

Chairman's Statement

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Chairman of the Board of Directors

2021 was a year of solid recovery for the world economy. However, pressing the restart button on global trade proved anything but smooth, creating extraordinary logistics conditions, especially for maritime freight, as surging global demand created huge imbalances in global supply chains. This produced boom conditions for the maritime logistics sector, as demand for vessels and containers exceeded supply and drove shipping and freight rates to record levels. As a result, 2021 proved to be an exceptional period for Russia's maritime infrastructure and logistics sector; the industry delivered strong single-digit growth and achieved record-high container volumes accompanied by healthy utilisation rates.

In last year's report, I said that the Group had emerged from the COVID crisis stronger thanks to its resilience and adaptability. Against a backdrop of market growth, our excellent 2021 results underline the quality of the Global Ports business model. Operationally, the Group's performance was very solid, ending the year with increased market shares in each of its basins of operation. This result is noteworthy as for part of the period, we were upgrading the asset base and withdrawing from coal-handling at VSC to focus on our container activities.

The Board is also encouraged by the Group's resilient financial performance. In a highly competitive market, Global Ports reported a robust set of results, growing the revenue base, maintaining high levels of profitability, and generating increased cashflows whilst keeping costs firmly in check. Customer service also improved.



Events over the past two years have demonstrated the importance of having adequate financial resources to address operational challenges. Rebuilding a strong capital base has been a strategic priority for several years, and in 2021 we achieved the leverage target first set in 2013. This accomplishment is an important strategic milestone in ensuring our long-term financial stability and supporting our future development.

It is also pleased to report that good progress has been made on the Group's sustainability agenda, as the Board and management team continued to develop new sustainability objectives as part of our overall corporate strategy.

Global Ports is only as strong as the people that work here. On behalf of the Board, I want to thank all our colleagues for their hard work and dedication over 2021.

Strategy

In recent years, we have made considerable progress in repositioning Global Ports as a premium container ports business. In 2021, the Board continued on that path with the decision to cease handling coal at VSC and focus entirely on our core container cargo operations. As well as simplifying the structure of our business, we have continued to improve our facilities, develop our client offering, and increase productivity through innovation and automation, helping to grow our market position and generate added value for our customers.

Our 2021 results were a testament to the success of our approach: continuous reinvestment in our ports builds world-class infrastructure, high service levels build customer loyalty, and efficiency improvements drive productivity. In volatile markets like those we encountered in 2020 and 2021, these factors have helped reinforce the scale-effect of our leadership position in the industry. And as the maritime logistics sector increasingly thinks in terms of developing sustainable logistics corridors rather than merely loading and unloading cargo, the beneficiaries will be companies like Global Ports that own modern gateway ports and who can eliminate complexity and add value to customers' supply chains.

The Board

Strong governance is fundamental to any successful company in an era where businesses are judged as much by their integrity and reliability as by their financial performance. As Chairman, one of my key responsibilities is to ensure that Global Ports adheres to the highest governance standards. In this regard, I have been ably supported by all the members of the Board. With their diverse backgrounds, they bring a balance and richness of skills and experience to the Group that complements the talents of the management team. I would like to thank all my colleagues on the Board for their invaluable contributions over the last year. More details of our governance activities can be found in the Governance section on pages 61 to 84.

Last year, I had the pleasure of welcoming three new members to the Board. Vladimir Bychkov, Andrey Lenvalsky, and Andrey Pavlyutin were elected to the Board at our AGM in May.

ESG

Being a responsible business has long been part of the culture at Global Ports. Increasingly, ESG considerations are no longer viewed as an add-on but rather as part of the fundamental decision-making for the business. The Board recognises that, as a provider of critical infrastructure, the development of environmentally and socially responsible business practices is crucial to our long term success. We believe that businesses do well when they behave well, and the Board and leadership team are committed to embedding this ethos across all our operations and at all levels of our workforce.

Although the Group has a consistent record of complying with all relevant legislation and regulations, the Board and leadership agree that we need to accelerate our ESG activities and move beyond compliance. As a result, in 2021, we began work on developing a comprehensive ESG strategy, in collaboration with a leading sustainability consulting firm, to set long-term ESG objectives for the Group. Sustainability will be built into every aspect of our operations, our corporate strategy, and how we do business. We are at the beginning of our Sustainability journey, but the Board is pleased with the progress to date.

Safety remains the Board's top priority. Ensuring the safety and wellbeing of our employees and all those who work on or visit our terminals is a core part of our culture. In our industry, safety is also of critical commercial concern because the safe handling of cargo is essential to our performance as a company. In 2021, we continued to make progress toward our target of zero fatalities and zero injuries. We focused on safety culture and improvements to our safety system, with a special emphasis on contractor safety. The Group continued its successful roll-out of its Fatal 5 safety campaign, focused on five high-risk activities. The hard work that has gone into our safety programmes is reflected in our Lost Time Injury Frequency Rate which maintained its low level of recent years.

We also recognise the need for more ambitious action on the environment and on addressing climate change. The Group made good progress in advancing our environmental agenda in 2021. We discontinued all coal-handling activities at VSC in the third quarter, which will significantly reduce the terminal's environmental impact. We also committed more investment into various environmental protection schemes at our terminals, alongside continuing initiatives to decarbonise our activities by reducing our energy intensity.

The Board also continued to reduce organisational complexity and improve governance and decision-making. In May, the Board approved an inter-group merger, whereby Global Ports Investments PLC absorbed its 100% owned investment holding company National Container Holdings Company, with the aim of simplifying the Group's structure, reducing overhead costs, and improving governance.

Summary

Global Ports delivered an excellent set of results in 2021, and I am proud of what the team accomplished last year. We have a well-defined strategy in place that has proven highly successful and enabled the Group to cement its leadership of the ports sector in Russia. I am confident that Global Ports has the right assets, the right people and the right strategy to continue to deliver sustainable long term growth for its stakeholders in the years ahead.

Outlook 2022

The market outlook for 2022 in the North West basin is well below 2021 given the recent events. For the Far East the market is expected to be more stable. It is too early to give any indication of when a market stabilization will occur, but we do expect a result well below that of 2021 despite the adjustments we are making for cost and CAPEX.