



Shipping Division

Overview

The Shipping Division owns and manages various vessel in FESCO's fleet. Container vessels and ice class universal vessels prevail in the fleet reflecting FESCO's core business priorities. Most of the vessels are used in own domestic and export and import sea lines operated by the Liner and Logistics Division. In addition to own transportation, the Shipping Division is involved in tramp shipments, including supplies to the Far Eastern and Arctic regions of Russia, cargo delivery to international stations in Antarctica, along with projects of Ministry of Defence of the Russian Federation (the "Russian Ministry of Defence").

Assets

As at 31 December 2019, the Shipping Division's fleet consisted of 20 vessels with a total deadweight of 292 kt. The fleet comprises 12 container vessels, four Sokol-type multi-purpose ice-class vessels, two timber carriers, one icebreaker transport ship and one universal bulk carrier.

FESCO fleet structure as at 31 December 2019

Indicator	Number of vessels	Deadweight, kt
Container vessels	12	223
Sokol-type ice-class vessels	4	38
Timber carriers	2	14
Icebreaker transport vessels	1	11
Universal bulk carriers	1	6
Total transportation vessels	20	292

Source: Company data

An integral part of FESCO's strategy is the fleet renewal and ongoing upgrade programme. The Company sold four outdated vessels (FESCO Voyager, Kapitan Krems, Abakan, Zoloto Kolymy) and purchased two Arc4 ice class container vessels (FESCO Magadan and FESCO Moneron with a capacity of 822 TEU and a deadweight of 8.7 kt each) that meets the requirements for operation in the northern part of the Sea of Okhotsk in winter.

As part of the fleet renewal programme, the management has provided for the sale of outdated multi-purpose vessels and the purchase of newer, modern multi-purpose vessels as it will enable us to tap into the global freight transportation market.

Services

The Shipping Division deals in liner and tramp sea shipping, including cargo handling at unimproved port facilities.

Liner shipping

Liner shipping is carried out by the Liner and Logistics Division responsible for the sea part of intermodal transportation. The service is offered on domestic shipping lines FESCO Magadan Line (FML), FESCO Anadyr Direct Line (FADL), FESCO Petropavlovsk-Kamchatka Line (FPKL), FESCO Korsakov Direct Line (FKDL) coaster lines, along with FESCO China Express export and import sea shipping line.

Tramp shipping

FESCO universal bulk carriers are engaged in delivering cargoes to unimproved port facilities of the Kuriles, Kamchatka and the Russian Arctic. FESCO vessels operate on the FADL line and take part in an important social project for the delivery of goods to the northern territories of Russia, including the ports of Pevek, Anadyr, Egvekinot and Provideniya.



FESCO teams up with NCPOR. Diesel-electric ship Vasily Golovnin participated in the Second Antarctic expedition to supply goods to the Indian research stations Bharati and Maitri. To participate in the expedition in polar waters, it received the certificate of a polar navigation vessel issued by the Russian Maritime Register of Shipping and a special permit of the Ministry of Natural Resources and Environment to operate in the Antarctic. In total, during the voyage the diesel-electric vessel delivered more than 4 kt of cargo, including machinery, fuel and food; took household and technical waste, brought polar explorers to Antarctica and took home the researchers who had been working at the stations. The contract was extended for the Antarctic summer 2019/2020, and in December 2019 Vasily Golovnin made a new voyage when it also called at the Belgian station Princess Elizabeth.

In 2019, FESCO won the tender for cargo transportation for the Russian Ministry of Defence for the second time after an eight-year break.

On the premises of FESCO Service, the Shipping Division repairs FESCO vessels and offers ship repair and maintenance services to third parties. Mobile maintenance crews perform a wide range of works without suspending operation of vessels based on both FESCO's own ships and third-party vessels.



Customers

In 2019, the National Centre for Polar and Ocean Research (NCPOR), the Russian Ministry of Defence, GUOHE INVESTMENT GROUP, SIBANTHRACITE OVERSEAS AG, Terneiles, Sovship DV, Alliance DV Kamchatka, Sea Victory, Far Shipping Lines PTE Ltd, Sinokor, and Sea Transportation became the Shipping Division's largest third-party customers.

Operations

The growth of the key operating indicators was driven not only by increasing volumes, but also by the fleet renewal programme.

Shipping Division's key operating indicators

Indicator	2016	2017	2018	2019	YoY change, %
Transport fleet, units	21	21	22	20	(9)
Operable vessel days	7,788	6,990	7,096	7,208	2