FESCO Transportation Group
1H 2015 Operational and Financial Results

Investor conference call

August 28, 2015

Transportation Group

Today's Speakers

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Vice President for Finance

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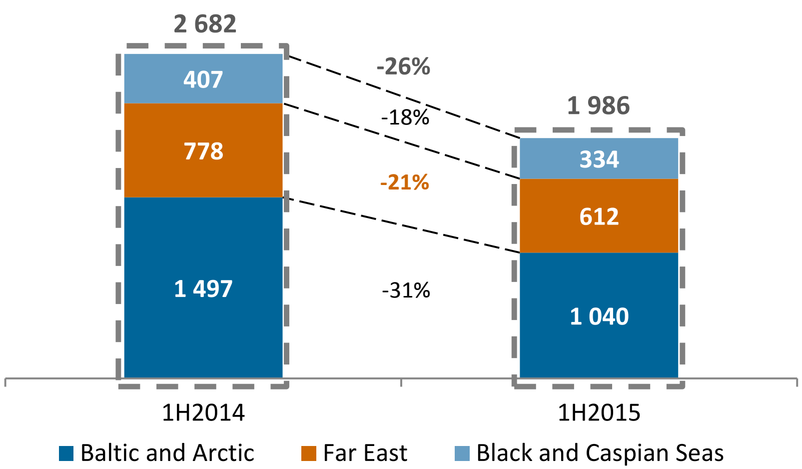
Key Highlights

- FESCO maintained its leading market position in the Far East though it was impacted by challenging economic environment
- Well diversified asset base helps to balance divisional results in turbulent economic conditions
- Cost cutting program is well on track with c. 30% of $40m targeted savings achieved in 1H 2015 with further effect to be realised during the 2H 2015
- Cost-discipline helped to limit negative impact of economic turbulence, RUB weakness and decrease in domestic consumption and to increase EBITDA margin on the Group level
- FESCO limited CAPEX to the maintenance level in order optimise cash flows and address the volatility of earnings in current economic
- Debt portfolio optimization as result of bonds buybacks conducted in April and May 2015 which allowed FESCO to decrease leverage and interest expenses as well as to extend maturity and improve currency structure of its debt

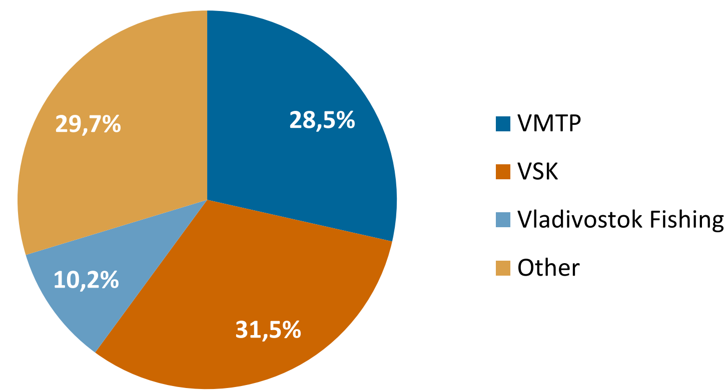
Market & Divisional Overview

Russian Port Market Update

Container Throughput in Russian Ports, 1H 2015 ('000 TEU)



Shares of Major Container Operators in Far East, 1H 2015



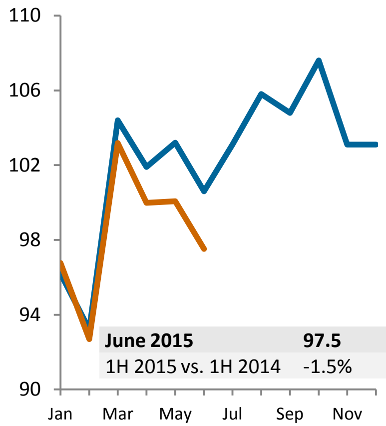
- Total container throughput at Russian ports declined on the back of macroeconomic recession, RUB devaluation and following a decrease in domestic consumption and car production
- The Far East basin demonstrated better performance compared to the Russian market driven by trade flows between Russia and Asian countries
- In 1H2015, FESCO sustained leading positions among container sea port operators and service lines in the Russian Far East:
  - import container handling in ports with the market share of 35% (by volume)
  - export-import sea container service lines with the market share of 46% (by volume)

Challenging economic environment continues to impact the container market performance

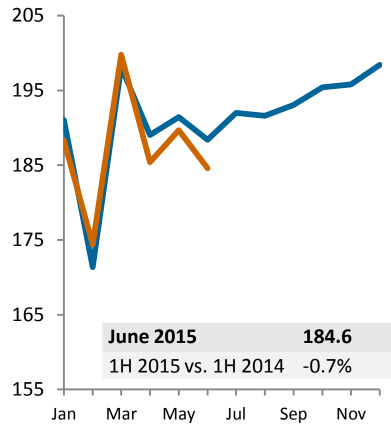
Source: Morcenter TEK, Company information

Russian Rail Market Update

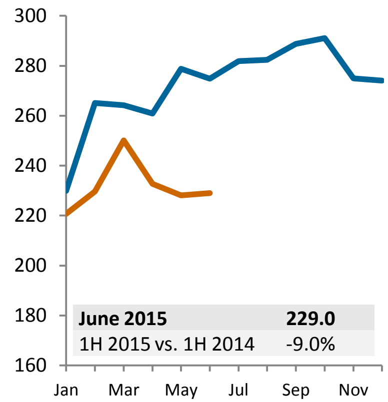
Freight Transportation Volume (m tons)



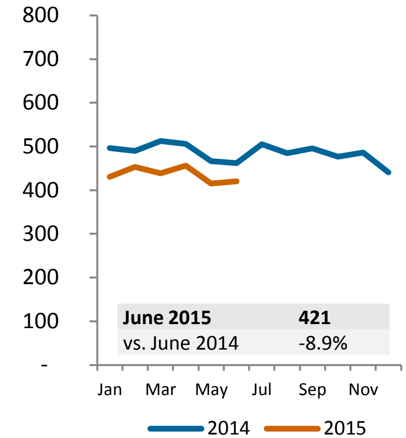
Freight Transportation Turnover (bn tons-km)



Containerised Cargo Transportation Volume ('000 TEU)



Gondola Railcars Rates, RUB/day/railcar



Rail cargo load

- Rail cargo load on the Russian Railways network decreased by 1.5% YoY in 1H 2015 as result of decreased transportation of construction materials (-18%), cement (-14%) and oil products (-0.9%)

Container rail volumes

- Container rail volumes on the Russian Railways network decreased by 9.0% YoY in 1H 2015 driven by RUB devaluation and lower private consumption and car production

Railcar rates

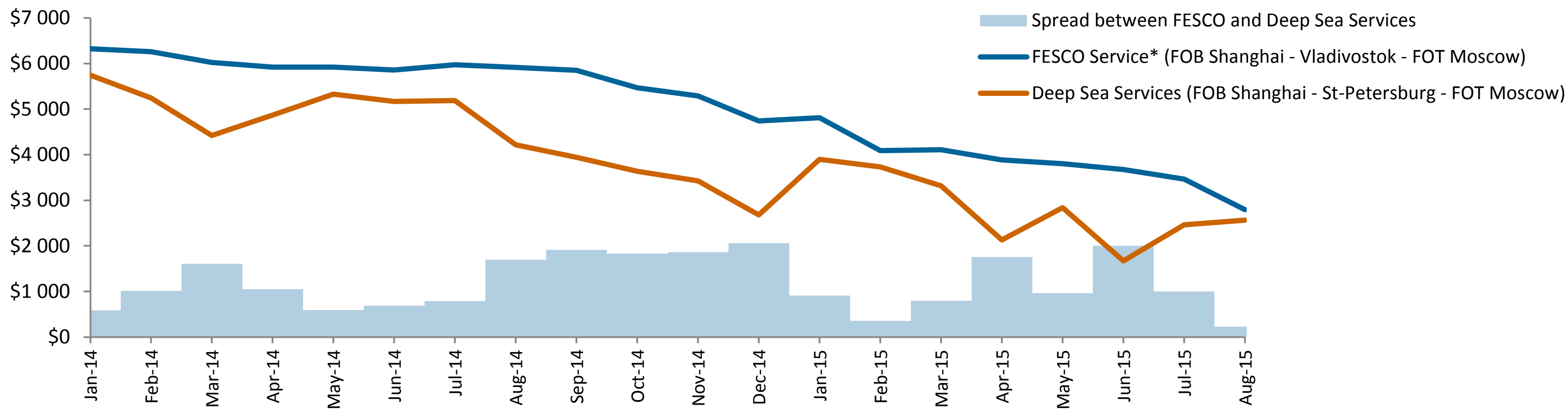
- Gondola rates remain at low level due to stagnating transportation volumes and surplus of railcars in the market

Focus on operational efficiency in challenging market environment

Source: Rosstat, Russian Railways, Company information

Global Container Freight Market Update

Deep Sea Rates vs. Intermodal Transportation Rates ($ / 40' TEU)



- Shift of the Russian trade focus towards Asian countries should support positive development of the cargo flow through the Russian Far East
- The competitiveness of the Trans-Siberian route is increasing due to decrease of freight rate and depreciation of RUB-denominated rail component

Strategically favorable location to benefit from intensified trade flow with Asian countries

**18% VAT was included into tariff till February, 2015; starting March, 2015 VAT is 0%*

Source: Worldcontainerindex, Drewry, Lloyd's list

Operational Performance by Division for 1H 2015

	Key Operating Metrics	1H 2014	1H 2015	YoY change
Port Division	Vladivostok port container volumes (TEU)	242,612	174,570	-28.0%
	Vladivostok port general and bulk cargo volumes ('000 tons)	1,275	1,055	-17.2%
Rail Division	Rail container transportation ('000 TEU)	147.3	143.9	-2.3%
	Rail cargo load (million tons)	9.9	10.0	+1.0%
Liner and Logistics Division	LLD intermodal transportation (TEU)	117,474	107,042	-8.9%
	LLD Export-Import transportation (TEU)	202,542	168,436	-16.8%
	LLD cabotage transportation (TEU)	28,154	26,930	-4.3%
Shipping Division	No. of vessels (EoP)	27	26	
	Gross Deadweight ('000 tons)	292,228	292,250	-1%

- Slowdown in port container and general and bulk cargo volumes in line with negative market trend
- FESCO's Rail Division continues to outperform the market which demonstrated 9% decline in container transportation and 1.5% decline in overall rail cargo load in 1H2015
- Drop of import to Russia resulted in the decrease of export-import sea container transportation volumes and intermodal volumes
- Fleet size remained almost flat but profitability of the Shipping Division was positively impacted by renewal of vessels

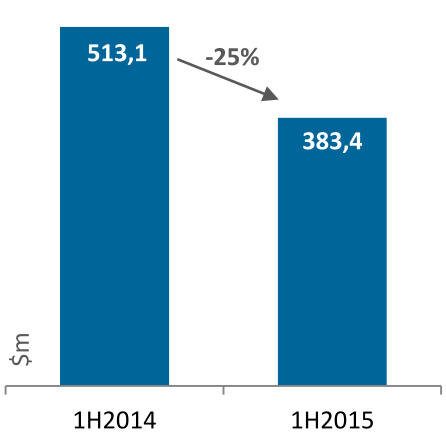
Diversified business model allows to mitigate soft results of some divisions by improved performance of others

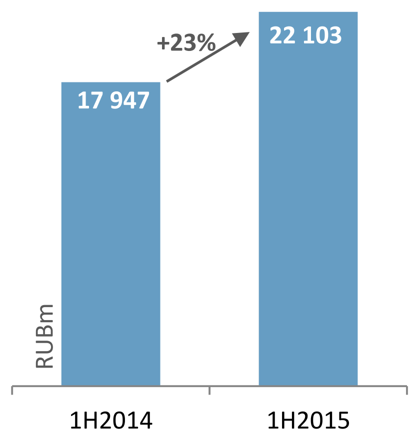
Source: Company information

Financial Results Overview

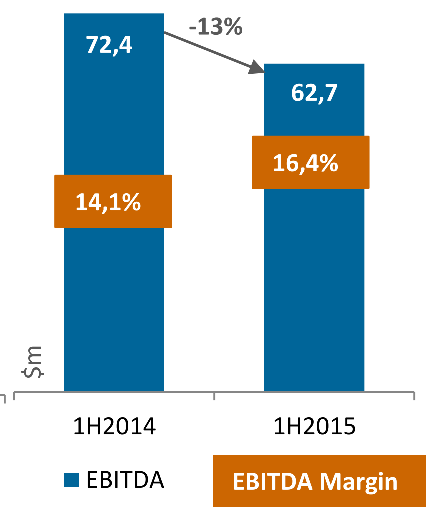
Consolidated Financial Results for the Group

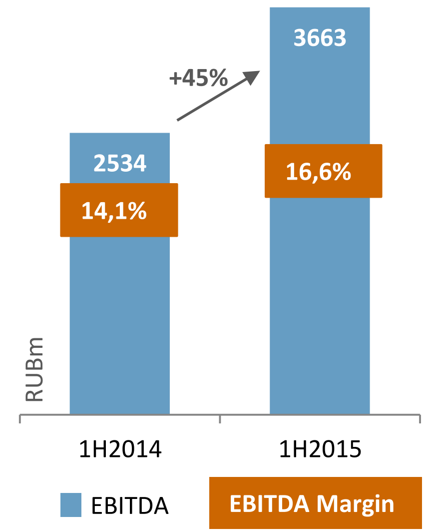
Revenue





EBITDA and EBITDA margin





- Group's financial results were affected by declining volumes and RUB depreciation
- Cost-control measures and conversion of export-import tariffs in the Vladivostok port from RUB to USD improved the profitability

Cost-discipline helps to limit the impact of weakening volume and ruble depreciation on the EBITDA level

Source: Company information

Note: RUB-denominated financial results are based on average quarterly $/RUB exchange rate

Financial Performance by Division for 1H 2015

Division	Revenue ($m)	YoY change	EBITDA ($m)	YoY change	EBITDA margin	YoY change
Port	59.4	-34.0%	31.7	-21.9%	53.4%	+8.3 pp
Rail	58.0	-31.8%	11.3	-53.9%	19.5%	-9.3 pp
Liner and Logistics	198.4	-34.9%	8.1	-13.8%	4.1%	+1.0 pp
Shipping	48.2	+44.7%	15.9	+448.3%	33.0%	+24.3 pp
Bunkering	80.8	+14.0%	4.6	-25.8%	5.7%	-3.0 pp
Intragroup / Corporate	-61.4	n/a	-8.9	n/a	n/a	n/a
Group	**383.4**	**-25.3%**	**62.7**	**-13.4%**	**16.4%**	**+2.3 pp**

- Improvement in EBITDA margin across all divisions as a result of cost-cutting program
- Decrease of port revenues and EBITDA on the back of lower handling volumes
- Rail revenues were impacted by low gondola rates and RUB depreciation
- Slowdown in export-import cargo transportation volumes led to decline in LLD financial results
- Strong performance of icebreakers and fleet renewal contributed to growth in revenue and EBITDA of the Shipping Division
- Amended business-model for bunkering division is expected to improve its financial results going forward

Diversified business model allows to mitigate soft results of some business streams by additional revenues from others

Source: Company information

Debt Overview

Bond Buybacks

Summary Overview

- Following announcement of Eurobonds buyback on 31 March 2015 FESCO redeemed 2018 Notes with a nominal value of $129m and 2020 Notes with a nominal value of $91m for total consideration of $111m in April and May 2015
- In addition FESCO commenced a Public tender offer for up to RUB 4bn in Rouble bonds series БО-02 at fixed price of 80%. On April 17, 2015 the principal amount of the RUB bond validly tendered and accepted for purchase was RUB 3.0bn at a fixed price of 80% of par value
- Both buybacks were financed with combination of FESCO's own and borrowed funds, including
  - Rouble bonds series БО-01 in amount of RUB 5bn; and
  - REPO loan from an international bank in amount of $44m secured by Eurobonds bought back by the Company

Reflection in IFRS Statements

- As result of tender offer Eurobond buybacks FESCO decreased its debt by $220m for total consideration of $111m
- Under IFRSs requirements the resulting gain of $109m should have been recognised in the statement of profit and loss during the reporting period
- The buyback was partially financed by the loan received from the bank. In accordance with loan agreement the recognition of the above gain should be deferred until the loan repayment in 2018 when the bonds provided as collateral to the bank are returned to the Group
- The recognition of the financial result of buyback as a deferred gain within long-term liabilities rather than gain within profit and loss is not stipulated by IFRSs and has resulted in technical by nature qualified conclusion in the Auditor's report.

Buybacks allowed FESCO to decrease leverage and interest expenses as well as to extend maturity and improve currency structure of its debt

Leverage Overview

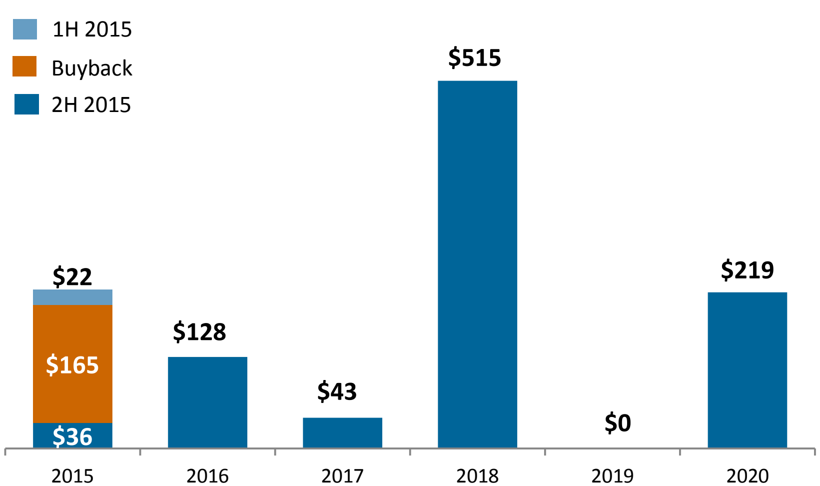
Summary Overview

- $626.8m of the acquisition financing and part of pre-existing loans refinanced by Senior Secured Notes due 2018 and 2020
- RUB 2bn bond (BO-02) due 2016-2017 issued to refinance the remaining OpCo facility and pre-existing loans
- RUB 5bn (BO-01) due 2018 issued to finance the Senior Secured Notes partial buyback
- Majority of debt to be repaid after 2017
- No maintenance covenants

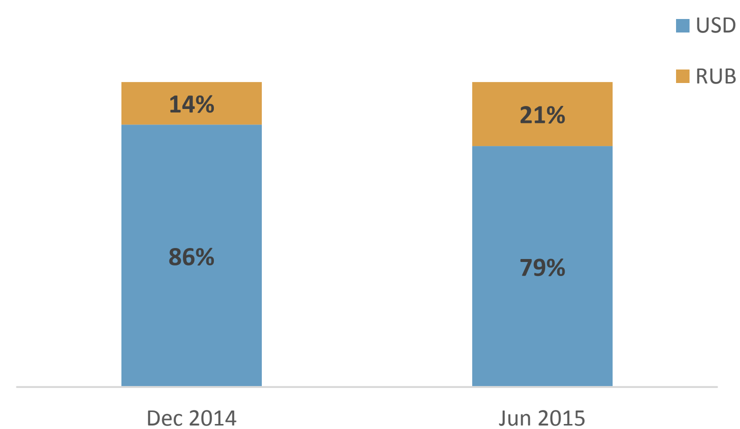
Consolidated Group Financial Position

($m)	30-Jun-2015
Senior Secured Notes	626.8
Ruble Bonds	125.5
Bilateral Loan Facilities	89.7
Finance Lease	31.0
Pro-forma gross debt[1]	**873.0**
Cash	40.03
Pro-forma net debt	**832.65**
LTM EBITDA	167,3
Pro-forma net Debt/LTM EBITDA	4.97x

Debt Maturity Profile as of 30.06.2015, $m



Total Debt Structure by Currency[1]



Source: Company information

Note: [1] Excluding non-recourse REPO Loan secured by 24.1% interest in TransContainer stake

Optimization Initiatives

Managing Costs and CAPEX

Costs and Expenses Optimisation Programme

Port Division	• Focus on operational efficiency improvement with labour productivity growth, overheads reduction • Improving productivity of equipment, reduction of maintenance budget, decrease in unit operating costs
Rail division	• Optimization of fleet usage and reduction in unit liner transportation costs • Focus on improving operational efficiency, reduction of maintenance costs • Restructuring of refrigerator container transportation business to improve overall profitability • Headcount reduction
Liner and Logistics Division	• Operational efficiency improvements to reduce maintenance expenses and overheads • Fleet optimization and reduction in leasing costs • Reduction of SG&A costs
Shipping Division	• Further optimization of maintenance costs and overheads
Corporate	• Overheads and headcount reduction

Capital Expenditures

($m)	1H2014	1H2015
Port Division	9.8	2.0
Rail Division	12.3	5.2
Liner & Logistic Division (LLD)	0.4	0.1
Shipping Division	10.4	1.4
Corporate Division / other	3.4	0.4
Gross CAPEX	**36.3**	**9.1**

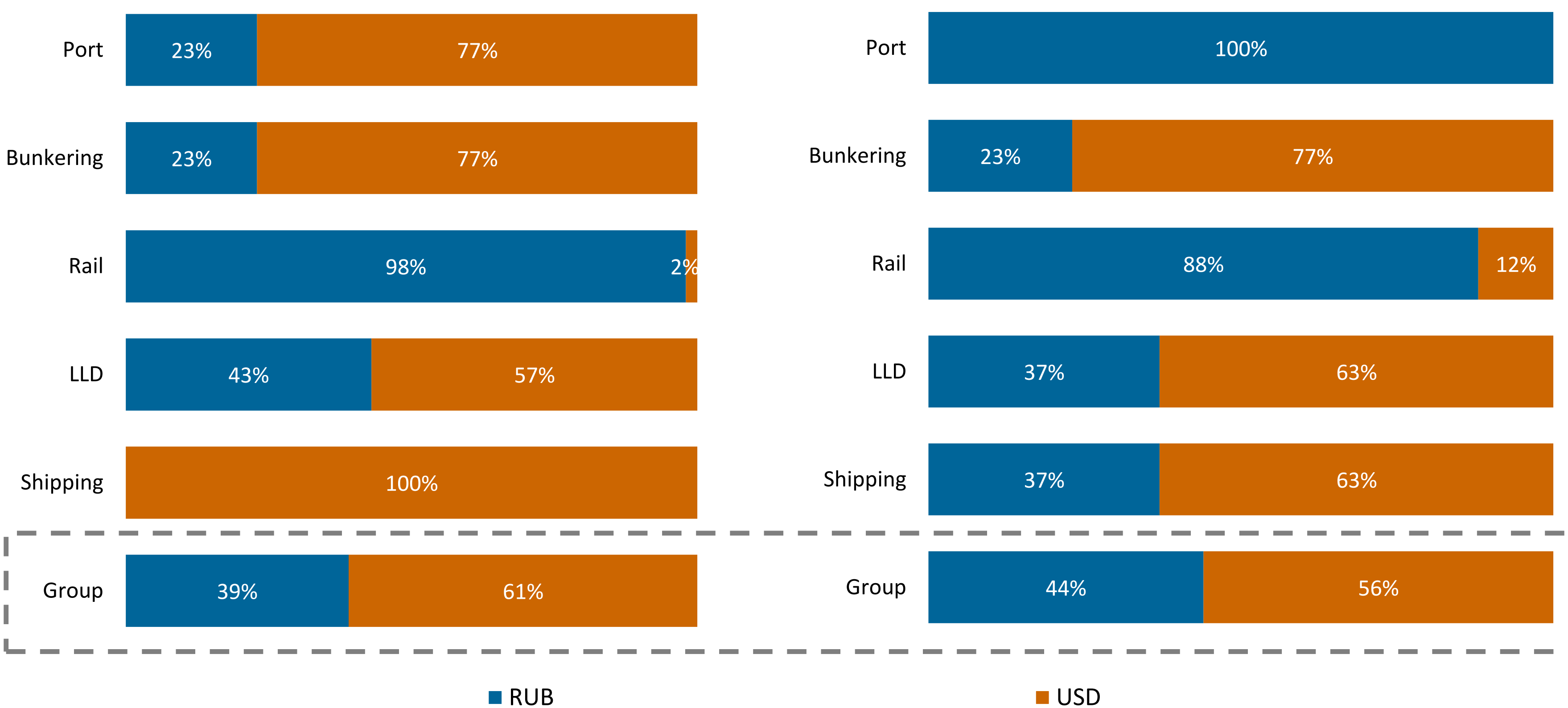
- Costs optimisation initiatives are expected to provide c. $40m of cost savings at the Group level in 2015
- Sharp decrease in capital expenditures following cutback of the expansion CAPEX

Realization of the cost-cutting program is well on track with c.30% of targeted level being achieved in 1H 2015 with further effect to be seen in 2H 2015

Managing FX Risk

Revenue, 1H2015

Operating Costs, 1H2015



Continued focus on aligning revenue and costs FX structures

FESCO Transportation Group

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