



March 15, 2017

FESCO Announces December 2016 and Twelve Months Year-to-Date Trading Update

FESCO Transportation Group (the “Group”, the “Company” or “FESCO”) reports the Group’s preliminary key operating metrics and market indicators for December 2016 and the twelve months ended December 31, 2016 (the “Monthly Update”). The purpose of the Monthly Update is to provide investors with key operational results on a regular basis. The information in this Monthly Update has been prepared and based on preliminary operating results. More detailed analysis and discussions regarding FESCO’s operational and financial performance is disclosed on a quarterly basis.

Following recent macroeconomic trends, the Russian transportation market demonstrated signs of a modest recovery in volumes during the second half of 2016. However, this modest recovery did not fully compensate for the decline in volumes during the first part of the year. It is also important to note that the recovery in volumes did not translate into improved financial performance, as average tariff rates remained low due to a high level of competition among market players and excessive spare capacity in the Far East region with respect to both port and shipping operations. To reflect current market trends, this trading update also includes specific financial indicators and charts, which illustrate the dynamics of trading volumes in relation to average tariff rates in particular business divisions.

FESCO’s intermodal service via Vladivostok and the Trans-Siberian railway is competing with the deep-sea route between Asia and European Russia. The seasonal surge in deep-sea rates in January and February 2017 is explained by the pre-Chinese New Year rush in loadings to all European destinations and temporary lack of shipping capacity. Recently the spread between all-in rates on both deep-sea and FESCO’s Trans-Siberian routes has returned to near historic lows, reducing the relative attractiveness of the Company’s East-West-East transit corridor. As excess shipping and port capacity persists in the markets the Company serves, the Group’s management does not expect a meaningful recovery of tariffs in the near future.

Key Market Indicators¹

	December 2016	November 2016	Change, % MoM	December 2015	Change, % YoY	12M December 31, 2016	12M December 31, 2015	Change, %
Container throughput in Far Eastern ports (ths TEU) ²	85.5	86.7	-1.4	81.1	5.4	904.5	920.8	-1.8
General cargo and non-container throughput in Far Eastern ports (ths tonnes) ³	1,155	1,266	-8.8	1,236	-6.6	15,668	14,724	6.4
Export-import sea container transportation volumes in the Far East (ths TEU) ⁴	46.5	47.0	-1.1	42.9	8.4	496.2	478.5	3.7
Rail container transportation volumes on the East-West-East route (ths TEU) ⁵	29.8	32.6	-8.6	26.8	11.2	326.9	326.6	0.1

¹ Provided data is based on a preliminary assessment of the market dynamics and may be reviewed and updated at a later date

² Source: Morcenter -TEK – calculation is based on key Far East ports only

³ Source: Morcenter -TEK – calculated for Far East basin excluding cargo in containers, RO-RO cargo, liquid cargo, float board cargo, coal and coke

⁴ Source: Morcenter -TEK – calculation is based on key Far East ports, loaded export and import containers only

⁵ Source: Russian Railways – calculated for loaded dry containers on the Russian Far East - Moscow route

Operational and Financial Indicators by Business Division

	December 2016	November 2016	Change, % MoM	December 2015	Change, % YoY	12M December 31, 2016	12M December 31, 2015	Change, %
Liner and Logistics								
Intermodal freight container transportation (ths TEU)	17.1	16.7	3.0	12.6	36.6	164.5	163.7	0.5
Average intermodal services rate (USD / TEU) ⁶						814.0	827.1	-1.6
Export-import sea container trade (ths TEU)	22.9	22.3	2.4	23.0	-0.5	257.4	306.7	-16.1
Average export-import freight rates (USD / TEU) ⁷						483.3	525.3	-8.0
Domestic sea container trade (ths TEU)	5.5	6.5	-15.4	6.0	-9.7	59.4	59.9	-0.7
Average domestic freight rates (USD / TEU) ⁸						658.0	701.0	-6.1
Port operations								
VMTP container throughput (ths TEU)	32.6	32.0	1.7	30.6	6.5	330.1	345.0	-4.3
Average container handling rate (USD / TEU) ⁹						203.4	227.7	-10.7
VMTP general cargo throughput (ths tonnes)	220.7	181.7	21.4	100.8	118.9	2,470.7	2,027.8	21.8
Average general cargo handling rate (USD / t) ¹⁰						9.8	9.9	-1.1
Rail transportation								
Rail container transportation (excl. «Russkaya Troyka», ths TEU)	18.2	18.3	-0.6	14.9	22.2	191.2	174.6	9.5
Rail shipments in box cars (units)	1,524	1,531	-0.5	1,339	13.8	17,975	13,993	28.5
Shipping								
Transportation fleet (units)	19	19	0.0	22	-13.6	19	22	-13.6
<i>Available days</i> ¹¹	<i>624.1</i>	<i>494.0</i>	<i>26.3</i>	<i>669.7</i>	<i>-6.8</i>	<i>7,155.8</i>	<i>7,840.7</i>	<i>-8.7</i>
Ice-breakers (units)	1	3	-66.7	4	-75.0	1	4	-75.0
<i>Available days</i>	<i>0</i>	<i>17.0</i>	<i>-100.0</i>	<i>80.0</i>	<i>-100.0</i>	<i>632.2</i>	<i>808.8</i>	<i>-21.8</i>
Bunkering								
Bunkering volumes (ths tonnes)	8.2	15.4	-46.8	14.7	-44.3	108.6	430.3	-74.8

⁶ The average intermodal services rates are calculated as revenue from intermodal services divided by the volume of intermodal freight container transportation for the period

⁷ The average export-import freight rates are calculated as revenue from international sea lines divided by the volume of international sea container trade for the period

⁸ The average domestic freight rates are calculated as revenue from domestic marine lines divided by the volume of international sea container trade for the period

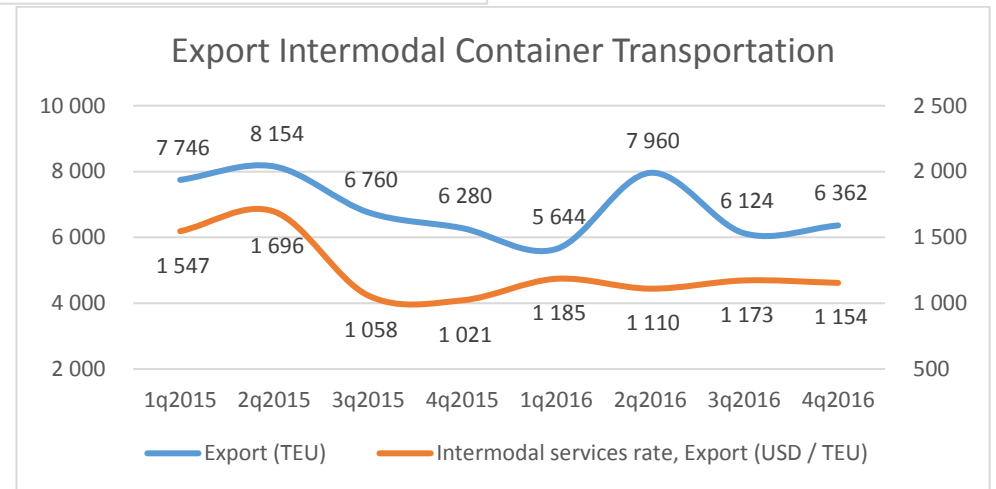
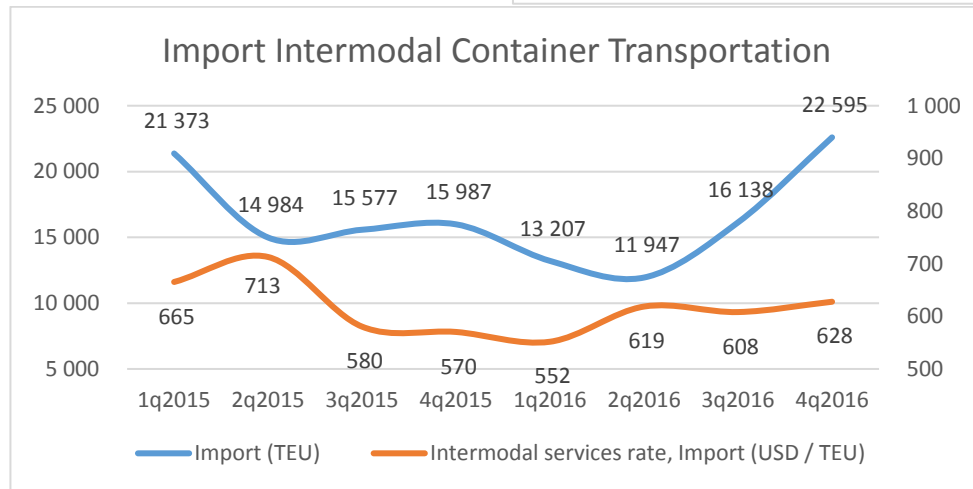
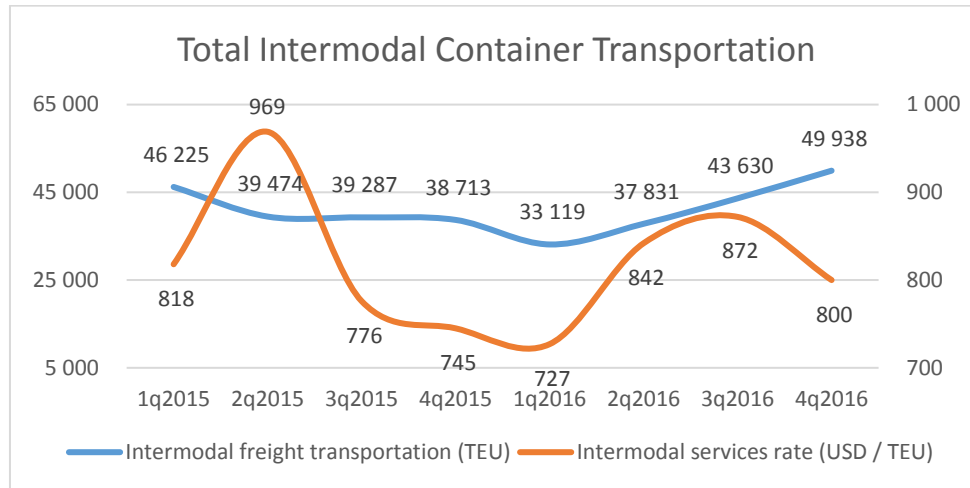
⁹ The average container handling rates are calculated as revenue from container handling divided by VMTP container throughput volume for the period

¹⁰ The average general cargo handling rate are calculated as revenue from general cargo handling (including oil products) divided by VMTP general cargo throughput volume for the period

¹¹ The total days that a vessel is available for employment, net of off-hire days associated with major repairs, upgrades, dry dockings or special or intermediate surveys

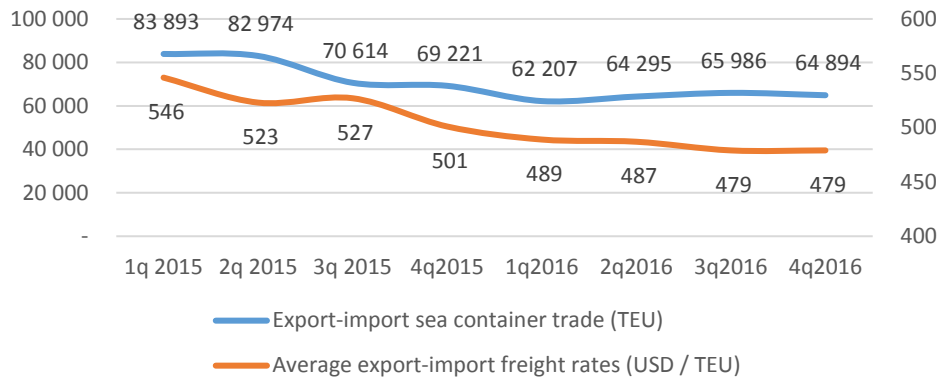
Cargo Throughput Volumes vs. Average Freight Rates by Division

Liner and Logistics¹²

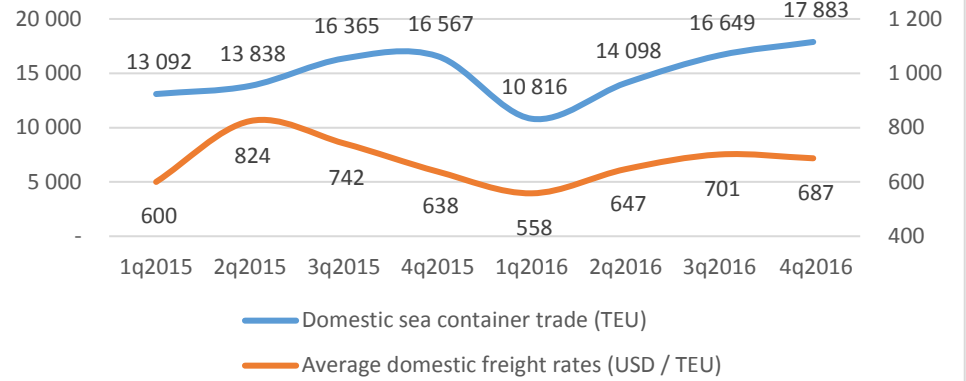


¹² Import and Export Intermodal Freight Container Transportation form a part of Total Intermodal Container Transportation

Export-import Sea Container Trade

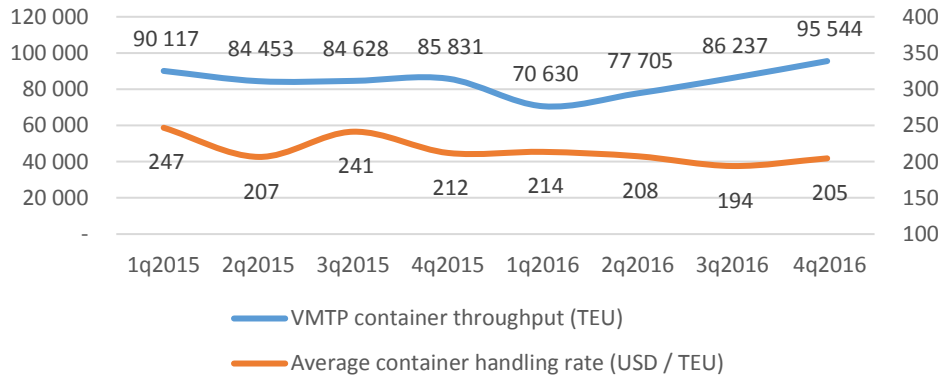


Domestic Sea Container Trade

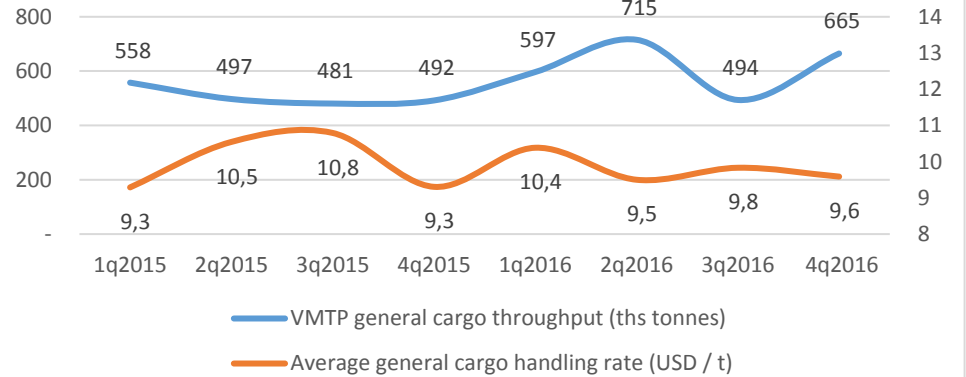


Port Operations

Container Cargo



General Cargo



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About FESCO

FESCO is one of the leading privately-owned transportation and logistics companies in Russia with operations in ports, rail, integrated logistics and shipping business. Diversified but integrated asset portfolio enables FESCO to provide door-to-door logistics solutions and control almost all steps of the intermodal transportation value chain. The majority of FESCO’s operations are located in the Russian Far East.

FESCO is one of the leaders of container transportation through the Russian Far East via international sea container lines to/from Asian countries, domestic sea container lines and by rail. FESCO is one the leading port container operators in the Far East region.

FESCO controls the Commercial Port of Vladivostok which has throughput capacity of 3.9 million tons of general cargo and oil products, 150,000 vehicles and over 600 thousand TEU of containers. In 2015, total container throughput at the Commercial Port of Vladivostok amounted to 345 thousand TEU. FESCO is one of the major Russian private rail operators with fleet of 3.5 thousand container platforms. FESCO has a fleet of 20 vessels, mostly deployed through own sea service lines.

In addition, the Group has a 50% interest in JSC Russkaya Troyka and 25.1% interest in PJSC TransContainer.

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