

Key developments and achievements in 2019



FESCO grew its share across the core business lines, with intermodal transportation on the East–West route increasing to 46% and handling in Russia’s Far East via VMTP to 44%:

- intermodal transportation grew to 344 thousand TEU (up 14% YoY);
- handling volumes at the Port reached an all-time high, with 11.5 million tonnes of cargo handled (up 10% YoY), including record-breaking 624.5 thousand TEU of containers and 5.13 million tonnes of general cargo.

FESCO reduced delivery time for cargoes along the key Shanghai–Moscow route to 24 days (two times faster than the sea route via the Suez Canal).

Together with RZD Logistics, FESCO launched Trans-Siberian Landbridge, a joint service for express delivery of transit cargoes from Asia Pacific to Europe via Vladivostok over the Trans-Siberian Railway (“TSR”).

In line with its strategy of expanding its land network, FESCO introduced railway routes from China to Russia via Mongolia, from Russia to China via the Grodekovo/Suifenhé land border crossing, and China-to-Germany and return transit trains via Kaliningrad and Germany-to-China transit trains via Russia’s Far East.

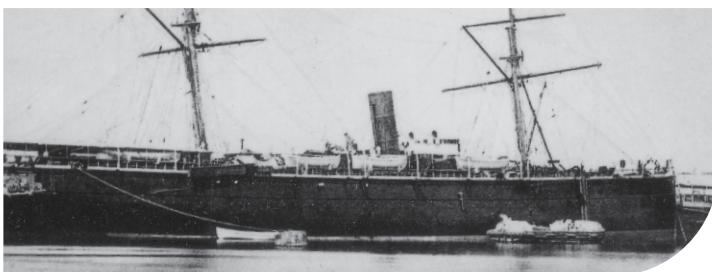


FESCO launched an intermodal container service for cargo delivery from Russian cities to the Kuril Islands via the Far East.

FESCO introduced new container trains for deliveries across Russia – from Yekaterinburg to St Petersburg and from St Petersburg to Novosibirsk.

The Group’s net debt / EBITDA ratio decreased to 3.7x (excluding the IFRS 16 impact).

Events after the reporting date



- FESCO PLC, the Group’s head company, celebrates its 140-year anniversary in 2020. On 25 April 1880, the Moscow ship heading from Odessa entered the Golden Horn Bay, thus giving a start to regular cargo and passenger voyages between the European part of Russia and its Far East. In honour

of the anniversary, FESCO has purchased two thousand new 40-foot containers that have higher capacity of 28,800 kg (gross weight of up to 32,500 kg) and comply with the latest environmental regulations. They boast a special logo that was created to commemorate FESCO’s 140th anniversary.

- In January 2020, FESCO acquired 25% plus one share in Russkaya Troyka from Russian Railways, becoming the company’s sole shareholder. The deal was worth RUB 622 million.

FESCO sold its non-core assets – all gondola cars and pellet hoppers and part of the old fleet. The Group also entered into a preliminary sales and purchase agreement for the grain transportation business (Trans-Grain and related assets).

FESCO signed contracts to procure for VMTP five cranes and a universal ice-class ship, purchased two container vessels, and expanded the operated fitting platform fleet to 6,620 units. In addition, the Company entered into an agreement with Russian Railways to acquire the remaining stake in Russkaya Troyka.



FESCO started a partnership with the National Centre for Polar and Ocean Research (NCPOR) under the Ministry of Earth Science of India to deliver supplies to the Indian research stations in Antarctica. Over 4 thousand tonnes of supplies have been transported there by the diesel-electric ship Vasily Golovnin.

FESCO continued building up its supply chain management in 3PL and 4PL segments, having significantly grown its order portfolio.

- In February 2020, FESCO sold its 100% stake in the grain transportation operator Trans-Grain and a number of other grain-related assets in a deal that totalled RUB 4,391 million.
- In April 2020, FESCO added a new multi-purpose ice-class vessel to its fleet – bulk carrier FESCO ULISS. In July 2020, the Company acquired another ship – universal bulk carrier FESCO PARIS. Both vessels are built to an ice class, which enables them to navigate through polar seas.
- In May 2020, VMTP purchased a new Liebherr LPS 420 portal crane with the 124 tonne lifting capacity.
- In June 2020, Fitch revised FESCO's credit rating upwards by four notches, from RD to CCC.

FESCO is actively pursuing a digital transformation strategy, having achieved the following:

over 60% of all intermodal transportation orders made through MY.FESCO account, which has become available for all customers;

the Service Excellence project launched to monitor the indicators that are directly linked to the service quality;

use of electronic workflow for managing 50% of customers' material legal documents;

automation of extraction and processing of data from customers' transportation and accounting documents;

partial automation of the comprehensive inland terminal management system resulting in improved intermodal services and expanded offering of comprehensive logistics services;

FESCO shortened the document processing time at VMTP from 5 days to 21 hours by partnering with Russian Railways to launch fully electronic processing for intermodal transportation of imports through the Port as part of the INTERTRAN project. In the initiative's first stage, the technology will be applied for processing imports, and in the second stage it will be available for recording transit cargoes from Asia Pacific to Europe.