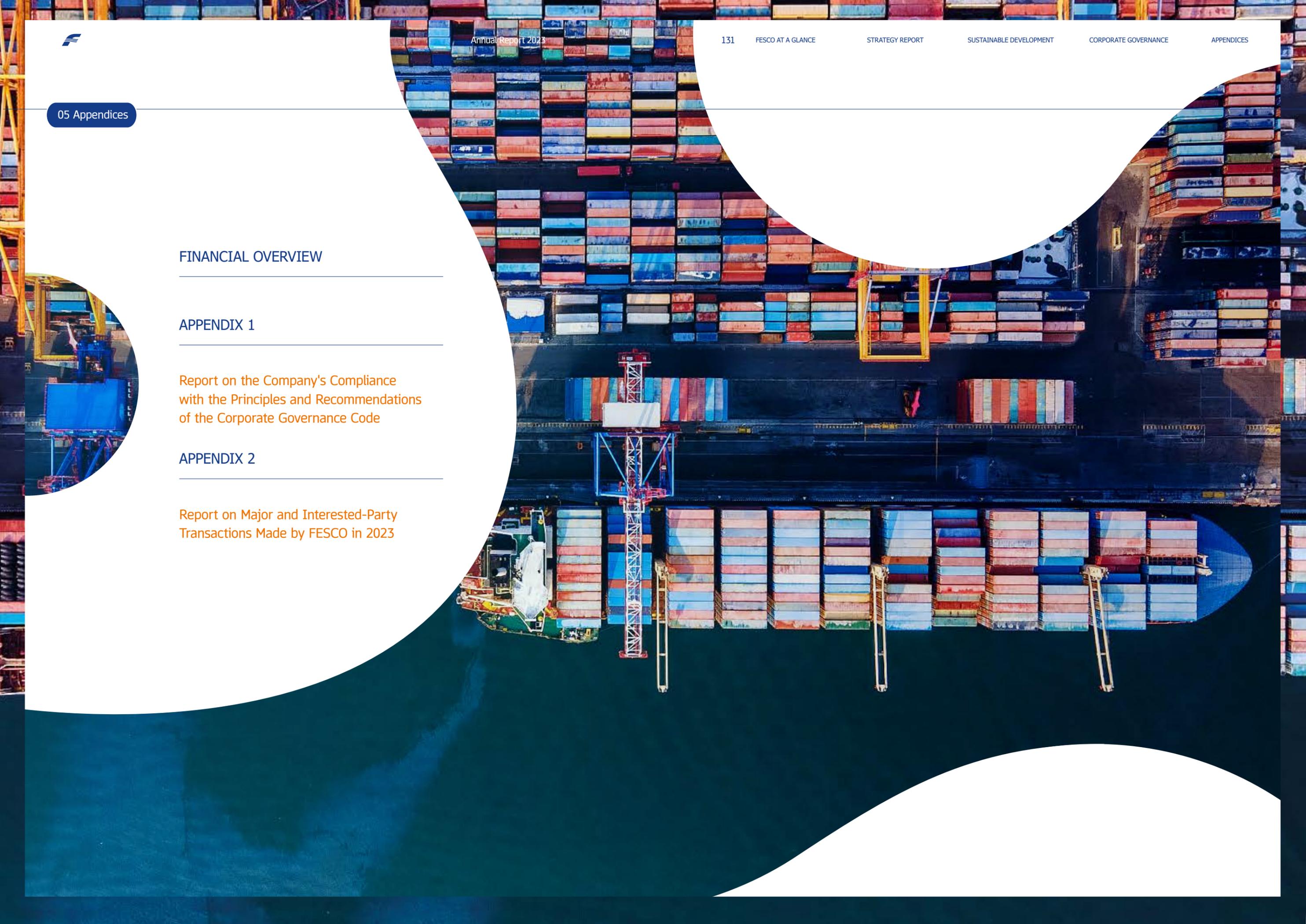
FINANCIAL OVERVIEW

APPENDIX 1

Report on the Company's Compliance with the Principles and Recommendations of the Corporate Governance Code

APPENDIX 2

Report on Major and Interested-Party Transactions Made by FESCO in 2023





Appendices

Financial overview

Appendix 1

Report on the Company's Compliance with the Principles and Recommendations of the Corporate Governance Code

Appendix 2

Report on Major and Interested-Party Transactions Made by FESCO in 2023

Financial overview

Consolidated financial statements for the year ended 31 December 2023 and Independent Auditors' Report

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JSC "Kept"
Naberezhnaya Tower Complex, Block C
10 Presnenskaya Naberezhnaya

Moscow, Russia 123112
Telephone +7 (495) 937 4477
Fax +7 (495) 937 4499

Independent Auditors' Report

To the Shareholders and the Board of Directors of FAR-EASTERN SHIPPING COMPANY PLC. (FESCO)

Opinion

We have audited the consolidated financial statements of FAR-EASTERN SHIPPING COMPANY PLC. (FESCO) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further

described in the **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements** section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

Please refer to the Note 4 the consolidated financial statements.

The key audit matter

The Group has significant goodwill recognised in its consolidated statement of financial position as at 31 December 2023. Due to current market conditions, including volatility of import and export volumes and exchange rates, there is a risk that the above may be not recoverable in full. The risk is associated with goodwill of Vladivostok Sea Trade Port ("VMTP") cash generating unit ("CGU").

As at the reporting date management determines the recoverable amount of the Group's assets and cash generating units as their value in use. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgmental areas that our audit is concentrated on.

How the matter was addressed in our audit

We evaluated the reasonableness of the expected cash flow forecasts by comparing them with externally derived data as well as our own assessments in relation to key inputs such as forecasts for volumes of containers throughput and other cargos, forecasted container charge out and general cargo rates, costs projections, discount and terminal growth rates.

We challenged:

- the key assumptions for short and long term growth rates in the forecasts by comparing them with economic and industry forecasts;
- the discount rates used. Specifically, we recalculated the Group's weighted average cost of capital using market comparable information.

We used our own valuation specialist to assist us in evaluating the assumptions and methodologies used by the Group.

Other Information

Management is responsible for the other information. The other information comprises the Group's Annual Report for 2023, but does not include the consolidated financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Company's Issuer's Report for 12 months 2023, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit Committee of the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures

in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Ryazantsev Andrei Victorovich

Principal registration number of the entry in the Register of Auditors and Audit organizations No. 21906100282, acts on behalf of the audit organization based on the power of attorney No. 402/22 as of 1 July 2022

JSC "Kept"

Principal registration number of the entry in the Register of Auditors and Audit Organizations No. 12006020351



Moscow, Russia

23 April 2024

Consolidated Statement of Financial Position as at 31 December 2023

RUB mln	Note	31 December 2023	31 December 2022
Assets			
Non-Current Assets			
Fleet	5	47,357	18,611
Rolling stock and other tangible fixed assets	6	82,591	56,240
Goodwill	4	7,569	7,459
Other non-current assets	8	25,309	11,704
Total non-current assets		162,826	94,014
Current Assets			
Inventories	7	3,228	2,185
Accounts receivable	8	37,889	39,045
Other current assets		2,164	406
Cash and cash equivalents	8	4,641	30,677
Total current assets		47,922	72,313
Total assets		210,748	166,327
Equity and liabilities			
Shareholders' Equity			
Share capital	11	2,951	2,951
Share premium		23,697	23,697
Retained earnings		126,593	88,341
Reserves		(19,522)	(27,310)
Equity attributable to owners of the Company		133,719	87,679
Non-controlling interests		3,340	2,915
Total equity		137,059	90,594
Non-current liabilities			
Long-term debt obligations	9	21,541	26,775
Long-term lease liabilities	8	6,556	6,516
Deferred tax liability	10	3,570	3,052
Other long-term liabilities		3,219	1,031
Total non-current liabilities		34,886	37,374
Current Liabilities			
Accounts payable	8	28,605	32,548
Short-term debt obligations	9	4,974	3,835
Short-term lease liabilities	8	5,224	1,976
Total current liabilities		38,803	38,359
Total liabilities		73,689	75,733
Total equity and liabilities		210,748	166,327

A. N. Korostel'ov, President

L.G. Zvyagintsev, Vice President and CFO

Date: 23 April 2024

The accompanying notes on pages 144–177 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss for the year ended 31 December 2023

RUB mln	Note	2023	2022
Revenue	13	172,004	162,639
Operating expenses	14	(97,846)	(72,715)
Gross profit before depreciation and amortisation		74,158	89,924
Depreciation and amortisation	5, 6	(11,514)	(6,648)
Administrative expenses	15	(23,755)	(19,639)
Impairment reversal/(impairment)	16	1,352	(12,793)
Other (expenses)/income, net		(1,866)	55
Profit from operating activity		38,375	50,899
Finance income	17	9,976	1,471
Finance costs	17	(4,720)	(7,242)
Other non-operating expenses		(833)	(1,067)
Share of profit of equity accounted investees		40	30
Profit before income tax		42,838	44,091
Income tax expense	10	(4,987)	(4,703)
Profit for the year		37,851	39,388
Attributable to:			
Owners of the Company		37,702	38,613
Non-controlling interests		149	775
Earnings per share (in RUB)	19	12.775	13.084

The accompanying notes on pages 144–177 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

RUB mln.	2023	2022
Profit for the year	37,851	39,388
Other comprehensive income:		
Items that are not to be reclassified to profit or loss		
Effect of foreign currency translation	5,835	11
Revaluation of fleet, net of deferred tax	2,725	(3,300)
Deferred tax on fleet revaluation	(222)	305
Total other comprehensive income/ (loss)	8,338	(2,984)
Total comprehensive income for the year	46,189	36,404
Total comprehensive income/(loss) attributable to:		
Ordinary shareholders of the Company	46,040	35,629
Non-controlling interests	149	775

The accompanying notes on pages 144–177 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2023

RUB mln	Attributable to equity holders of the Company			Attributable to equity holders of the Company				
	Share capital (Note 11)	Share premium	Retained earnings	Revaluation reserve	Translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2022	2,951	23,697	44,624	11,438	(30,660)	52,050	2,189	54,239
Profit for the year	–	–	38,613	–	–	38,613	775	39,388
Other comprehensive income								
Effect of foreign currency translation	–	–	–	(815)	826	11	–	11
Fleet revaluation (Note 5)	–	–	–	(3,300)	–	(3,300)	–	(3,300)
Fleet reserve amortisation	–	–	5,104	(5,104)	–	–	–	–
Deferred tax on fleet revaluation	–	–	–	305	–	305	–	305
Total other comprehensive loss	–	–	5,104	(8,914)	826	(2,984)	–	(2,984)
Total comprehensive loss for the year	–	–	43,717	(8,914)	826	35,629	775	36,404
Transactions with owners, accounted directly in equity								
Acquisition of non-controlling interests	–	–	–	–	–	–	(49)	(49)
Total transactions with owners	–	–	–	–	–	–	(49)	(49)
Balance at 31 December 2022	2,951	23,697	88,341	2,524	(29,834)	87,679	2,915	90,594
Balance at 1 January 2023	2,951	23,697	88,341	2,524	(29,834)	87,679	2,915	90,594
Profit for the year	–	–	37,702	–	–	37,702	149	37,851
Other comprehensive income								
Effect of foreign currency translation	–	–	–	480	5,355	5,835	–	5,835
Fleet revaluation (Note 5)	–	–	–	2,725	–	2,725	–	2,725
Fleet reserve amortisation	–	–	550	(550)	–	–	–	–
Deferred tax on fleet revaluation	–	–	–	(222)	–	(222)	–	(222)
Total other comprehensive income	–	–	550	2,433	5,355	8,338	–	8,338
Total comprehensive income for the year	–	–	38,252	2,433	5,355	46,040	149	46,189
Transactions with owners, accounted directly in equity								
Change of non-controlling interest, net	–	–	–	–	–	–	276	276
Total transactions with owners	–	–	–	–	–	–	276	276
Balance at 31 December 2023	2,951	23,697	126,593	4,957	(24,479)	133,719	3,340	137,059

The availability of the Company's retained earnings for distribution to shareholders is determined by the Company's Articles of Association and by Russian law and does not correspond with the figures

shown above. The Company's retained earnings available for distribution under Russian Accounting Standards as at 31 December 2023 were RUB nil (as at 31 December 2022: RUB nil).

The accompanying notes on pages 144–177 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2023

RUB mln	Note	2023	2022
Cash flows from operating activities			
Profit for the year		37,851	39,388
Adjustments for:			
Depreciation and amortisation		11,514	6,648
(Impairment reversal)/impairment	16	(1,352)	12,793
Loss/(profit) on disposal of tangible fixed assets		701	(177)
Foreign exchange (gain)/loss	17	(8,476)	2,457
Finance costs, net	17	3,220	3,314
Share of profit of equity accounted investees		(40)	(30)
Income tax expense	11	4,987	4,703
Cash from operating activities before changes in working capital and provisions		48,405	69,096
Change in inventories		(1,044)	(629)
Change in trade and other receivables		609	(8,780)
Change in trade and other payables		(4,713)	7,285
Effect of exchange rate fluctuations in net current assets		2,894	(496)
Cash flows from operations before income taxes paid		46,151	66,476
Income tax paid		(3,048)	(3,443)
Cash flows generated from operating activities		43,103	63,033

The accompanying notes on pages 144–177 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2023 (Continued)

RUB mln	Note	2023	2022
Cash flows from investing activities			
Expenditure on rolling stock and other fixed assets	6	(40,113)	(23,338)
Proceeds on disposal of rolling stock and other fixed assets		6	200
Vessels acquired	5	(19,189)	(13,156)
Refund of advances for the fleet acquisition		–	570
Expenditure on dry-docking	5	(1,044)	(239)
Loans issued		(2,000)	–
Other investments acquisition, net		45	(17)
Dividends received		77	31
Interest received		1,037	1,365
Net cash used in investing activities		(61,181)	(34,584)
Cash flows from financing activities			
Proceeds from borrowings	9	–	5,559
Repayment of borrowings	9	(3,814)	(5,818)
Lease liabilities repayments	9	(1,907)	(1,921)
Bonds redemption	9	(284)	(272)
Finance charges	9	(4,106)	(4,596)
Acquisition of non-controlling interest		(8)	(36)
Change in restricted cash		(33)	–
Net cash used in financing activities		(10,152)	(7,084)
Effect of exchange rate fluctuations on cash and cash equivalents		2,194	(1,756)
Net (decrease)/ increase in cash and cash equivalents		(26,036)	19,609
Cash and cash equivalents at the beginning of the year		30,677	11,068
Cash and cash equivalents at the end of the year	9	4,641	30,677

The accompanying notes on pages 144–177 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

1. Organisation and Trading Activities

Far-Eastern Shipping Company PLC. (FESCO or the "Company") was privatised and became a joint stock company governed by the laws of the Russian Federation on 3 December 1992. The Company's registered office and principal place of business is: Novokuznetskaya st., 7/11 p. 1, Moscow, Russian Federation, 115184.

The principal activity of FESCO and its subsidiaries (the Group) has traditionally been shipping (ship owning, ship management, chartering out and line operating). In recent years FESCO has been transformed into an intermodal logistics Group, offering a full range of logistical solutions through a combination of shipping, rail, trucking and port services.

2. Basis of Preparation

(a) These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The group additionally prepares consolidated financial statements in Russian roubles in accordance with the requirements of IFRS. A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1 January 2024.

The Group is in the process of assessing the impact of the amendments, particularly with respect to the collation of additional information needed to meet the new disclosure requirements.

Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

As disclosed in Note 9, the Group has a secured bank loan that is subject to specific covenants. While this liability is classified as non-current at 31 December 2023, a future breach of the related covenants may require the Group to repay the liabilities earlier than the contractual maturity dates. The Group is in the process of assessing the potential impact of the amendments on the classification of these liabilities and the related disclosures.

Other accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Lack of Exchangeability (Amendments to IAS 21).

Although new or amended standards that will have no or no material effect on the financial statements need not be provided, the Group has included all new or amended standards and their possible impact on the consolidated financial statements for illustrative purposes only.

(b) Basis of consolidation

These consolidated financial statements include the accounts of FESCO and its subsidiaries.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of investor's return. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

The principal subsidiaries of the Group are as follows:

Name	Country of Incorporation	Percentage Holding as at 31 December 2023	Activity
Fesco Maritime Hong Kong Limited	HK	100%	Ship owning
FESCO Lines China	China	100%	Transport and forwarding services
Firm Transgarant LLC	Russia	100%	Holding company for transportation services group
FIT LLC	Russia	100%	Transport and forwarding services
VMTP PJSC	Russia	95%	Commercial Port
Dalrefrans Co, Ltd	Russia	100%	Transport and forwarding services
FESCO Ocean Management Hong Kong Limited	HK	100%	Shipping operations

(c) Critical accounting estimates and judgements in applying accounting policies
The preparation of consolidated financial statements in accordance to IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of selecting and applying accounting policies. Actual results may differ from these estimates under different assumptions and conditions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

1. Impairment of goodwill and tangible fixed assets, see Note 4 and Notes 5, 6;

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Determination of the fair value of the Group's fleet, see Note 5;
3. Use of estimates to determine right-of-use assets and lease obligations, see Note 8.

(d) As part of the preparation of these consolidated financial statements management conducted an analysis of its cash flows for the period of 2024 to 2027 to determine its ability to service its existing debt obligations over the next 12 months and for the foreseeable future. The Group's cash flows are highly dependent on such macroeconomic parameters as exchange rates, the growth of which has an impact on the decline in customer demand for imported goods, and the balance of exports and imports.

In February 2022, following the recognition of self-proclaimed republics of Donetsk and Lugansk and the start of a special military operation in Ukraine by the Russian Federation, the United States, the European Union and some other countries have imposed additional tough sanctions against the Government of the Russian Federation, as well as large financial institutions and other enterprises and individuals persons in Russia. In addition, restrictions were imposed on the supply of various goods and services to Russian enterprises. Also, in the context of the imposed sanctions, a number of large international companies from the United States, the European Union and some other countries stopped, significantly reduced or suspended their own activities in the Russian Federation, as well as doing business with Russian citizens and legal entities. Moreover, there is a risk of further sanctions and similar forms of pressure. In response to the sanctions pressure, the Government of the Russian Federation has introduced a set of measures, which are counter-sanctions, currency control measures, a number of key rate decisions and other special economic measures to ensure the security and maintain the stability of the Russian economy.

The imposition and subsequent strengthening of sanctions has led to increased economic uncertainty, including reduced liquidity and high volatility in the capital markets, volatility of the Russian rouble exchange rate and the key rate, a decrease in foreign and domestic direct investment, difficulties in making payments for Russian issuers of Eurobonds, and also a significant reduction in the availability of sources of debt financing. In addition, Russian companies have virtually no access to the international stock market, the debt capital market and other development opportunities, which may lead to their increased dependence on state support. The Russian economy is in the process of adaptation associated with the replacement of retiring export markets, a change in supply markets and technologies, as well as changes in logistics and production chains.

It is difficult to assess the consequences of the imposed and possible additional sanctions in the long term, however, sanctions can have a significant negative impact on the Russian economy. These consolidated financial statements reflect management's assessment of the impact that the business environment in the Russian Federation has on the Group's operations and financial position. The actual impact of future

business conditions may differ from management's estimates. The Group's parent company was included in the United Kingdom sanctions list in May 2023.

In 2023 and 2022 Russian container transportation market has suffered the decrease in traffic volumes through the ports of the Baltic basin and an increase in traffic through the Far East and Novorossiysk. The increase in traffic through the Far East is due to the switch of logistics chains towards partner countries. The volume of domestic container traffic during the 2022 and 2023 remained stable relative to the previous period.

Taking into account the fact that the Group operates to a significant extent in the Asia-Pacific region, the above factors have had a positive effect on the profitability of its intermodal and transit container transportation. Having its own fleet of fitting platforms, containers, vessels as well as port and terminal facilities in the Far East, Novosibirsk, Khabarovsk and Tomsk ensured the Group's stable position in the Far East intermodal and coastal transportation market against the backdrop of the withdrawal of international container operators from it.

During 2022 and 2023, the Group's management took a number of measures to develop the business and maintain a stable financial position, including new ways in attracting the customers and new types of cargo, introducing new routes, acquisition of new fleet by Group's subsidiaries, railcars and containers acquisition and other measures.

The Group notes a decrease in freight rates in the 2023. The key factors behind the rate cut were the recovery of supply chains after the COVID-19 pandemic and the formation of a sufficient number of linear assets after the departure of international companies. The Group expects a further decrease of freight rates in 2024 as a result of slower growth of container transportation market and sufficient volume of linear assets over the market. To keep and increase the financial result, the Group's management is developing additional multimodal services with the partner countries of the Russian Federation – Vietnam, Turkey, India, Iran, and also expanding logistics solutions for partners between Russia and China through Deep Sea. An additional driver to secure the volume of cargo loading will be the completion of the restructuring of logistics routes of key importers of the Russian Federation from Europe to China as well as development of Group's terminals network.

Therefore, despite of anticipated decrease of export and import growth rates in 2024 and continuing freight rates decrease, management has a reasonable expectation that the Group will continue as a going concern for the foreseeable future. This will be supported by the Group's business model based on own intermodal assets focused on transportation in the most favorable direction between Russia and China. The Group does not consider an increase in the key refinancing rate in 2023 up to 16% as any risk factor of deterioration in Group's financial position due to insignificant dependence of Group's consolidated profit and cash flows on finance costs charged on Group's debt portfolio at the above-mentioned level of key refinancing rate.

These consolidated financial statements have been prepared on a going concern basis.

3. Accounting Policies

Material accounting policies are described in the related notes to the consolidated financial statements captions and in this note. The significant accounting policies adopted by the Group have been consistently applied with those of the prior period taking into account adoption of new and revised standards effective as at 1 January 2023.

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The consolidated financial statements are prepared on the historical cost basis. Group's vessels are stated at fair value at each reporting date based on valuation performed by an independent professional appraiser as disclosed in Note 5. Any accumulated depreciation

at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

(a) Functional and presentation currency

The presentation currency used in the preparation of these consolidated financial statements is Russian rouble ("RUB").

The functional currency of each Group entity is the currency of the primary economic environment in which the entity operates.

The results and financial position of each Group entity whose functional currency is different from RUB, are translated into the presentation currency as follows:

- i. assets and liabilities at each reporting date are translated at the closing rate at this date;
- ii. income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- iii. all resulting exchange differences are recognised as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the consolidated statement of profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

None of the Group entities has a functional currency which is a currency of hyperinflationary economy. All financial information presented in RUB has been rounded to the nearest million

At 31 December 2023, the official rate of exchange, as determined by the Central Bank of the Russian Federation, was USD 1 = RUB 89.6883 (31 December 2022 USD 1 = RUB 70.3375).

4. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses.

Negative goodwill (excess of the fair value of the share in net assets acquired over consideration paid) is recognised in the statement of profit or loss. Any excess of the consideration paid to acquire a non-controlling interest over the book value of the non-controlling interests is recognised in equity.

Every reporting period a formal estimate of recoverable amount of each cash generating unit (CGU) is performed and an impairment loss recognised

to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of a cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal.

	Gross amount	Accumulated impairment loss	Carrying amount
	RUB mln		
At 31 December 2021	10,673	(3,175)	7,498
Translation difference	(39)	–	(39)
At 31 December 2022	10,634	(3,175)	7,459
Translation difference	110	–	110
At 31 December 2023	10,744	(3,175)	7,569

Goodwill has been allocated to groups of cash generating units (CGU's) which represent the lowest level within the Group at which goodwill is monitored by management for internal reporting purposes.

The carrying amount of goodwill, net of impairment, allocated to each CGU is as follows:

	31 December 2023	31 December 2022
	RUB mln	
FIT LLC and its subsidiaries	115	115
FESCO ESF Limited and its subsidiaries	463	353
Commercial Port of Vladivostok (VMTP) and its subsidiaries	5,979	5,979
Port Gaidamak, Vladivostok	1,012	1,012
	7,569	7,459

The recoverable amount is determined as value in use based on discounted cash flows calculations. These calculations are based on post-tax cash flow projections and all the assumptions in relation to growth rates are determined by reference to management's experience and industry forecasts.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term growth rate, consistent with the assumption that a market participant would make.

The key assumptions in respect of **Commercial Port of Vladivostok (VMTP) and its subsidiaries** CGU as the CGU to which most significant goodwill as allocated, are as follows:

- Revenue projections are based on rates and volumes growth. According to the estimates of the Group's management, the volume of container throughput will increase by 7.4% in 2024 with a capacity load of 98%. After year 2024, the volumes of throughput will remain more or less stable with minor fluctuations. In 2024, container transshipment rates are expected to decrease by 14.3% which is lower than decrease occurred during year 2023.

- In the future forecast period, the growth rate of container rates will average 4.4% per year for rates denominated in rubles and 2% per year for rates denominated in US dollars. It is assumed that in 2024 the rates for transshipment of general cargo will decrease by 4.1%, due to decrease after high performance on the market in 2022 and 2023. After 2024, the growth rates of general cargo transshipment rates are projected to be similar to container transshipment rates. The VMTP plans to gradually reduce the volume of coal transshipment, and redirect capacity to containerized cargo.
- The forecast of expenditures is based on the indexation of expenditures at the level of the medium – term inflation forecast of the Ministry of economic development of Russia – 4%.
 - Discount rate of 17% and terminal growth rate of 4%.

The projected volumes of throughput reflect past experience and management's estimates. The prices are estimated in accordance with the past performance of VMTP CGU and management's expectations of market development.

The discount rate was a post-tax measure estimated based on the industry average weighted-average cost of capital reflecting specific risks relating to the VMTP CGU. Increase in discount rate by 2% or decrease in revenue projections by 10% will not result in the impairment of goodwill.

VMTP CGU is a port and terminal complex in the Far East. Taking into account the stable growth of loading volumes to the ports of the Far East in 2023 and early 2024, as well as the preservation and growth of the level of rates for loading and unloading services, the Group's management does not expect an impairment of the goodwill of the VMTP CGU after the reporting date.

Considering current Group's strategy on development of port and terminal business segment in Far-East region the Group has not identified impairment of goodwill related to CGU Port Gaidamak, Vladivostok as at 31 December 2023 and does not anticipate its impairment after the reporting date.

5. Fleet

The fleet is stated on an individual vessel basis at market value as assessed by independent professional valuers and supported by calculations of value in use. Any accumulated depreciation

at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are performed annually.

A revaluation increase is recognised in revaluation reserve in equity except to the extent that it reverses a previous revaluation deficit on the same asset recognised in the statement of profit or loss, in which case it is recognised in the consolidated statement of profit or loss. A revaluation decrease is recognised in the consolidated statement of profit or loss except to the extent that it reversed the previous revaluation surplus on the same asset recognised directly in equity, in which case it is recognised directly in equity.

At the end of the year, a portion of the revaluation reserve equal to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on historical cost is transferred from the revaluation reserve to retained earnings.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items (significant components) of property, plant and equipment. Dry-docking and special survey costs ("Dry-docking costs") are recognised as a separate component of the vessel and are capitalised as incurred during the period of the dry-docking programme.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of that item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss as incurred.

Depreciation is charged on a straight-line basis in the consolidated statement of profit or loss on net book value less an estimated scrap value, based on anticipated useful lives of 25 years from date of building of the vessel.

Dry-docking and special survey costs are capitalised and depreciated on a straight-line basis over a period of five years. Any unamortised amounts are derecognised when the next dry dock / special survey occurs or on disposal of the vessel to which the costs relate.

	Carrying value	
	31 December 2023	31 December 2022
	RUB mln	
Fleet	43,110	17,237
Deferred dry docking expenses	4,247	1,374
	47,357	18,611
Total deadweight tonnage, kt	575	432

	Valuation	Depreciation	Net Book Value
	RUB mln		
At 1 January 2022	25,718	–	25,718
Depreciation charge for the year	–	(1,613)	(1,613)
Additions	11,631	–	11,631
Disposal of assets held for sale	(1,216)	–	(1,216)
Revaluation	(17,706)	1,613	(16,093)
Translation difference	(1,190)	–	(1,190)
At 31 December 2022	17,237	–	17,237
Depreciation charge for the year	–	(3,535)	(3,535)
Additions	19,891	–	19,891
Revaluation	509	3,568	4,077
Translation difference	5,473	(33)	5,440
At 31 December 2023	43,110	–	43,110

The Group reviews the carrying value of the fleet on an annual basis. In determining an appropriate carrying value, the Company relies on the opinion of expert third party valuers (level 2 fair value measurement). The independent professional brokers determine by reference to recent sales transactions of similar vessels the amount a vessel could be sold for, assuming that the vessel is in reasonable condition. The fleet was revalued as at 31 December 2023 by the brokers with reference to the observable market transactions with comparable vessels. Revaluation profit in the amount of RUB 4,077 million was recognised as an income in the consolidated statement of profit or loss of RUB 1,352 million and as an equity reserve change of RUB 2,725 million.

Despite the continuing downward trend in freight rates in 2023, their level continues to remain above the level of the beginning of 2020 (before the COVID-19

pandemic). The scrap rate after the reporting date at the same time demonstrates stability. The impact of these factors on the dynamics of the market value of the Group's fleet after the reporting according to management assessment, will not have a significant impact on the change in the financial position of the Group.

The valuation basis utilised implicitly includes the value of dry-docking in the overall valuation. Management, therefore, deducts the net book value of capitalised dry dock from the valuation and accounts for such dry dock at historical cost less accumulated depreciation.

Fully depreciated vessels are valued by the management at scrap value which approximates their value in use. The fleet includes 6 vessels, fully depreciated, with an aggregate scrap value of RUB 2,116 million at 31 December 2023 (5 vessels with scrap value of RUB 1,326 million at 31 December 2022).

At 31 December 2023, the estimated scrap value of the Group's fleet was calculated based on an estimate of RUB 48,432 per LWT (31 December 2022: RUB 37,279). The change in the estimate is driven by the increase of USD denominated scrap metal cost.

Had the vessels been carried at the historical cost, the carrying amount would have been RUB 31,624 million at 31 December 2023 (31 December 2022 – RUB 12,074 million).

At 31 December 2023, 35 vessels in the Group's fleet with a net book value of RUB 43,111 million were insured for hull and machinery risks with Russian underwriters. The total insured value amounted to RUB 45,521 million.

As at 31 December 2023 fleet include right-of-use assets with a net book value of RUB 11,396 million (31 December 2022 – RUB 5,287 million).

Movements during the period on deferred drydocking expenses:

	Cost	Depreciation	Net Book Value
	RUB mln		
At 1 January 2022	2,010	(824)	1,186
Additions	816	–	816
Charge for the year	–	(404)	(404)
Amortised dry dock write-off	(271)	271	–
Translation difference	(303)	79	(224)
At 31 December 2022	2,252	(878)	1,374
Additions	3,342	–	3,342
Charge for the year	–	(914)	(914)
Amortised dry dock write-off	(287)	287	–
Translation difference	714	(269)	445
At 31 December 2023	6,021	(1,774)	4,247

6. Rolling Stock and Other Tangible Fixed Assets

Other fixed assets are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Other fixed assets are depreciated on a straight line basis to their residual values at the following annual rates:

Buildings	3–10%
Rolling stock	4–20%
Machinery, equipment and other fixed assets	5–33%

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of profit or loss unless it reverses a previous revaluation recognised in equity in which case it is recognised in equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

a) Rolling stock

In respect of non-financial assets other than goodwill impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

	Cost	Depreciation	Net Book Value
	RUB mln		
At 1 January 2022	19,770	(4,491)	15,279
Additions	9,768	–	9,768
Depreciation charge	–	(1,832)	(1,832)
Disposals	(651)	509	(142)
At 31 December 2022	28,887	(5,814)	23,073
Additions	9,279	–	9,279
Depreciation charge	–	(2,151)	(2,151)
Disposals	(956)	605	(351)
At 31 December 2023	37,210	(7,360)	29,850

As at 31 December 2023 rolling stock include right-of-use assets with a net book value of RUB 3,085 million (31 December 2022 – RUB 2,754 million).

As at 31 December 2023, rolling stock with a net book value of RUB 29,727 million was insured with Russian insurance companies. The total insured value is RUB 42,489 million (31 December 2022: RUB 30,722 million with a net book value of RUB 22,344 million).

Taking into account positive dynamics of the total market volume of loading and Group's domestic railway transportation volumes, to which the majority

of rolling stock is allocated, the Group has not identified any impairment indicators in respect of rolling stock as at 31 December 2023.

Despite the decrease in the total volume of loading on the Russian Railways network in 2023 and the projected surplus of the rail fleet in 2024, the Group does not expect a significant impact of these factors on the recoverable value of the Group's rolling stock, since it is used mainly in container transportation of the Far Eastern direction, the demand for which continues to grow at the beginning of 2024.

b) Other Tangible Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	RUB mln			
Cost				
At 1 January 2022	13,637	20,150	1,979	35,766
Additions	302	11,161	1,169	12,632
Transfer	6	15	(21)	–
Disposal due to early termination of the lease agreement	–	(132)	–	(132)
Disposals	(307)	(340)	–	(647)
Translation difference	(73)	135	(15)	47
At 31 December 2022	13,565	30,989	3,112	47,666
Additions	3,249	16,103	888	20,240
Transfer	694	99	(793)	–
Disposals	(147)	(353)	–	(500)
Translation difference	349	4,665	92	5,106
At 31 December 2023	17,710	51,503	3,299	72,512
Depreciation				
At 1 January 2022	3,667	8,758	–	12,425
Depreciation charge for the year	453	2,071	–	2,524
Disposal due to early termination of the lease agreement	–	(19)	–	(19)
Disposal	(41)	(251)	–	(292)
Translation difference	(67)	(72)	–	(139)
At 31 December 2022	4,012	10,487	–	14,499
Depreciation charge for the year	582	3,853	–	4,435
Disposal	(42)	(192)	–	(234)
Translation difference	327	744	–	1,071
At 31 December 2023	4,879	14,892	–	19,771
Net Book Value				
At 1 January 2022	9,970	11,392	1,979	23,341
At 31 December 2022	9,553	20,502	3,112	33,167
At 31 December 2023	12,831	36,611	3,299	52,741

As at 31 December 2023 other tangible fixed assets include right-of-use assets with a net book value of RUB 4,173 million (31 December 2022 – RUB 3,414 million).

Other fixed assets of the Group are mainly containers, port and terminal infrastructure and equipment. The Group mainly uses containers in transportation to the Far Eastern direction and in South-east Asia. The Group's port and terminal facilities are located in the Far Eastern region, where the demand for container loading, unloading and storage services continues to show growth in early 2024 against the background of the shift of logistics routes from west to east that occurred during 2022–2023.

The Group leases land, fleet, railway sidings, rolling stock, loading machinery, berths and containers. The remaining term of the relevant lease agreements as at 31 December 2023 was from 1 year to 40 years.

For the year ended 31 December 2023, income from leased property, plant and equipment amounted to RUB 1,397 million and was recognised in other revenue (Note 13). There was no sublease of right-of-use assets in the Group.

7. Inventories

Inventories are stated at the lower of cost, calculated on a FIFO basis, and net realisable

value. Inventories comprise bunkers, victualling stocks, stores and spares. Net realisable value is the estimated amount an item could be sold for less any selling expenses.

	31 December 2023	31 December 2022
	RUB mln	
Bunkers	2,047	1,295
Stores and spares	811	485
Other stocks and raw materials	370	405
	3,228	2,185

8. Non-Derivative Financial Assets and Liabilities, Other Assets

Non-derivative financial instruments comprise investments in debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group's financial assets and financial liabilities are classified as measured at amortized cost.

Impairment of financial assets

The Group measures loss allowances at 12-months 'expected credit loss' (ECLs) for financial assets for which credit risk has not increased significantly since initial recognition. For those financial assets for which credit risk has increased significantly since initial recognition the Group measures loss allowances at an amount equal to lifetime ECLs. The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the debtor (borrower) is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the financial asset is more than 360 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset in case of long-term assets.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented as part of net other operating expenses.

a) Other Non-Current Assets

	31 December 2023	31 December 2022
	RUB mln	
Prepayments for rolling stock and other fixed assets, at cost	15,846	4,605
Prepayments for fleet, at cost	188	4,760
Other equity investments	23	15
Guarantees	30	40
Long-term debtors	6,715	1,239
Other non-current assets	2,507	1,045
	25,309	11,704

Long-term accounts receivable comprise accounts receivable for assets sold in the current and previous reporting periods for which repayment is expected in a period exceeding 12 months after the reporting date in the amount of RUB 2,573 million. Long-term receivables also include amounts related to novation of advances previously issued for the acquisition

of assets to long-term receivables which are due from the counterparty in a period exceeding 12 months after the reporting date in the amount of RUB 4,142 million.

Increase in the amount of other non-current assets relates to acquisition of subsidiaries (Note 18).

b) Accounts Receivable

	31 December 2023	31 December 2022
	RUB mln	
Trade debtors	16,901	23,798
VAT receivable	5,492	4,908
Prepayments to Russian Railways OJSC	1,018	1,180
Due from associates	4	71
Current tax assets	2,400	3,033
Other debtors and prepayments	13,476	6,901
Allowance for impairment	(1,402)	(846)
	37,889	39,045

c) Cash and Cash Equivalents

	31 December 2023	31 December 2022
	RUB mln	
Bank accounts and cash in hand	4,038	30,080
Restricted cash not available for the Group	603	597
	4,641	30,677

Considering the events in 2022 and 2023, the Group does not experience any difficulties in transmitting funds from its bank accounts which could affect its operations.

The Group's management keeps the liquidity risk under control and take actions necessary to mitigate it.

d) Accounts Payable

	31 December 2023	31 December 2022
	RUB mln	
Trade creditors	13,329	10,891
Taxes payable, other than income tax	891	691
Interest payable	1,322	711
Current tax liabilities	1,295	1,137
Other creditors and accruals	11,768	19,118
	28,605	32,548

Other creditors and accruals include settlements on advances received, settlements with staff on remuneration, accrued expenses and settlements with agents on recharged costs.

e) Leases

Leases are recognised as right-of-use assets and liabilities in respect of all leases longer than 12 months, unless the value of the leases (the underlying asset) is not material. Depreciation of leases is shown separately from interest on lease liabilities in the consolidated statement of profit or loss. The cost of right-of-use assets comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

A lease liability is measured at the present value of lease payments that have not yet been made at the date of recognition of the lease agreement. Lease payments are discounted using either the rate implicit in the lease or incremental borrowing rate for the lessee. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured

when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group makes the following judgments in assessing:

Lease term. The lease term usually corresponds to the non-cancellable term of the contract. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee, based on the period for which the contract is enforceable. The Group considers that enforceability of the lease is established by the written contract in combination with applicable legislation related to renewal or termination rights (specifically the lessee's preferential rights to renew the lease). In determining the enforceable period (i.e. the maximum lease term), the Group considers whether both it and the lessor has a right to terminate the lease without permission from the other party and, if so, whether that termination would result in more than an insignificant penalty. If a more than insignificant penalty exists, then the enforceable period extends until the point at which a no more than an insignificant penalty exists. The Group considers the lease contract as renewable when the contract contains tacit renewal clauses. In respect of such contracts the Group determines the enforceable period considering the broader economics of the contract and whether more than insignificant penalties exist for the terminating party.

Discount rate. When calculating the present value of lease payments, the incremental borrowing rate for the lessee is used as the discount rate. The discount rate is determined for each asset based on the incremental borrowing rate at the commencement of the contract.

Changes in liabilities under lease agreements were the following:

	31 December 2023	31 December 2022
	RUB mln	
Balance at 1 January 2023/2022	8,492	8,882
New lease contracts	4,171	1,859
Interest expenses on lease liabilities	970	800
Lease payments for the period	(2,877)	(2,721)
Other changes	–	2
Translation difference	1,024	(330)
	11,780	8,492

	31 December 2023	31 December 2022
	RUB mln	
Short-term lease liabilities	5,224	1,976
Long term balance less short-term part	6,556	6,516
	11,780	8,492

The lease liabilities comprise:

	31 December 2023	31 December 2022
	RUB mln	
Liabilities under lease agreements which would be classified as operating lease before 1 January 2019 before IFRS 16 come into effect	8,845	5,794
Liabilities under lease agreements which would be classified as finance lease before 1 January 2019	2,935	2,698
	11,780	8,492

The table below shows the lease-related expenses recognised in the consolidated statement of profit or loss:

	2023	2022
	RUB mln	
Depreciation of right-of-use assets	2,707	1,039
Interest expenses on lease liabilities	970	800
Short-term lease and low value lease contracts expenses that are exempt from the recognition under IFRS 16 "Leases"	1,055	1,418
	4,732	3,257

The total Group payments under lease agreements for the year ended 31 December 2023 amounted to RUB 3,932 million (RUB 4,139 million for the year ended 31 December 2022).

9. Debt Obligations

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Loans payable

	31 December 2023	31 December 2022
	RUB mln	
Loans and other obligations comprise:		
Secured loans		
At fixed rate 4% – 12%	5,156	5,569
At variable rates: Russian Central bank +1.8%	21,345	24,988
	26,501	30,557
Unsecured loans		
At fixed rate 0% – 6%	14	53
	14	53
	26,515	30,610
Repayable within the next twelve months	4,974	3,835
Long term balance	21,541	26,775
	26,515	30,610

The carrying amount of pledged under debt obligations rolling stock and other fixed assets as at 31 December 2023 was RUB 5,788 million (31 December 2022: RUB 5,166 million).

For currency and maturity analysis of loans and other obligations see Note 21.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Fair value is obtained through discounting future cash flows at the current market interest rate applied to financial instruments with similar terms. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

As at reporting date, the Group has been in breach of covenants under loan agreement with amortized cost of RUB 20,110 million as at 31 December 2023. The Group has obtained the confirmation from the bank that before the reporting date the bank has agreed not to charge the Group with early repayment of the loan facility as a result of the above breach.

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

RUB mln	Loans	Leases (Note 8e)	Interest payable	Total
Balance at 1 January 2023	30,610	8,492	711	39,813
Changes from financing cash flows				
Repayments	(3,814)	(1,907)	–	(5,721)
Interest and commission paid	–	(970)	(3,136)	(4,106)
Total changes from financing cash flows	(3,814)	(2,877)	(3,136)	(9,827)
Other changes				
New lease contracts	–	4,171	–	4,171
Interest expense	–	970	3,747	4,717
Other changes	(281)	–	–	(281)
Translation differences	–	1,024	–	1,024
Total other changes	(281)	6,165	3,747	9,631
Balance at 31 December 2023	26,515	11,780	1 322	39,617

Comparative information for the year 2022:

RUB mln	Loans	Leases (Note 8e)	Interest payable	Total
Balance at 1 January 2022	31,014	8,882	798	40,694
Changes from financing cash flows				
Repayments	(5,818)	(1,921)	–	(7,739)
Receipts	5,559	–	–	5,559
Interest and commission paid	–	(800)	(3,796)	(4,596)
Total changes from financing cash flows	(259)	(2,721)	(3,796)	(6,776)
Other changes				
New lease contracts	–	1,859	–	1,859
Interest expense	–	800	3,709	4,509
Other changes	–	2	–	2
Translation differences	(145)	(330)	–	(475)
Total other changes	(145)	2,331	3 709	5,895
Balance at 31 December 2022	30,610	8,492	711	39,813

10. Current and Deferred Tax

Companies within the Group are subject to taxation in different jurisdictions. The most significant tax expense arises in entities incorporated in the Russian Federation.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and not less than deferred tax liability recognised as at the reporting date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties

and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases and decommissioning liabilities by applying the "integrally linked" approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised.

	31 December 2023	31 December 2022
	RUB mln	
Current tax expense		
Current period	4,930	2,722
	4,930	2,722
Deferred tax expense		
Origination and reversal of temporary differences	57	1,981
	57	1,981
Total income tax expense	4,987	4,703

Reconciliation of the reported net income tax expense to reported profit before income tax.

	31 December 2023	31 December 2022
	RUB mln	
Profit before income tax	42,838	44,091
Income tax expense at applicable tax rate of 20% (2022: 20%)	8,568	8,818
Effect of income taxed at different rates	(2,118)	(5,690)
Non-deductible income, net	(3,116)	(18)
Change in unrecognised deferred tax asset	1,653	1,593
	4,987	4,703

The Group's deferred tax liability mainly arises in entities incorporated in Russia and the effect of deferred taxation in other jurisdictions is not material.

Movements in temporary differences were the following:

	Balance 1 January 2023	Recognised in profit or loss	Translation differences	Equity	Balance 31 December 2023
	RUB mln				
Vessels	(1,185)	(86)	(326)	(222)	(1,819)
Other fixed assets and assets under construction	(1,160)	(3,031)	64	–	(4,127)
Accounts receivable	(1,748)	879	20	–	(849)
Accounts payable and lease liabilities	2,554	2,262	3	–	4,819
Loans and borrowings	(151)	85	–	–	(66)
Other	(97)	145	–	–	48
Tax loss carry-forwards	77	(20)	–	–	57
Exchanges difference	(1,342)	(291)	–	–	(1,633)
	(3,052)	(57)	(239)	(222)	(3,570)

	Balance 1 January 2022	Recognised in profit or loss	Translation differences	Equity	Balance 31 December 2022
RUB mln					
Vessels	(1,737)	157	90	305	(1,185)
Other fixed assets and assets under construction	(1,518)	358	–	–	(1,160)
Accounts receivable	(583)	(1,165)	–	–	(1,748)
Accounts payable	1,627	927	–	–	2,554
Loans and borrowings	69	(220)	–	–	(151)
Other	130	(227)	–	–	(97)
Tax loss carry-forwards	556	(479)	–	–	77
Exchanges difference	–	(1,342)	–	–	(1,342)
	(1,456)	(1,991)	90	305	(3,052)

Unrecognised deferred tax asset

The Group has unrecognised deferred tax assets at the amount of RUB 6,720 million as of 31 December 2023 (31 December 2022: RUB 5,067 million). Unrecognised deferred tax assets relate to tax losses carried forward that are not expected to be recoverable in the foreseeable future.

Unrecognised deferred tax liability

A temporary difference of RUB 30,173 million relating to investments in subsidiaries has not been recognised as at 31 December 2023 (31 December 2022: RUB 23,236 million) as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2023 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Group's consolidated financial statements.

11. Shareholders' Equity

	31 December 2023	31 December 2022
RUB mln		
Authorised number of shares (1 Rouble per share)	3,643,593,000	3,643,593,000
Issued number of shares	2,951,250,000	2,951,250,000
Share capital (RUB mln)	2,951	2,951

12. Business Segmental Analysis

For management purposes, the Group is organised into five operating segments: shipping, which operates on a global basis; liner and logistics; railway transportation services which operate in Russia and other countries of the CIS, port services which include Russian-based port, sea terminal and bunkering

services. The Group also includes certain companies that cannot be allocated to a specific division; these include investing and managing companies. These divisions are the basis on which the Group reports its operating segment information. The services provided by each of these divisions are as follows.

Shipping	The shipping division is involved in ship ownership, ship management, chartering out and provision of agency services. These activities are carried out on a cabotage, cross trade and import-export basis. The vessels operated by the shipping division are largely container vessels and bulk carriers.
Liner and Logistics	The liner and logistics division operates liner services and provides freight forwarding services both for containers and break-bulk cargoes.
Railway Services	The railway services division provides services both as an operator and an agent. When acting as an operator it renders services for containerised and bulk cargoes using locomotives, railway wagons, hoppers, steel-pellet wagons and tank wagons owned by the division or leased by it under finance leases. In addition, it uses rolling stock hired on short term operating leases.
Ports	The ports division owns and operates port facilities and container terminals in Russia and provides cargo handling, stevedoring, container storage and rental and related port services and facilities.
Bunkering	The bunkering division provides services of ship bunkering which involves transferring oil and fuel to and from a vessel and other supporting activity.

Segmental reporting information is submitted to the Board of directors of the Group on a regular basis as part of the management reporting process.

It is used to assess the efficiency of the segments and to take decision on the allocation of resources.

Segment information for the main reportable segments of the Group for 2023 is set out below (RUB mln).

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Eliminations / Adjustments	Total
External sales	2,208	144,721	1,970	22,738	367	–	–	172,004
Inter-segment sales	12,642	1,887	6,945	12,500	2,517	–	(36,491)	–
Segment revenue	14,850	146,608	8,915	35,238	2,884	–	(36,491)	172,004
Segment expenses¹	(5,853)	(124,351)	(4,407)	(14,415)	(2,698)	(15,865)	45,987	(121,601)
Segment result	8,997	22,257	4,508	20,823	186	(15,865)	9,497	50,403
Segment non-cash items:								
Depreciation and amortisation	(2,695)	(4,942)	(2,319)	(1,044)	(3)	(511)	–	(11,514)
(Impairment) / impairment reversal	(157)	1,509	–	–	–	–	–	1,352
Other material items of income/expense:								
Other finance costs, net	337	(4,922)	(1,490)	6,284	117	16,427	(11,497)	5,256
Other income, net	120	(298)	(473)	(727)	(32)	9,039	(9,495)	(1,866)
Share of profit of equity accounted investees	40	–	–	–	–	–	–	40
Income tax expense	(442)	2,246	(784)	(5,679)	(72)	(256)	–	(4,987)
Segment net result	6,359	15,298	(560)	19,222	195	8,833	(11,496)	37,851

Segment information for the main reportable segments of the Group for 2022 is set out below (RUB mln).

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Eliminations / Adjustments	Total
External sales	2,591	137,063	993	21,638	354	–	–	162,639
Inter-segment sales	5,216	1,863	5,939	11,339	2,434	–	(26,791)	–
Segment revenue	7,807	138,926	6,932	32,977	2,788	–	(26,791)	162,639
Segment expenses¹	(4,478)	(90,288)	(3,263)	(12,336)	(2,672)	(12,859)	33,542	(92,354)
Segment result	3,329	48,638	3,669	20,641	116	(12,859)	6,751	70,285
Segment non-cash items:								
Depreciation and amortisation	(1,709)	(1,713)	(1,901)	(941)	(3)	(381)	–	(6,648)
Impairment	(7,459)	(5,334)	–	–	–	–	–	(12,793)
Other material items of income/expense:								
Other finance costs, net	(878)	(4,552)	(731)	(47)	52	4,505	(4,120)	(5,771)
Other expenses, net	415	262	(123)	(107)	7	6,350	(6,749)	55
Share of profit of equity accounted investees	30	–	–	–	–	–	–	30
Income tax expense	(56)	(2,452)	(395)	(2,044)	(27)	271	–	(4,703)
Segment net result	(6,328)	34,441	516	16,866	125	(2,114)	(4,118)	39,388

¹ Segment expenses include operating expenses and administrative expenses.

Segmental assets and liabilities

	Assets		Liabilities	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	RUB mln			
Shipping (Global)	47,477	17,543	7,344	2,726
Liner and logistics (Global)	78,039	81,817	21,917	27,105
Railway services (Russia)	42,302	29,475	9,164	8,897
Ports (Russia)	31,585	26,488	32,294	33,036
Bunkering (Russia)	82	131	198	162
Total of all segments	199,485	155,454	70,917	71,926
Goodwill	7,569	7,459	–	–
Other items not attributable to a specific segment	3,503	3,414	2,581	3,807
Consolidated	210,557	166,327	73,498	75,733

Other segmental information

	Acquisition of segment assets		Investments in equity accounted investees	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	RUB mln			
Shipping (Global)	23,650	1,858	37	56
Liner and logistics (Global)	14,694	18,953	–	–
Railway services (Russia)	9,779	10,111	–	–
Ports (Russia)	5,582	1,774	–	–
	53,705	32,696	37	56

13. Revenue

The Group derives revenue from the following main sources:

- "freight and hire" revenue from sea transportation;
- agency fees for arranging transportation;
- provision of transportation services using own and leased wagons (operators' business);
- revenue from stevedoring services;
- revenue from rentals;
- bunkering.

There are 2 types of transportation contracts entered into by the Group with the customers:

- The contracts where the Group fully controls the pricing, including railway tariff and the fees of subcontractors and bears credit and price risk in full. In this case the transaction price comprises full charge out rate invoiced to the customer.

- The contracts where the customer additionally reimburses the Group for the railway tariff paid. In this case the transaction price comprises only the fee charged by the Group to the customer net of railway tariff reimbursed and fees of subcontractors.

Revenue from transportation and freight services is recognised in the process of providing transportation. Revenue from stevedoring services is recognised in the period when services are provided to the client.

	2023	2022
	RUB mln	
Revenue from contracts with customers		
Transportation services (operators' business)	145,507	137,278
Port and stevedoring services	22,608	21,605
Bunkering	367	354
Freight revenue	1,750	1,496
Agency fees	375	245
Total revenue from contracts with customers	170,607	160,978
Other revenue		
Revenue for vessels chartering	859	1,330
Revenue from railcar and other rentals	538	331
Total other revenue	1,397	1,661
	172,004	162,639

Freight revenue, revenue from vessels chartering and other revenue is earned by the shipping division. Revenue from railcar and other rentals is earned by the railway division.

Transportation services revenue is earned by liner and logistics and railway divisions.

Assets and liabilities under contracts with customers:

	31 December 2023	1 January 2023
	RUB mln	
Contract assets included in receivables	5,166	8,624
Contract liabilities included in payables	(5,740)	(10,910)

Contract assets comprise the Group's rights to receive compensation for services that have been provided but not yet invoiced at the reporting date. Contract liabilities comprise prepayments received from customers on services where revenue is recognised over time.

Contract liabilities at the beginning of the period were recognised as revenue for the year ended 31 December 2023.

14. Operating Expenses

	2023	2022
	RUB mln	
Railway infrastructure tariff and transportation services	82,014	59,525
Bunkering	76	158
Payroll expenses	8,511	6,913
Voyage and vessel running cost	3,142	1,996
Operating lease	721	1,181
Stevedoring services	3,323	2,892
Non-profit based taxes	59	50
	97,846	72,715

Up to 30% of the Group's operational costs are incurred in foreign currency. If due to high volatility of foreign currency exchange rates operating expenses of the Group will increase in 2024, this effect will

be negated as Group has a balanced structure of foreign currency income and expenses. More than 30% of the Group's revenue is received in foreign currency.

15. Administrative Expenses

	2023	2022
	RUB mln	
Salary and other staff related costs	15,181	15,559
Professional fees	3,235	1,520
Office rent	334	237
Other administrative expenses	5,005	2,323
Total	23,755	19,639

16. Impairment reversal/(impairment) of assets

	2023	2022
	RUB mln	
Fleet impairment reversal/(impairment) (Note 5)	1,352	(12,793)
Total	1,352	(12,793)

17. Finance Income and Costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets, changes in the fair value of financial assets at fair value through profit or loss, gains on bonds redemption. Interest income is recognised as it accrues in the statement of profit or loss, using the effective interest method. Dividend income is recognised in the consolidated statement of profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, bonds related expenses, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in the consolidated statement of profit or loss using the effective interest method, except to the extent that they relate to acquisition of qualifying assets, in which case they are capitalized in the cost of such assets.

	2023	2022
	RUB mln	
Finance income		
Interest income	1,500	1,408
Other finance income	–	63
Foreign exchanges gain	8,476	–
Total finance income	9,976	1,471
Finance costs		
Interest expense	(3,747)	(3,709)
Interest expense on leases	(970)	(800)
Foreign exchanges loss	–	(2,457)
Other finance costs	(3)	(276)
Total finance costs	(4,720)	(7,242)
Total	5,256	(5,771)

Interest expense on leases in the amount of RUB 970 million comprise RUB 236 million interest expense on the lease contracts that would be accounted as finance leases under IAS 17 Leases

as at 31 December 2018 and RUB 734 million interest expense on the lease contracts that were recognised as a lease upon transition to IFRS 16 Leases.

18. Acquisition of subsidiaries

In the reporting period, the Group acquired two subsidiaries with ownership interests of 100% and 74%.

In these consolidated interim condensed financial statements, transactions are recorded as the acquisition of assets.

Assets and liabilities at the acquisition date were:

	NBV	Fair value
	RUB mln	
Cash and cash equivalents	25	25
Fixed assets	1,419	1,409
Other non-current assets	872	872
Accounts receivable	178	178
Accounts payable	(181)	(181)
Net assets		2,303
Amount of reimbursement transferred		(2,032)
Non-controlling interest		271

In September 2023 the Group obtained control over the subsidiary with ownership interests of 1%. The acquisition was recorded as the acquisition of assets due to the fact that the assets held by the acquired company are limited to construction in progress and related advances issued to sub-contractors. The subsidiary acquired had no material liabilities as at the acquisition date other than the loan considered below. Thus no non-controlling interest

was recognised by the Group at the date of acquisition. In June 2023 (before control over the above company was obtained) the Group issued the loan to the company in the amount of RUB 4,380 million. The amount of the above loan was treated in full as consideration for the assets acquired (construction in progress and related advances issued for acquisition of fixed assets).

19. Earnings per Share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held by Group companies. To calculate diluted earnings per

share the weighted average number of ordinary shares outstanding is adjusted for the possible conversion of ordinary shares with a potential dilutive effect.

The Group has no dilutive potential ordinary shares, thus diluted earnings per share was not determined.

	31 December 2023	31 December 2022
	RUB	
Profit for the year	37,702,000,000	38,613,000,000
Weighted average number of shares in issue (Note 11)	2,951,250,000	2,951,250,000
Earnings per share	12.775	13.084

20. Contingencies and Commitments

(a) Taxation Contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years. The legitimacy of forming tax losses formed in previous tax periods may be checked in the period(s) when the tax base is reduced by the amount of such losses. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

Current Russian transfer pricing legislation requires transfer pricing analysis for the majority of cross-border intercompany and major domestic intercompany transactions. The transfer pricing control, as a general rule, is applied to domestic transactions only if both criteria are met: the parties apply different tax rates, and the annual turnover of transactions between them exceeds RUB 1 billion.

The Russian transfer pricing rules are close to OECD guidelines, but have certain differences that create uncertainty in practical application of tax legislation in specific circumstances. A very limited number of publicly available transfer pricing court cases in Russia does not provide enough certainty as to the approach to applying transfer pricing rules in Russia. The impact of any transfer pricing assessment may be material to financial statements of the Group, however, the probability of such impact cannot be reliably assessed.

Russian tax authorities may review prices used in intra-group transactions, in addition to transfer pricing audits. They may assess additional taxes if they conclude that taxpayers have received unjustified tax benefits as a result of those transactions.

Russian tax authorities continue to exchange transfer pricing as well as other tax related information with tax authorities of other countries though such communication is limited to a certain extent. This information may be used by the tax authorities to identify transactions for additional in-depth analysis.

In addition, changes aimed at regulating tax consequences of transactions with foreign companies have been introduced, such as concept of beneficial

ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group's tax position and create additional tax risks.

All these circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for the tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on these consolidated financial statements, if the tax authorities are successful in enforcing their interpretations, could be significant.

(b) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. Since February 2022, after the start of a special military operation in Ukraine by the Russian Federation and the incorporation of the territories of republics of Donetsk and Lugansk, as well as Zaporozhye and Kherson regions into the Russian Federation after referendums in the second half of 2022, the above countries have imposed additional tough sanctions against the Government of the Russian Federation, as well as large financial institutions, legal entities and individuals in Russia. In particular, restrictions were imposed on the export and import of goods, including capping the price of certain types of raw materials, restrictions were introduced on the provision of certain types of services to Russian enterprises, the assets of a number of Russian individuals and legal entities were blocked, a ban on maintaining correspondent accounts was established, certain large banks were disconnected from the SWIFT international financial messaging system, and other restrictive measures were implemented. Also, in the context of the imposed sanctions, a number of large international companies from the United States, the European Union and other countries discontinued, significantly reduced or suspended their own activities in the Russian Federation, as well as doing business with Russian citizens and legal entities.

In response to the increasing pressure on the Russian economy, the Government of the Russian Federation and Central Bank of the Russian Federation have introduced a set of measures, which are counter-sanctions, currency control measures, a number of key interest rate decisions and other special economic measures to ensure the security and maintain the stability of the Russian economy, financial sector and citizens.

The imposition and subsequent strengthening of sanctions resulted in elevated economic uncertainty, including reduced liquidity and high volatility in the capital markets, volatility of the Rouble exchange rate and the key interest rate, a decrease in foreign and domestic direct investments, difficulties in making payments for Russian Eurobond issuers, and also a significant reduction in the availability of sources of debt financing.

In addition, Russian companies have virtually no access to the international stock market, the debt capital market and other development opportunities, which may lead to their increased dependence on the governmental support. The Russian economy is in the process of adaptation associated with the replacement of retiring export markets, a change in supply markets and technologies, as well as changes in logistics, supply and production chains.

It is difficult to assess the consequences of the imposed and possible additional sanctions in the long term, however, sanctions can have a significant negative impact on the Russian economy.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

21. Fair Value and Risk Management

Fair Values

Management of the Group believes that the fair values of financial assets and liabilities shown in the consolidated statement of financial position both as at 31 December 2023 and 31 December 2022 approximate their carrying amounts.

Capital Risk Management

The Group manages its capital to ensure that it can continue to operate and expand their operations while at the same time maximising returns to shareholders.

The Group is not subject to externally imposed capital requirements other than those included, from time to time, in the financial covenants associated with bank borrowing and those, imposed by the Russian legislation.

Major categories of financial instruments

The Group's principal financial liabilities comprise borrowings, leases, trade and other payables.

The main risks arising from the Group's financial instruments are market risk which includes foreign currency and interest rate risk, credit and liquidity risks.

The Board of Directors has overall responsibility for the establishment and overseeing of the Group's risk management framework. The Group Audit Committee is responsible for developing and monitoring the Group's risk management policies.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The default risk of the industry and country in which the customer of the Group operates, has less of an influence on a credit risk. There is no concentration of credit risk with a single customer.

Each company within the Group establishes its own credit policy taking into account the specifics of the sector and the company's customer base.

The majority of the Group's customers have been transacting with the Group companies for many years and losses arising from this category of customer are infrequent.

Policies established by Group companies for new customers will generally involve some form of credit check based on the available information. Where a customer is not deemed creditworthy, the Group will generally only offer services on a prepayment basis.

The Group has provided fully for all receivables over one year because historical experience is such that receivables that are past due beyond one year are generally not recoverable.

The Group's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the consolidated statement of financial position and was as follows:

	31 December 2023	31 December 2022
	RUB mln	
Long-term debtors	6,715	1,239
Accounts receivable	21,615	24,841
Other current assets	2,164	406
Cash and cash equivalents	4,641	30,677
	35,135	57,163

The ageing profile of trade receivables was:

	31 December 2023		31 December 2022	
	RUB mln			
	Total book value	Allowance for impairment	Total book value	Allowance for impairment
Current	14,303	–	19,790	–
Overdue 90 days	837	(96)	1,961	(29)
Overdue 91 days to one year	810	(152)	1,666	(215)
Overdue more than one year	951	(951)	381	(381)
	16,901	(1,199)	23,798	(625)

During the year, the Group had the following movement in allowance for trade receivables:

	31 December 2023	31 December 2022
	RUB mln	
Balance as at 1 January	625	585
Change in allowance	574	40
Balance as at 31 December	1,199	625

The following analysis provides further detail about the calculation of ECLs related to trade receivables. The Group uses a provision matrix to calculate ECLs for customers' trade receivables. The level of losses is calculated using the sliding rate method based on the probability of the receivables going into default for write-off. The ECLs were calculated based on actual credit loss experience over the past year. The Group

performed the calculation of ECL rates separately for the customers of each key operating company of the Group. Exposures within each operating company were not further segmented except for individually significant buyers, which cause certain credit risks depending on the buyer's credit history and relationship with the Group.

	Weighted-average loss rate	Credit-impaired
Current (not past due)	0%	No
1 – 30 days past due	5%	No
30 – 90 days past due	27%	No
90 – 360 days past due	43%	No
More than 360 days past due	100%	Yes

Other assets of the Group with exposure to credit risk include cash and other receivables. Cash is placed with reputable banks bearing the investing ranking not less than BB+ based on AKRA's rating (for Russian banks) and not less than A based on Fitch/Moody's (for non-Russian banks) as at 31 December 2023. Other receivables comprise settlements with agents with turnover period less than 3 months. Management does not expect these counterparties to fail to meet their obligations. Based on the historical analysis of credit losses for this category of receivables were not observed.

The Group does not observe that the imposition of sanctions, described in Note 2 (d), has affected the ability of buyers to repay their debts to the Group in a timely manner. However, the most likely consequence of the negative impact on the Russian economy will be an increase in credit risk for many buyers, which will lead to the need of recognizing a significant additional amount of expected credit losses. At the moment it is not possible to quantify the corresponding financial effect.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases, finance leases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the RUB and USD. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

At 31 December 2023, the Group had the following monetary assets and liabilities denominated in currencies other than the functional currency of the respective Group entity:

	USD	RUB	Other currencies
	RUB mln		
Assets			
Other non-current assets	7,133	–	2,467
Accounts receivable	2,448	216	582
Bank and cash balances	628	513	476
Intra-group assets	34,530	7,599	101
Liabilities	44,739	8,328	3,626
Accounts payable	2,927	419	132
Intra-group liabilities	19,642	35,558	230
	22,569	35,977	362
	22,170	(27,649)	3,264

At 31 December 2022, the Group had the following monetary assets and liabilities denominated in currencies other than the functional currency of the respective Group entity:

	USD	RUB	Other currencies
	RUB mln		
Assets			
Other non-current assets	1,425	–	409
Accounts receivable	1,973	80	338
Bank and cash balances	1,638	537	612
Intra-group assets	34,810	6,910	268
Liabilities	39,846	7,527	1,627
Accounts payable	2,564	232	189
Intra-group liabilities	34,068	38,995	419
	36,632	39,227	608
	3,214	(31,700)	1,019

Other currencies as at both dates comprise mostly Euro.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to strengthening/weakening of USD against the RUB by 20% (2022: 20%).

	RUB/USD impact			
RUB mln	31 December 2023	31 December 2023	31 December 2022	31 December 2022
	RUB/USD +20%	RUB/USD -20%	RUB/USD +20%	RUB/USD -20%
Profit or (loss)	10,641	(10,641)	7,187	(7,187)

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest risk mainly arises from its debt obligations in particular non-current borrowings. Borrowing at variable rates exposes the Group

to cash flow interest rate risk. Lending at fixed rates or the purchase of debt instruments at fixed rates expose the Group to changes in the fair value.

The Group reviews its debt portfolio and monitors the changes in the interest rate environment to ensure that interest payments are within acceptable levels. Information relating to interest rates on the Group's borrowings is disclosed in Note 9.

Structure of interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments, excluding the effect of derivative financial instruments, was:

	Carrying amount	
	31 December 2023	31 December 2022
	RUB mln	
Fixed rate instruments		
Cash and cash equivalents	1,789	24,366
Long-term deposits	4	4
Debt and lease liabilities	(16,950)	(14,114)
Variable rate instruments	(15,157)	10,256
Debt and lease liabilities	(21,345)	(24,988)
	(21,345)	(24,988)

Interest rate sensitivity analysis

A large portion of borrowings, amounting to RUB 21,345 million as at 31 December 2023, are linked to Russian Central Bank's key rate.

The increase in the key rate to 20% will result in interest expense being increased by RUB 480 million on an annualized basis, assuming balances remain consistent with those outstanding at 31 December 2023.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due.

The Group has in place a detailed budgeting and cash flow forecasting process to help ensure that it has sufficient cash to meet its payment obligations.

Loans, borrowings, lease and other payables

RUB mln	Carrying value	Contractual cash flows			
		Minimum future payment	Less than 12 months	1-5 years	Later than 5 years
As at 31 December 2023					
Debt and interest payable	27,837	40,112	9,072	28,049	2,991
Leases	11,780	20,224	6,016	4,655	9,553
Trade and other payables	20,242	20,242	20,242	–	–
Total	59,859	80,578	35,330	32,704	12,544
As at 31 December 2022					
Debt and interest payable	31,321	41,470	6,577	31,153	3,740
Leases	8,492	15,417	2,683	5,065	7,669
Trade and other payables	20,677	20,677	20,677	–	–
Total	60,490	77,564	29,937	36,218	11,409

22. Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if both parties are under common control or one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

During the period 20 individuals were considered to be the Group's key management and directors (2022: 23 individuals). Their remuneration during the period was as follows:

	31 December 2023	31 December 2022
	RUB mln	
Salaries and other payments	2,380	1,289
Bonuses accrual	2,019	5,280
	4,399	6,569

	31 December 2023	31 December 2022	Nature of balances
	RUB mln		

Consolidated statement of financial position

Associate	10	227	Prepayments for building and construction
Associate	4	71	Other receivables
Related through common shareholder	602	25	Other payables
Related through common shareholder	(56)	(281)	Other payables
Related through common shareholder	–	(50)	Loan received

	2023	2022	Nature of transactions
	RUB mln		

Consolidated Statement of Profit or Loss

Purchases from Associate	(42)	(53)	Building and construction
Sales to Associate	5	4	Other income
Related through common shareholder	1,874	–	Transport and forwarding services
Related through common shareholder	(605)	–	Transport and forwarding services
Related through common shareholder	4	–	Interest income
Related through common shareholder	(40)	(22)	Administrative expenses

23. Events Subsequent to The Reporting Date

In February 2024 the Group entered into a rolling stock lease back agreement, which allowed to raise financing in the amount of RUB 6,027 million.

In February 2024, the Group signed a number of contracts for the sale of the vessels. The total cost of the sale amounted to RUB 327 million (USD 3.5 million). The net book value of the vessels as at 31 December 2023 was RUB 360 million (USD 3.6 million).

In February 2024, the Group signed a credit line agreement for the total amount of the issue limit of CNY 227,160 thousand. As of the date of approval of these consolidated financial statements, the loan has been drawn down in full, the rouble equivalent of the loan obtained amounted to RUB 2,898 million.

After the reporting date the Group has used the option to purchase the shares in a new subsidiary. The option execution price amounted to RUB 1,250 million.

After the reporting date, the State Corporation Rosatom has become the Group's controlling party.