



March 28, 2019

Financial and operating results of FESCO Transportation Group for 2018

FESCO Transportation Group (the “Group” or “FESCO Group”) announces its operating and consolidated financial results for the twelve months ended December 31, 2018 based on the management accounts.

Highlights

- The Group improved its key operating results and also achieved the highest handling volumes in the Port’s history (10.4 million tonnes) while also ramping up the container throughput by 17.7% to 551 thousand TEU.
- Having developed the expedited multimodal delivery of cargoes along the Shanghai–Moscow Route in 2017, FESCO Group expanded the process to include deliveries from Busan to Moscow and St. Petersburg and from sea ports of Japan to Moscow, setting a new standard for terms of delivery from the countries of Asia-Pacific Region to the Russian Federation through the Far East.
- Following the strategy for the development of new routes and regions, The Group also expanded the route network by launching new railroad services for export cargo deliveries from Russia to China via Mongolia and Kazakhstan.
- In order to unlock the significant market potential and capitalise on the existing competencies, the Group decided to tap into the containerised grain transportation both domestically and internationally.
- The Group has continued to develop its expertise in Supply Chain Management in 3PL and 4PL segments as well as significantly expanded its order portfolio by offering project logistics services.
- The Group has continued the optimization of its assets, increasing the fleet of fitting platforms in operations by 19.8%, to 5,079 units.
- The universal bulk carrier FESCO Nevelsk was added to the marine transportation fleet during 2018. Container vessel FESCO Dalnegorsk bought in 2017 started operations.
- The Group closed the sale of its 25.1% interest in TransContainer PJSC, using the proceeds to deleverage.

The Group’s operating results

	2017	2018	Change YoY, %
Intermodal transportation, kTEU	243.6	301.8	23.9%
International maritime transportation, kTEU	319.0	312.5	-2.0%
Domestic maritime transportation, kTEU	66.7	79.5	19.1%
VMTP container handling, kTEU	467.9	551.0	17.7%
VMTP general cargoes handling, kt	3,287.8	5,282.9	60.7%
Rail container transportation, kTEU*	270.0	340.2	26.0%
Shipments in box cars, units	20,179.0	14,231.0	-29.5%
Transport fleet, units	21	22	4.8%

	2017	2018	Change YoY, %
Operable vessel days ¹	6,990	7,096	1.5%
Bunkering volumes, kt	76.6	72.4	-5.5%

**excluding the platforms operated by Russkaya Troyka*

The Group's financial results

- Consolidated revenue increased by 30.3% YoY to RUB 57.0 billion, bolstered by the overall economic recovery and higher transportation volumes.
- EBITDA grew by 36.0% YoY to RUB 10.61 billion given that all operating divisions contributed to the consolidated EBITDA growth, with their effective commercial policies and higher cargo traffic being the key drivers. EBITDA margin expanded from 17.8% to 18.6%.

RUB million	2017	2018	Change YoY, %
Revenue	43,746.2	57,005.6	30.3%
EBITDA ²	7,801.8	10,610.5	36.0%
EBITDA margin, %	17.8%	18.6%	+0.8 pp

Financial and operating performance by divisions

Liner and Logistics Division

- The Group's effective commercial policy, a wider range of higher-quality services and the overall economic growth yielded a 23.9% YoY increase in intermodal transportation volumes bringing them to 301.8 thousand TEU. The Group secured a record high intermodal transportation market share of 39% across the East–West corridor, up 2 pp YoY.
- International maritime transportation slid by 2.0% YoY to 312.5 thousand TEU due to decrease at the Baltic lines (down 13.9% to 74.3 thousand TEU). At the same time, transportation through the Russian Far East, which is strategic for the Group, increased by 2.4% to 238.2 thousand TEU. Domestic maritime transportation gained 19.1% YoY to reach the record high 79.5 thousand TEU, showing a substantial growth for the second consecutive year in 2018.
- The LLD's revenue grew by 22.4% YoY to RUB 35.87 billion and EBITDA by 45.1% YoY to RUB 1.27 billion driven by intermodal and domestic transportation services.

Port Division

- In 2018, the Port Division reached the highest turnover volumes in its history, having handled 10.4 million tonnes of cargo vs 7.5 million tonnes in 2017 (up 39.2% YoY).

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

² EBITDA is calculated as operating profit net of amortisation, depreciation of fixed assets and one-off expenses.

- In addition to the general cargo throughput, container handling volumes increased by 17.7% YoY to 551.0 thousand TEU and surpassed the 2014 record of 513 thousand TEU, gaining on all fronts (imports, exports, domestic shipments).
- Handling of general and non-container cargoes grew by 60.7% YoY to 5,282.9 thousand tonnes.
- The Port Division's revenue grew by 39.5% YoY to RUB 13.12 billion on the back of record-high handling volumes.
- The division's EBITDA went up by 30.6% YoY to RUB 5.89 billion. Its EBITDA margin reached 44.9%, losing 3.1 pp YoY due to the significant growth of non-container cargo transportation and its higher share in the total turnover. Container cargo handling proved to be more profitable compared to general cargo.

Rail Division

- In 2018, railway container transportation volumes increased by 26.0% YoY to 340.2 thousand TEU.
- Shipments by box cars dropped by 29.5% to 14,231 units as a result of container cargo treated as a priority and the rolling stock being refocused on fitting platforms.
- The Rail Division's revenue in 2018 grew by 43.8% YoY to RUB 11.8 billion primarily due to the Group's entry into the grain transportation market.
- The division's EBITDA went up by 36.0% YoY to RUB 4.12 billion. Its EBITDA margin reached 34.9%, down by 2 pp driven by increased share of the leased fleet, as well as by rising costs of rolling stock repairs.

Shipping Division

- In 2018, the Group's Shipping Division carried out tramp transportations, ensured the shipments to Russia's northern territories, as well as entered into a contract for the provision of supplies to the Indian research stations in Antarctica in 2019.
- The division's revenue increased by 23.3% YoY to RUB 2.77 billion due to active commercial activities and increased transportation rates amid improved market conditions. While EBITDA grew by 114.7% to RUB 0.66 billion, with EBITDA margin at 24.0% vs 13.8% in 2017.

Bunkering

- The Group's bunkering operations were optimised to reflect the changes in the Bunkering Division's role, which now mainly revolves around providing bunkering services for the Group's own fleet. The 2018 bunkering volumes amounted to 72.4 thousand tonnes, a 5.5% decrease vs 2017.
- As a result, the revenue from bunkering services decreased by 1.9% YoY to RUB 1.02 billion, while EBITDA grew by 32.1% YoY to RUB 0.04 billion.

Financial performance by division

RUB million	2017	2018	Change YoY, %
Liner and Logistics Division			
Revenue	29,316.5	35,874.8	22.4%
EBITDA	878.1	1,274.4	45.1%
EBITDA margin	3.0%	3.6%	+0.6 pp
Port Division			
Revenue	9,403.5	13,120.6	39.5%
EBITDA	4,508.0	5,889.4	30.6%
EBITDA margin	47.9%	44.9%	-3.1 pp
Rail Division			
Revenue	8,207.3	11,803.3	43.8%
EBITDA	3,027.5	4,117.9	36.0%
EBITDA margin	36.9%	34.9%	-2.0 pp
Shipping Division			
Revenue	2,243.4	2,767.2	23.3%
EBITDA	309.5	664.5	114.7%
EBITDA margin	13.8%	24.0%	+10.2 pp
Bunkering Division			
Revenue	1,037.8	1,017.9	-1.9%
EBITDA	27.4	36.2	32.1%
EBITDA margin	2.6%	3.6%	+0.9 pp

The Group's consolidated debt

- Following the partial repayment of bank loans and partial refinancing of RUB-denominated liabilities, the Group's consolidated debt went down to RUB 45.65 billion as at 31 December 2018 from RUB 47.18 billion as at 31 December 2017. The total USD-denominated debt decreased by 19.8% to USD 657.1 million as at 31 December 2018 from USD 819.0 million as at 31 December 2017.
- As at 31 December 2018, the Group's net debt totalled RUB 42.33 billion vs RUB 41.47 billion as at 31 December 2017. As at 31 December 2018, USD-denominated net debt was down by 15.3% to USD 609.4 million vs USD 719.9 million as at 31 December 2017.
- USD-denominated net debt / EBITDA ratio decreased from 5.8 as at 31 December 2017 to 3.9 as at 31 December 2018.

IMPORTANT NOTE

In these materials, the term "FESCO" means FAR-EASTERN SHIPPING COMPANY PLC.

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

The terms "Port", "Port Division" and "VMTP" refer to the Commercial Port of Vladivostok which is a part of the Group.

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be construed as an advertisement for, any securities of FESCO or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity in any jurisdiction.

These materials have been prepared on the basis of the Group's management accounts. These materials do not contain sufficient information to constitute a full set of financial statements. The numbers presented in this statement have not been audited.

ABOUT FESCO Transportation Group

FESCO Transportation Group is one of Russia's largest private transportation and logistics companies with port, rail, and integrated logistics assets. A diversified asset portfolio enables FESCO Group to provide door-to-door solutions and control almost all steps of the intermodal transportation value chain. The Group owns the Commercial Port of Vladivostok, the Transgarant railway operator, and 75% minus one share in Russkaya Troyka, an operator of fitting platforms. FESCO Group operates 40 thousand containers and about 5 thousand fitting platforms. The Group runs a fleet of 22 transport vessels servicing primarily own sea lines. 23.8% of FESCO's equity is held by the companies controlled by Mark Garber (a controlling shareholder at GHP Group), 17.4% is owned by TPG Capital, 32.5% – by Ziyavudin Magomedov, and 26.3% is owned by other shareholders or is in free float.

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