

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

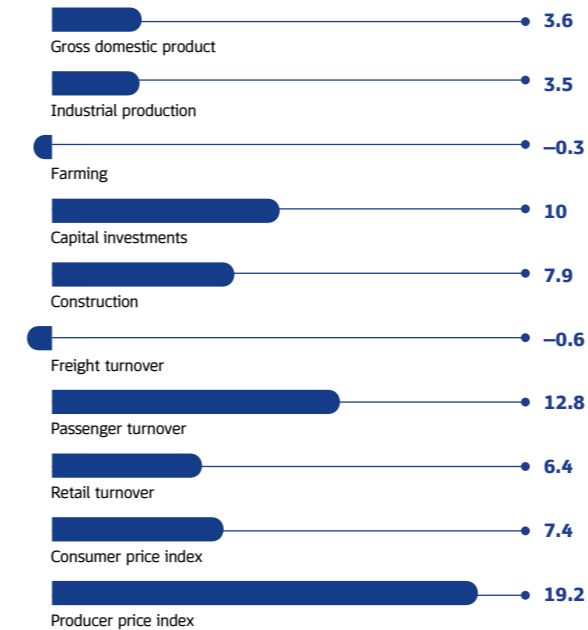
Russian economy grew by 3.6%, with final consumption of households as the key contributor and the consumer price index rising by 7.4% YoY.

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.

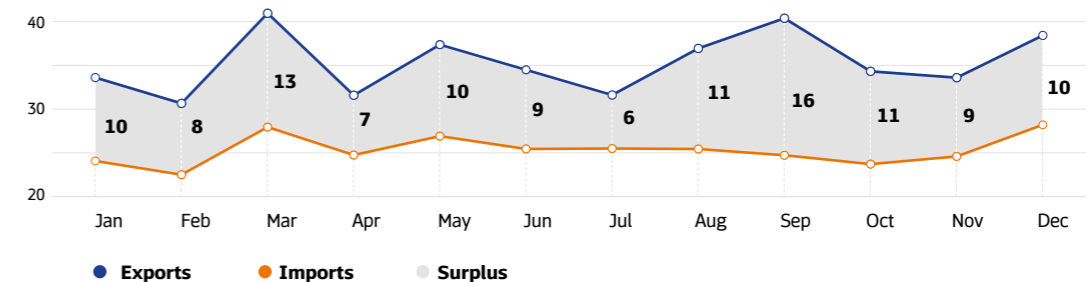
Total merchandise trade in Russia was USD 710.1 billion, down USD 137.6 billion YoY. Export geography changed, as the share of Europe shrank by 68% to USD 85 billion and businesses partially refocused on Asia. China remained Russia's key trading partner in Asia accounting for 42% of exports and 59% of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