

**FAR-EASTERN SHIPPING COMPANY PLC.
AND ITS SUBSIDIARIES**

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

**For the six-month and three-month periods ended 30 June 2014
(unaudited)**

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and the Board of Directors
FAR-EASTERN SHIPPING COMPANY PLC.

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of FAR-EASTERN SHIPPING COMPANY PLC (the "Company") and its subsidiaries (the "Group") as at 30 June 2014, and the related consolidated interim condensed statements of profit or loss, comprehensive income and the cash flows for the three- and six-month periods ended 30 June 2014, related consolidated interim condensed statement of changes in equity for the six-month period ended 30 June 2014 and notes, comprising a summary of significant accounting policies and other explanatory information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and fair presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Audited entity: Far-Eastern Shipping Company PLC. (FESCO).

Incorporated under the Laws of the Russian Federation on the basis of the act of the Head of Administration of Frunzenskiy district of Vladivostok (Primorskiy region) on 3 December 1992 №467 AOO.

Entered in the Unified State Register of Legal Entities on 28 December 2007 by Vladivostok Inter-Regional Tax of Frunzenskiy district of the Ministry for Taxes and Duties of the Russian Federation, Registration No.1022502256127, Certificate series 25 No.002932105.

29, Serebryanicheskaya emb., Moscow, Russia, 109028.

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2014 and for the three- and six-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Akylbek Y.A.

Director, (power of attorney dated 1 October 2013 No. 75/13)

ZAO KPMG

28 August 2014

Moscow, Russian Federation

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Financial Position
As at 30 June 2014
(unaudited)

USD mln	Note	30 June 2014	31 December 2013
ASSETS			
Non-current assets			
Fleet	8	95	91
Rolling stock	9	401	442
Other tangible fixed assets	10	352	361
Goodwill	7	252	260
Investments in associates and joint ventures	11	362	370
Other non-current assets	12	172	165
Total non-current assets		1,634	1,689
Current assets			
Inventories	13	83	30
Accounts receivable	14	200	165
Current tax assets		10	14
Assets held for sale		-	4
Other current assets		3	5
Cash and cash equivalents	15	139	191
Total current assets		435	409
Total assets		2,069	2,098
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	19	57	57
Share premium		777	777
(Accumulated losses)/Retained earnings		(10)	9
Reserves		(267)	(211)
Equity attributable to owners of the Company		557	632
Non-controlling interests		9	9
Total equity		566	641
Non-current liabilities			
Long-term debt and finance lease obligations	17	1,113	1,098
Deferred tax liability		40	44
Other long-term liabilities		11	12
Total non-current liabilities		1,164	1,154
Current liabilities			
Accounts payable	16	147	132
Current tax liabilities		-	1
Short-term debt and finance lease obligations	17	192	170
Total current liabilities		339	303
Total liabilities		1,503	1,457
Total equity and liabilities		2,069	2,098

R.Sh. Alikhanov, President
Date: 28 August 2014



E.A. Shmatova, Vice President and CFO



The accompanying notes on pages 12 to 27 form an integral part of these consolidated interim condensed financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
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Consolidated Interim Condensed Statements of Profit and Loss
For the six-month and three-month periods ended 30 June 2014
(unaudited)

USD mln	Note	For the six - months period ended 30 June		For the three - months period ended 30 June	
		2014	2013	2014	2013
Revenue	21	513	558	271	283
Operating expenses	22	<u>(382)</u>	<u>(394)</u>	<u>(205)</u>	<u>(201)</u>
Gross profit before depreciation and amortization		<u>131</u>	<u>164</u>	<u>66</u>	<u>82</u>
Depreciation and amortisation	8,9,10	(39)	(44)	(20)	(22)
Administrative expenses	23	(67)	(68)	(32)	(32)
Other income and expenses, net		<u>2</u>	<u>-</u>	<u>1</u>	<u>(3)</u>
Profit from operating activity		<u>27</u>	<u>52</u>	<u>15</u>	<u>25</u>
Interest expense		(57)	(55)	(29)	(35)
Interest income		7	21	3	8
Foreign exchange gain/(loss)		1	(13)	7	(12)
Share of profit of equity accounted investees	11	<u>12</u>	<u>23</u>	<u>4</u>	<u>14</u>
(Loss)/profit before income tax		<u>(10)</u>	<u>28</u>	<u>-</u>	<u>-</u>
Income tax expense	18	<u>(9)</u>	<u>(14)</u>	<u>(6)</u>	<u>(7)</u>
(Loss)/profit for the period		<u><u>(19)</u></u>	<u><u>14</u></u>	<u><u>(6)</u></u>	<u><u>(7)</u></u>
Attributable to:					
Owners of the Company		<u>(20)</u>	<u>13</u>	<u>(7)</u>	<u>(7)</u>
Non-controlling interests		<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Basic (loss)/earnings per share (in USD)	24	(0.007)	0.005	(0.002)	(0.003)
Diluted (loss)/earnings per share (in USD)	24	(0.007)	0.004	(0.002)	(0.002)

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FAR-EASTERN SHIPPING COMPANY PLC.
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Consolidated Interim Condensed Statements of Comprehensive Income
For the six-month and three-month periods ended 30 June 2014
(unaudited)

USD mln	For the six - month period ended 30 June		For the three - month period ended 30 June	
	2014	2013	2014	2013
(Loss)/profit for the period	(19)	14	(6)	(7)
Other comprehensive (loss)/profit:				
Items that are or may be reclassified to profit or loss				
Effect of foreign currency translation	(55)	(83)	59	(51)
Other comprehensive (loss)/profit for the period	(55)	(83)	59	(51)
Total comprehensive (loss)/profit for the period	(74)	(69)	53	(58)
Total comprehensive (loss)/profit attributable to:				
Ordinary shareholders of the Company	(75)	(68)	53	(58)
Non-controlling interests	1	(1)	-	-

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FAR-EASTERN SHIPPING COMPANY PLC.
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Consolidated Interim Condensed Statement of Changes in Equity
For the six-month period ended 30 June 2014
(unaudited)

USD mln	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital (Note 19)	Share premium	Retained earnings/ (accumulated losses)	Revaluation reserve	Translation reserve	Total		
Balance at 1 January 2013	57	777	814	13	(138)	1,523	9	1,532
Profit for the period	-	-	13	-	-	13	1	14
Other comprehensive income/(loss)								
Effect of foreign currency translation	-	-	-	-	(81)	(81)	(2)	(83)
Release from revaluation reserve	-	-	1	(1)	-	-	-	-
Total other comprehensive income/(loss)	-	-	1	(1)	(81)	(81)	(2)	(83)
Total comprehensive income/(loss) for the period	-	-	14	(1)	(81)	(68)	(1)	(69)
Transactions with owners, recorded directly in equity								
Distribution to shareholders	-	-	(824)	-	-	(824)	-	(824)
Acquisition of non-controlling interests without a change in control	-	-	(1)	-	-	(1)	-	(1)
Correction of the cost of tangible fixed assets, net of deferred tax	-	-	6	-	-	6	-	6
Total transaction with owners	-	-	(819)	-	-	(819)	-	(819)
Balance at 30 June 2013	57	777	9	12	(219)	636	8	644

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**FAR-EASTERN SHIPPING COMPANY PLC.
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**Consolidated Interim Condensed Statement of Changes in Equity
For the six-month period ended 30 June 2014
(unaudited)
(Continued)**

USD mln	Attributable to equity holders of the Company					Total	Non- controlling interests	Total equity
	Share capital (Note 19)	Share premium	Retained earnings/ (accumulated losses)	Revaluation reserve	Translation reserve			
Balance at 1 January 2014	57	777	9	13	(224)	632	9	641
Loss for the period	-	-	(20)	-	-	(20)	1	(19)
Other comprehensive loss								
Effect of foreign currency translation	-	-	-	-	(55)	(55)	-	(55)
Release from revaluation reserve	-	-	1	(1)	-	-	-	-
Total other comprehensive loss	-	-	(19)	(1)	(55)	(75)	1	(74)
Total comprehensive loss for the period	-	-	(19)	(1)	(55)	(75)	1	(74)
Transactions with owners, recorded directly in equity								
Acquisition of non-controlling interests	-	-	-	-	-	-	(1)	(1)
Total transaction with owners	-	-	-	-	-	-	(1)	(1)
Balance at 30 June 2014	57	777	(10)	12	(279)	557	9	566

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FAR-EASTERN SHIPPING COMPANY PLC.
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Consolidated Interim Condensed Statements of Cash Flows
For the six-month and three-month period ended 30 June 2014
(unaudited)

USD mln	Note	For the six-month period ended 30 June		For the three-month period ended 30 June	
		2014	2013	2014	2013
Cash flows from operating activities					
(Loss)/profit for the period		(19)	14	(6)	(7)
Adjustments for:					
Depreciation and amortisation		39	44	20	22
Loss on disposal of tangible fixed assets		-	3	(1)	4
Share option release		-	(3)	-	(1)
Foreign exchange (gain)/loss		(1)	13	(7)	12
Net finance costs		50	34	26	27
Share of profit of equity accounted investees		(12)	(23)	(4)	(14)
Other income and expenses, net		2	-	-	-
Income tax expense		9	14	6	7
		68	96	34	50
Cash from operating activities before changes in working capital and provisions					
Change in inventories		(54)	(2)	(49)	(3)
Change in trade and other receivables		(27)	(5)	(48)	16
Change in trade and other payables		12	(9)	7	(21)
		(1)	80	(56)	42
Cash flows (used in)/generated from operations before income taxes paid					
Income tax paid		(10)	(18)	(6)	(11)
		(11)	62	(62)	31
Cash flows (used in)/ generated from operating activities					

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Consolidated Interim Condensed Statements of Cash Flows
For the six-month and three-month periods ended 30 June 2014 (Continued)
(unaudited)

USD mln	<u>Note</u>	For the six-month period ended 30 June		For the three- month period ended 30 June	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from investing activities					
Vessels acquired	8	(7)	(9)	(4)	(4)
Expenditure on other fixed assets	10	(22)	(14)	(7)	(9)
Expenditure on dry-docking	8	(3)	(1)	(3)	-
Proceeds on disposal of fleet		7	10	2	4
Proceeds on disposal of other fixed assets		2	1	1	1
Other non-current assets acquired		(4)	(1)	(4)	(1)
Dividends received		1	1	1	1
Loan issued to shareholders		-	(14)	-	-
Repayment of loans		-	423	-	408
Finance lease received		1	1	-	1
Interest received		3	14	1	10
Net cash (used in)/generated from investing activities		<u>(22)</u>	<u>411</u>	<u>(13)</u>	<u>411</u>
Cash flows from financing activities					
Proceeds from borrowings		193	9	51	-
Proceeds from bonds		-	1,030	-	1,030
Repayment of borrowings		(152)	(643)	(148)	(620)
Distribution to shareholders		-	(824)	-	(824)
Finance charges		(55)	(56)	(50)	(36)
Restricted deposits		-	(16)	-	-
Net cash used in financing activities		<u>(14)</u>	<u>(500)</u>	<u>(147)</u>	<u>(450)</u>
Effect of exchange rate fluctuations on cash and cash equivalents		<u>(5)</u>	<u>(14)</u>	<u>13</u>	<u>(9)</u>
Net decrease in cash and cash equivalents		(52)	(41)	(209)	(17)
Cash and cash equivalents at the beginning of the period		191	232	348	208
Cash and cash equivalents at the end of the period		<u>139</u>	<u>191</u>	<u>139</u>	<u>191</u>

The accompanying notes on pages 12 to 27 form an integral part of these consolidated interim condensed financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
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Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2014

1. Organisation and Trading Activities

Far-Eastern Shipping Company PLC. (FESCO or Company) was privatised and became a joint stock company governed by the laws of the Russian Federation on 3 December 1992. The Company's registered office and principal place of business is: 29 Serebryanicheskaya Naberezhnaya, Moscow, Russian Federation 109028.

The Company's immediate shareholders are several Cyprus entities and Mr Ziauddin Magomedov is considered to be the Company's ultimate controlling party.

The principal activity of FESCO and its subsidiaries (the Group) has traditionally been shipping (ship owning, ship management, chartering out and line operating). In recent years FESCO has been transformed into an intermodal logistics Group focused on Russia, offering a full range of logistical solutions through a combination of shipping, rail, trucking and port services.

2. Statement of Compliance

These consolidated interim condensed financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Significant Accounting Policies

A number of a new and amended IFRS become effective on 1 January 2014. Management consider that impacts of this pronouncement are not material or applicable to the Group's consolidated interim condensed Financial Statements. As a result the accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

4. Estimates

The preparation of consolidated interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the consolidated financial statements as at and for the year ended 31 December 2013.

5. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2013.

6. Seasonality of Operations

The Group's operations are affected by seasonal factors including summer shipping season in northern regions and consumer and construction market cycles. Generally, volumes of cargo transported, as well as revenue, in the second and third quarters of the year tend to be higher than those in the first and fourth quarters because increase in demand for transporting containerised cargo and increase in the retail industry.

FAR-EASTERN SHIPPING COMPANY PLC.
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Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2014

7. Goodwill

	<u>Gross amount</u>	<u>Accumulated impairment loss</u>	<u>Carrying amount</u>
	USD mln		
At 1 January 2013	312	(32)	280
Translation difference	(23)	3	(20)
At 30 June 2013	<u>289</u>	<u>(29)</u>	<u>260</u>
At 1 January 2014	289	(29)	260
Translation difference	(9)	1	(8)
At 30 June 2014	<u>280</u>	<u>(28)</u>	<u>252</u>

8. Fleet

	<u>Carrying value</u>	
	<u>30 June 2014</u>	<u>31 December 2013</u>
	USD mln	
(a) Fleet	83	80
(b) Deferred dry docking expenses	12	11
	<u>95</u>	<u>91</u>
Total deadweight tonnage	<u>271</u>	<u>268</u>

(a)

	<u>Valuation</u>	<u>Depreciation</u>	<u>Net Book Value</u>
	USD mln		
At 1 January 2013	80	-	80
Depreciation charge for the period	-	(1)	(1)
Additions	7	-	7
Disposals	(2)	-	(2)
At 30 June 2013	<u>85</u>	<u>(1)</u>	<u>84</u>
At 1 January 2014	80	-	80
Depreciation charge for the period	-	(1)	(1)
Additions	6	-	6
Disposals	(2)	-	(2)
At 30 June 2014	<u>84</u>	<u>(1)</u>	<u>83</u>

The Group reviews the carrying value of the fleet on an annual basis. At the interim date management analyses the carrying value of tangible fixed assets for indicators of impairment /reversal of impairment. No such indicators were identified.

FAR-EASTERN SHIPPING COMPANY PLC.
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Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2014

(b) Movements during the period on deferred dry docking expenses were:

	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
	<u>USD mln</u>		
At 1 January 2013	19	(12)	7
Additions	5	-	5
Release on disposal of fleet	(4)	3	(1)
Charge for the period	-	(1)	(1)
Amortised dry dock write off	(3)	3	-
At 30 June 2013	<u>17</u>	<u>(7)</u>	<u>10</u>
At 1 January 2014	18	(7)	11
Additions	5	-	5
Release on disposal of fleet	(1)	-	(1)
Charge for the period	-	(3)	(3)
Amortised dry dock write off	(2)	2	-
At 30 June 2014	<u>20</u>	<u>(8)</u>	<u>12</u>

9. Rolling Stock

	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
	<u>USD mln</u>		
At 1 January 2013	681	(183)	498
Correction of cost of tangible fixed assets	6	-	6
Additions in the period	9	-	9
Depreciation charge for the period	-	(22)	(22)
Disposals	(4)	1	(3)
Translation difference	(44)	14	(30)
At 30 June 2013	<u>648</u>	<u>(190)</u>	<u>458</u>
At 1 January 2014	647	(205)	442
Additions in the period	8	-	8
Depreciation charge for the period	-	(19)	(19)
Disposals	(3)	2	(1)
Translation difference	(36)	7	(29)
At 30 June 2014	<u>616</u>	<u>(215)</u>	<u>401</u>

Rolling stock includes assets held under finance leases with a net book value of USD 80 million (31 December 2013 – USD 85 million).

FAR-EASTERN SHIPPING COMPANY PLC.
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Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2014

10. Other Tangible Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD mln			
Cost				
At 1 January 2013	235	280	28	543
Additions	-	12	1	13
Disposals	(1)	(18)	-	(19)
Translation difference	(14)	(12)	(1)	(27)
At 30 June 2013	<u>220</u>	<u>262</u>	<u>28</u>	<u>510</u>
At 1 January 2014	224	254	31	509
Additions	-	1	13	14
Transfer	-	2	(2)	-
Disposals	-	(1)	-	(1)
Translation difference	(6)	(4)	-	(10)
At 30 June 2014	<u>218</u>	<u>252</u>	<u>42</u>	<u>512</u>
Depreciation				
At 1 January 2013	31	103	-	134
Depreciation charge	4	14	-	18
Eliminated on disposal	-	(10)	-	(10)
Translation difference	(1)	(2)	-	(3)
At 30 June 2013	<u>34</u>	<u>105</u>	<u>-</u>	<u>139</u>
At 1 January 2014	39	109	-	148
Depreciation charge	3	11	-	14
Eliminated on disposal	-	(1)	-	(1)
Translation difference	-	(1)	-	(1)
At 30 June 2014	<u>42</u>	<u>118</u>	<u>-</u>	<u>160</u>
Net Book Value				
At 1 January 2013	<u>204</u>	<u>177</u>	<u>28</u>	<u>409</u>
At 30 June 2013	<u>186</u>	<u>157</u>	<u>28</u>	<u>371</u>
At 1 January 2014	<u>185</u>	<u>145</u>	<u>31</u>	<u>361</u>
At 30 June 2014	<u>176</u>	<u>134</u>	<u>42</u>	<u>352</u>

Additions of assets under constructions for the period related the start of construction of new container terminal Zarubino.

Plant, machinery and other fixed assets include containers held under finance lease with a net book value of USD 7 million (at 31 December 2013 – USD 9 million) and plant and machinery with a net book value of USD 3 million (at 31 December 2013 – USD 4 million).

FAR-EASTERN SHIPPING COMPANY PLC.
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Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2014

11. Investments in Associates and Joint Ventures

Equity accounted investments represent investments in joint ventures and associates.

Name	Country of incorporation	Percentage holding	Activity	Classification
Transcontainer	Russia	24.1%	Intermodal Container Operations	Associate
“Russkaya Troyka”	Russia	50%	Intermodal Container Operations	Joint Venture
Trans Russia Agency Japan Co. Ltd	Japan	50%	Agency services	Joint Venture
International Paint (East Russia) Limited	Hong Kong	49%	Ship Paint Production	Associate
“SHOSHTRANS” JVCSC	Uzbekistan	25%	Forwarding services	Associate
MB – Fesco Trans	Cyprus	49%	Forwarding services	Associate

Movements in joint ventures and associated companies consolidated on an equity basis are as follows:

	30 June 2014	30 June 2013
	USD mln	
At the beginning of the period	370	359
Share of results of equity accounted investees	12	23
Dividends received	(11)	(12)
Translation differences	(9)	(27)
At the end of the period	362	343

Summary financial information for equity- accounted investees, not adjusted for the percentage ownership held by the Group:

Reporting date	Current assets	Non-current assets	Total assets	Current liabilities	Non – current liabilities	Total liabilities	Income	Expenses	Profit
As at 30 June 2014/ For six-month period ended 30 June 2014									
USD mln									
30 June	247	1,661	1,908	250	348	598	542	(495)	47

Reporting date	Current assets	Non-current assets	Total assets	Current liabilities	Non – current liabilities	Total liabilities	Income	Expenses	Profit/(loss)
As at 31 December 2013/ For six-month period ended 30 June 2013									
USD mln									
31 December	262	1,678	1,940	214	389	603	638	(551)	87

Goodwill in amount of USD 31 million related to OJSC TransContainer is included into the investments in associates and joint ventures. Carrying value of investment in OJSC TransContainer as at 30 June 2014 amounts to USD 339 million.

The market value of OJSC TransContainer shares and GDR’s held by the Group, based on the quotations in Moscow Stock Exchange at 30 June 2014 is USD 209 million.

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12. Other Non-Current Assets

	<u>30 June 2014</u>	<u>31 December 2013</u>
	<u>USD mln</u>	
Long term loan to related party, at amortized cost	149	145
Lease right	7	8
Non-current portion of finance lease receivable, at amortized cost	1	2
Prepayments for fixed assets, at cost	2	2
Other intangible assets	7	2
Other equity investments	2	2
Other non-current assets	4	4
	<u>172</u>	<u>165</u>

Loans to related party in the amount of USD 147 million represents loans to intermediate shareholder. Loans in amount of USD 139 million are repayable in December 2018 and outstanding amount is repayable in December 2020.

Prepayments for fixed assets represent prepayments for equipment.

The Group leases railroad platforms to one of its joint ventures. The lease agreement provides for ownership transfer of assets to the lessee at the end of the lease term for nominal consideration. The contractual interest rate on the platforms leased is 13.2 %.

13. Inventories

	<u>30 June 2014</u>	<u>31 December 2013</u>
	<u>USD mln</u>	
Bunkers	73	21
Stores and spares	4	4
Other stocks and raw materials	6	5
	<u>83</u>	<u>30</u>

Increase in bunker as at 30 June 2014 resulted from the growing activity of new bunkering division which provides services of ship bunkering.

14. Accounts Receivable

	<u>30 June 2014</u>	<u>31 December 2013</u>
	<u>USD mln</u>	
Trade debtors	89	84
VAT receivable	49	41
Prepayments to OJSC "Russian Railways"	10	9
Amounts due from non-consolidated subsidiaries	1	-
Amounts due from associates and joint ventures	3	4
Dividends receivable	10	-
Other debtors and prepayments	58	48
Allowance for impairment	(20)	(21)
	<u>200</u>	<u>165</u>

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15. Cash and Cash Equivalents

	30 June 2014	31 December 2013
	USD mln	
Bank accounts and cash in hand	139	191
	139	191

16. Accounts Payable

	30 June 2014	31 December 2013
	USD mln	
Trade creditors	65	51
Taxes payable, other than income tax	11	10
Interest payable	17	15
Other creditors and accruals	54	56
	147	132

17. Debt and Finance Leases Obligations

Debt

	30 June 2014	31 December 2013
	USD mln	
Loans and other obligations comprise:		
<i>Secured loans</i>		
At fixed rate 5% - 10%	45	29
At fixed rate 10% - 15%	17	-
At variable rates 5%-9.5% above Libor/Euribor /Mosprime	150	150
	212	179
<i>Unsecured loans</i>		
At fixed rate 10% - 15%	18	-
	18	-
<i>Bonds</i>		
At coupon rate of 10.25% p.a.	147	151
At interest rate 8%-8.75%	864	864
	1,011	1,015
Obligations under finance leases at fixed rate 6%-10.5%	11	12
Obligations under finance leases at fixed rate 8.37%-18.87%	53	62
	64	74
	1,305	1,268
Repayable within the next twelve months	192	170
Long term balance	1,113	1,098
	1,305	1,268

Market value of Eurobonds and bonds at the reporting date was USD 719 million and USD 145 million respectively.

In April and June 2014 the Group paid Eurobond and bonds interest to the total amount of USD 36 million and USD 7 million respectively.

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The carrying amount of pledged under debt obligations rolling stock, fleet and other fixed assets as at 30 June 2014 was USD 261 million.

After the reporting date, the Group paid in secured deposit in amount of USD 10 million under Repurchase Agreement (REPO) with VTB Bank because security to loan ratio fell below the level fixed therein.

The Group was in compliance with covenants as at 30 June 2014.

18. Current and Deferred Tax

Companies within the Group are subject to taxation in different jurisdictions. The most significant tax expense arises in entities incorporated in the Russian Federation.

	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
	USD mln		USD mln	
Current tax expense				
Current period	13	17	7	6
	13	17	7	6
Deferred tax expense				
Origination and reversal of temporary differences	(4)	(3)	(1)	1
	(4)	(3)	(1)	1
Total income tax expense	9	14	6	7

Reconciliation of effective tax rate:

	Six-month period ended 30 June				Three-month period ended 30 June			
	2014		2013		2014		2013	
	USD mln	%	USD mln	%	USD mln	%	USD mln	%
(Loss)/profit before income tax	(10)	100	28	100	-	100	-	100
Income tax at applicable tax rate of 20% (2013: 20%)	(2)	(20)	6	20	-	-	-	20
Effect of income taxed at different rates	-	-	1	3	-	-	2	15
Income tax on dividends	-	-	1	4	-	-	1	17
Non-deductible expenses/non taxable income, net	11	150	4	14	6	100	2	23
Change in unrecognised deferred tax asset	-	-	2	5	-	-	2	25
	9	130	14	46	6	100	7	100

The Group's deferred tax liability mainly arises in entities incorporated in Russia and the effect of deferred taxation in other jurisdictions is not material.

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19. Shareholders' Equity

	30 June 2014	31 December 2013
	USD mln	
Authorised number of shares (1 Rouble per share)	3,643,593,000	3,643,593,000
Issued number of shares	2,951,250,000	2,951,250,000
Share capital (USD million)	<u>57</u>	<u>57</u>

20. Business Segmental Analysis

For management purposes, the Group is organised into four major operating divisions – shipping, liner and logistics, railway services and ports. Ports are also divided into port and bunkering. The Group also includes certain companies that cannot be allocated to a specific division; these include investing and managing companies. These divisions are the basis on which the Group reports its operating segment information. The services provided by each of these divisions are as follows:

Shipping	The shipping division is involved in ship ownership, ship management, chartering out and provision of agency services. These activities are carried out on a cabotage, cross trade and import-export basis. The vessels operated by the shipping division are largely container vessels and bulk carriers.
Liner and Logistics	The Liner and logistics division operates liner services and provides freight forwarding services both for containers and break-bulk cargoes.
Railway Services	The railway services division provides services both as an operator and an agent. When acting as an operator it renders services for containerised and bulk cargoes using locomotives, railway wagons, hoppers, steel-pellet wagons and tank wagons owned by the division or leased by it under finance leases. In addition it uses rolling stock hired on short term operating leases.
Ports	The ports division owns and operates port facilities and container terminals in Russia and provides cargo handling, stevedoring, container storage and rental and related port services and facilities.
Bunkering	The bunkering division provides services of ship bunkering which involves transferring oil and fuel to and from a vessel.

Segmental reporting information is submitted to management of the Group on a regular basis as part of the management reporting process. It is used to assess the efficiency of the segments and to take decision on the allocation of resources.

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Segment information for the main reportable segments of the Group for the six-month period ended 30 June 2014 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans- Container	Eliminations/ Adjustments	Total
	USD mln								
External sales	18	305	80	67	43	-	-	-	513
Inter-segment sales	15	-	5	23	28	-	-	(71)	-
Segment revenue	33	305	85	90	71	-	-	(71)	513
Segment expenses (*)	(34)	(296)	(63)	(51)	(65)	(18)	-	78	(449)
Segment result	(1)	9	22	39	6	(18)	-	7	64

Segment non-cash items:

Depreciation and amortization	(5)	(5)	(20)	(8)	-	(1)	-	-	(39)
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Other material items of income/expense:

Other income and expenses	2	-	1	-	-	5	-	(6)	2
Interest expense	(1)	(1)	(12)	(2)	(1)	(51)	-	11	(57)
Share of profit of equity accounted investees	-	-	1	-	-	-	11	-	12
Income tax (expense)/benefit	1	(3)	2	(8)	(1)	-	-	-	(9)

Segment information for the main reportable segments of the Group for the six-month period ended 30 June 2013 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans- Container	Eliminations/ Adjustments	Total
	USD mln								
External sales	15	327	135	76	5	-	-	-	558
Inter-segment sales	14	-	6	23	7	-	-	(50)	-
Segment revenue	29	327	141	99	12	-	-	(50)	558
Segment expenses (*)	(37)	(312)	(88)	(55)	(11)	(16)	-	57	(462)
Segment result	(8)	15	53	44	1	(16)	-	7	96

Segment non-cash items:

Depreciation and amortization	(4)	(7)	(22)	(10)	-	(1)	-	-	(44)
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Other material items of income/expense:

Other income and expenses	3	3	-	(3)	-	4	-	(7)	-
Interest expense	(1)	(2)	(25)	(15)	-	(22)	-	10	(55)
Share of profit of equity accounted investees	-	1	3	-	-	-	19	-	23
Income tax expense	(1)	(3)	(1)	(7)	-	(2)	-	-	(14)

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Segment information for the main reportable segments of the Group for the three-month period ended 30 June 2014 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans-Container	Eliminations/ Adjustments	Total
USD mln									
External sales	4	168	38	33	28	-	-	-	271
Inter-segment sales	9	-	2	13	14	-	-	(38)	-
Segment revenue	13	168	40	46	42	-	-	(38)	271
Segment expenses (*)	(17)	(158)	(30)	(26)	(39)	(8)	-	41	(237)
Segment result	(4)	10	10	20	3	(8)	-	3	34

Segment non-cash items:

Depreciation and amortization	(3)	(2)	(10)	(4)	-	(1)	-	-	(20)
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Other material items of income/expense:

Other income and expenses	3	(1)	(1)	-	-	3	-	(3)	1
Interest expense	(1)	-	(6)	(1)	(1)	(26)	-	6	(29)
Share of profit of equity accounted investees	-	-	-	-	-	-	4	-	4
Income tax (expense)/benefit	(1)	(2)	1	(4)	-	-	-	-	(6)

Segment information for the main reportable segments of the Group for the three-month period ended 30 June 2013 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans-Container	Eliminations/ Adjustments	Total
USD mln									
External sales	4	169	63	42	5	-	-	-	283
Inter-segment sales	8	-	3	11	7	-	-	(29)	-
Segment revenue	12	169	66	53	12	-	-	(29)	283
Segment expenses (*)	(18)	(162)	(41)	(25)	(11)	(7)	-	31	(233)
Segment result	(6)	7	25	28	1	(7)	-	2	50

Segment non-cash items:

Depreciation and amortization	(2)	(4)	(10)	(5)	-	(1)	-	-	(22)
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Other material items of income/expense:

Other income and expenses	2	1	(1)	(3)	-	2	-	(4)	(3)
Interest expense	(1)	(1)	(17)	(6)	-	(17)	-	7	(35)
Share of profit of equity accounted investees	-	-	3	-	-	-	11	-	14
Income tax expense	-	-	-	(5)	-	(2)	-	-	(7)

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Segmental assets and liabilities breakdown for the six-month period ended 30 June 2014 is set out below.

Segmental assets and liabilities

	Assets		Liabilities	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	USD mln			
Shipping (Global)	143	150	22	22
Liner and logistics (Global)	177	203	85	78
Railway services (Russia)	519	571	92	86
Ports (Russia)	365	348	105	87
Bunkering	97	19	19	-
Total of all segments	1,301	1,291	323	273
Goodwill	252	260	-	-
Other items not attributed to a specific segment	516	547	1,180	1,184
Consolidated	<u>2,069</u>	<u>2,098</u>	<u>1,503</u>	<u>1,457</u>

Other segmental information

	Acquisition of segment assets		Investments in equity accounted investees	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013
	USD mln			
Shipping (Global)	12	12	1	1
Liner and logistics (Global)	1	9	3	4
Railway services (Russia)	11	9	19	23
Ports (Russia)	10	5	-	-
Investment in TransContainer	-	-	339	342
	<u>34</u>	<u>35</u>	<u>362</u>	<u>370</u>

(*) Segment expenses include operating expenses and administrative expenses.

21. Revenue

	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
	USD mln			
Transportation services (operators' business)	370	431	199	214
Port and stevedoring services	67	81	33	47
Bunkering	43	5	28	5
Revenue from rentals	14	24	6	12
Hire and freight	17	15	4	4
Agency fees	2	2	1	1
	<u>513</u>	<u>558</u>	<u>271</u>	<u>283</u>

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22. Operating Expenses

	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
	USD mln			
Railway infrastructure tariff and transportation services	233	289	122	144
Payroll expenses	47	48	24	23
Bunkering	61	11	39	11
Voyage and vessel running cost	14	17	7	9
Stevedoring services	10	12	4	5
Operating lease	13	13	7	7
Non-profit based taxes	4	4	2	2
	<u>382</u>	<u>394</u>	<u>205</u>	<u>201</u>

23. Administrative Expenses

	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
	USD mln			
Salary and other staff related costs	44	44	21	22
Professional fees	5	5	2	1
Office rent	4	4	2	2
Other administrative expenses	14	15	7	7
	<u>67</u>	<u>68</u>	<u>32</u>	<u>32</u>

24. (Loss)/Earnings per Share

Basic (loss)/ earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by Group companies . For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares.

	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
	USD			
(Loss)/profit for the period	(20,771,000)	13,647,000	(7,352,000)	(7,634,000)
Weighted average number of shares in issue (note 19)	<u>2,951,250,000</u>	<u>2,951,250,000</u>	<u>2,951,250,000</u>	<u>2,951,250,000</u>
Basic (loss)/profit per share	<u>(0.007)</u>	<u>0.005</u>	<u>(0.002)</u>	<u>(0.003)</u>

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	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
	USD			
(Loss)/profit for the period, adjusted for stock option expense	(20,771,000)	11,597,274	(7,352,000)	(6,111,274)
Weighted average number of shares in issue, adjusted for potentially dilutive shares	2,951,250,000	2,916,743,978	2,951,250,000	2,916,743,978
Diluted (loss)/profit per share	(0.007)	0.004	(0.002)	(0.002)

25. Contingencies and Commitments

(a) Taxation contingencies

There were no changes in management assessment of taxation contingencies as compared to those disclosed in consolidated financial statements as at and for the year ended 31 December 2013.

(b) Business environment

Part of the Group's operations is located in the Russian Federation and Ukraine. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation and Ukraine which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian and Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

In March 2014, the regional Parliament in the Autonomous Republic of Crimea declared its independence from Ukraine and signed an agreement with the Russian Federation outlining the Republic of Crimea's intention to join the Russian Federation. Effective from 1 June 2014 the national currency of the Autonomous Republic of Crimea is Russian rouble. The Ukrainian State authorities do not recognise these declarations and agreements, as they believe they are violation of the Ukrainian constitution. However, as a result of these events and the Crimean parliament no longer recognising the authority of the Ukrainian national government, the Ukrainian authorities are not currently able to

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enforce Ukrainian laws on the territory of the Autonomous Republic of Crimea. In April-May 2014, the political unrest has further escalated in the Eastern regions of Ukraine, including primarily Donetsk and Lugansk regions.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated interim condensed financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. These consolidated interim condensed financial statements do not include any adjustments for the potential impact of events in Ukraine that have occurred after the reporting date.

26. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if both parties are under common control or one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

During the period seven individuals were considered to be the Group's key management and directors (2013 – seven individuals). Their remuneration during the period was as follows:

	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
USD mln				
Salaries	2	2	1	1
Bonuses	-	2	-	-
	<u>2</u>	<u>4</u>	<u>1</u>	<u>1</u>

Consolidated Interim Condensed Statement of financial position	30 June 2014	31 December 2013	Nature of balances
	USD mln		
Non-consolidated subsidiaries	1	1	Trade receivables
Associates	1	1	Trade receivables
Associates	6	-	Dividends receivable
Joint Venture Company	2	1	Trade receivables
Joint Venture Company	1	1	Loan issued
Joint Venture Company	1	1	Interest receivable
Joint Venture Company	3	5	Finance lease receivable
Joint Venture Company	4	-	Dividends receivable
Related through common shareholder	148	143	Loan issued
Related through common shareholder	14	-	Trade receivables
Related through common shareholder	3	3	Other receivables

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	For six-month period ended		For three-month period ended		Nature of transactions
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	
	USD mln				
Consolidated Interim Condensed Statement of Profit and Loss					
Associates sales	2	2	1	1	Agency services, rent and other services
Associates purchases	(4)	(4)	(2)	(2)	Agency services, rent and other expenses
Joint Venture Company purchases	(2)	(2)	(1)	(1)	Agency, transportation and stevedoring services
Joint Venture Company sales	-	1	-	1	Transportation services
Joint Venture Company	-	1	-	1	Finance lease and interest income
Related through common shareholder	13	-	-	-	Sale of bunker
Related through common shareholder	5	15	3	5	Interest income
Related through common shareholder	(2)	3	(1)	1	Other related services

27. Events Subsequent to the Reporting Date

In July 2014 the Group acquired dry container terminal in Novosibirsk. Total cost of rolling stock, land, buildings and other fixed assets included in purchase price amounted to USD 8 million.