

## 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

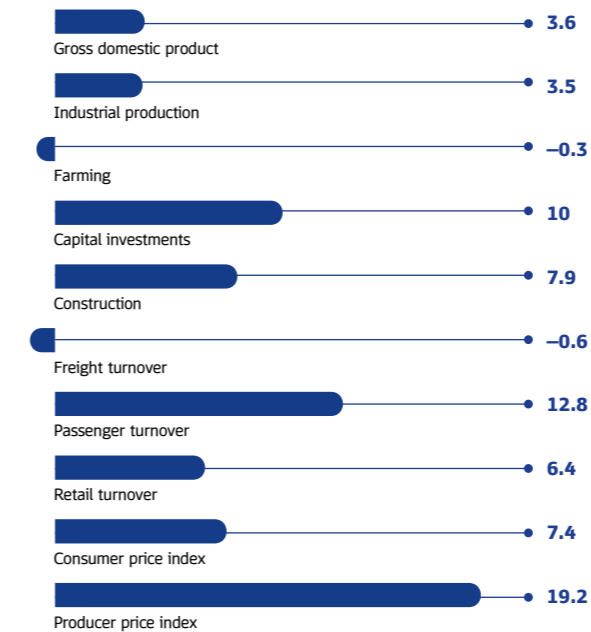
Russian economy grew by 3.6%, with final consumption of households as the key contributor and the consumer price index rising by 7.4% YoY.

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.

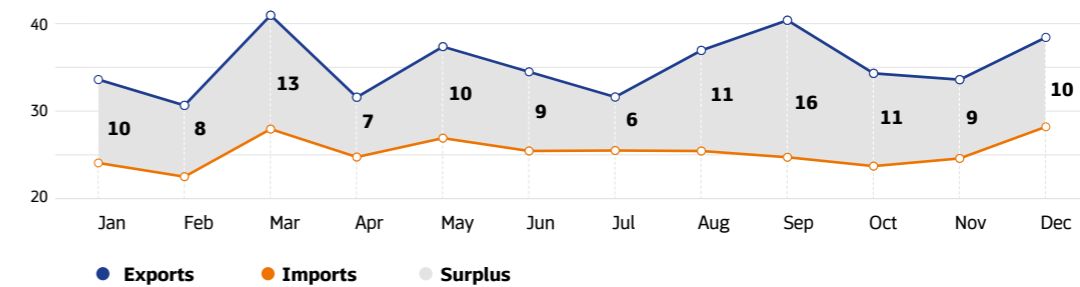
Total merchandise trade in Russia was USD 710.1 billion, down USD 137.6 billion YoY. Export geography changed, as the share of Europe shrank by 68% to USD 85 billion and businesses partially refocused on Asia. China remained Russia's key trading partner in Asia accounting for 42% of exports and 59% of 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