

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

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

**For the six-month and three-month periods ended 30 June 2015
(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 2015 and the related consolidated interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 2015 and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and 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 A00.

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.

75, Sadovnicheskaya str., Moscow, Russia, 115035.

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, 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.

Basis for Qualified Conclusion

As described in Note 16, the Group has deferred recognition of gain of USD 109 million on bonds bought back during April and May 2015.

Had this gain been accounted for as required by International Financial Reporting Standard IAS 39 *Financial instruments: recognition and measurement* other long-term liabilities would have been decreased and equity would have been increased by USD 109 million as at 30 June 2015. Additionally, net profit would have been increased by USD 109 million for the three- and six-month periods then ended.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2015 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other matter

The financial information for three-month period ended 30 June 2015 has not been reviewed.

Akylbek Y. A.

Director, (power of attorney dated 16 March 2015 No.77/15)

JSC "KPMG"

28 August 2015

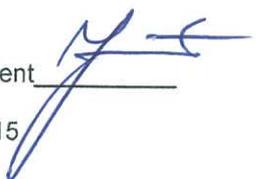
Moscow, Russian Federation



**FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries**

**Consolidated Interim Condensed Statement of Financial Position
As at 30 June 2015
(unaudited)**

USD mln	Note	30 June 2015	31 December 2014
ASSETS			
Non-current assets			
Fleet	8	90	92
Rolling stock	9	176	182
Other tangible fixed assets	10	220	221
Goodwill	7	115	114
Investments in associates and joint ventures	11	232	229
Other non-current assets	12	186	173
Total non-current assets		1,019	1,011
Current assets			
Inventories		18	41
Accounts receivable	13	119	160
Current tax assets		11	6
Other current assets		1	2
Cash and cash equivalents	14	40	66
Total current assets		189	275
Total assets		1,208	1,286
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	18	57	57
Share premium		777	777
Accumulated losses		(106)	(113)
Reserves		(721)	(726)
Equity attributable to owners of the Company		7	(5)
Non-controlling interests		5	4
Total equity		12	(1)
Non-current liabilities			
Long-term debt and finance lease obligations	16	835	1,068
Deferred tax liability		16	12
Other long-term liabilities		115	7
Total non-current liabilities		966	1,087
Current liabilities			
Accounts payable	15	123	150
Current tax liabilities		1	2
Short-term debt and finance lease obligations	16	106	48
Total current liabilities		230	200
Total liabilities		1,196	1,287
Total equity and liabilities		1,208	1,286

K.A. Sokolov, President 

V.N. Belyakov, Vice President and CFO 

Date: 28 August 2015

The accompanying notes on pages 11 to 26 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 2015
(unaudited)

USD mln	Note	For the six - months period ended 30 June		For the three - months period ended 30 June	
		2015	2014	2015	2014
Revenue	20	383	513	179	271
Operating expenses	21	(279)	(382)	(133)	(205)
Gross profit before depreciation and amortization		104	131	46	66
Depreciation and amortisation	8,9,10	(25)	(39)	(13)	(20)
Administrative expenses	22	(43)	(65)	(22)	(32)
Other income and expenses, net		2	2	2	1
Profit from operating activity		<u>38</u>	<u>29</u>	<u>13</u>	<u>15</u>
Interest expense		(50)	(57)	(26)	(29)
Other finance income, net	23	24	7	9	3
Other non-operating expenses		(6)	(2)	(3)	-
Foreign exchange gain		10	1	4	7
Share of profit of equity accounted investees	11	4	12	-	4
Profit/(loss) before income tax		20	(10)	(3)	-
Income tax expense	17	(12)	(9)	(5)	(6)
Profit/(loss) for the period		<u>8</u>	<u>(19)</u>	<u>(8)</u>	<u>(6)</u>
Attributable to:					
Owners of the Company		7	(20)	(9)	(7)
Non-controlling interests		<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Earnings/(loss) per share (in USD)	24	0.002	(0.007)	(0.003)	(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 2015
(unaudited)

USD mln	For the six - month period ended 30 June		For the three - month period ended 30 June	
	2015	2014	2015	2014
Profit/(loss) for the period	8	(19)	(8)	(6)
Other comprehensive income/(loss):				
Items that are or may be reclassified to profit or loss				
Effect of foreign currency translation	<u>5</u>	<u>(55)</u>	<u>34</u>	<u>59</u>
Other comprehensive income/(loss) for the period	5	(55)	34	59
Total comprehensive income/(loss) for the period	<u>13</u>	<u>(74)</u>	<u>26</u>	<u>53</u>
Total comprehensive income/(loss) attributable to:				
Ordinary shareholders of the Company	<u>12</u>	<u>(75)</u>	<u>25</u>	<u>53</u>
Non-controlling interests	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>

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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 2015
(unaudited)

USD mln	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital (Note 18)	Share premium	Retained earnings/ (accumulated losses)	Revaluation reserve	Translation reserve	Total		
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
Balance at 1 January 2015	57	777	(113)	1	(727)	(5)	4	(1)
Profit for the period	-	-	7	-	-	7	1	8
Other comprehensive income								
Effect of foreign currency translation	-	-	-	-	5	5	-	5
Total other comprehensive income	-	-	-	-	5	5	-	5
Total comprehensive income for the period	-	-	7	-	5	12	1	13
Balance at 30 June 2015	57	777	(106)	1	(722)	7	5	12

The accompanying notes on pages 11 to 26 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 Cash Flows
For the six-month and three-month periods ended 30 June 2015
(unaudited)

USD mln	Note	For the six-month period ended 30 June		For the three-month period ended 30 June	
		2015	2014	2015	2014
Cash flows from operating activities					
Profit/(loss) for the period		8	(19)	(8)	(6)
Adjustments for:					
Depreciation and amortisation		25	39	13	20
Loss on disposal of tangible fixed assets		(1)	-	(1)	(1)
Foreign exchange gain		(10)	(1)	(4)	(7)
Net finance costs		26	50	17	26
Share of profit of equity accounted investees		(4)	(12)	(-)	(4)
Other income and expenses, net		-	2	-	-
Income tax expense		12	9	5	6
Cash from operating activities before changes in working capital and provisions		56	68	22	34
Change in inventories		23	(54)	5	(49)
Change in trade and other receivables		42	(27)	(14)	(48)
Change in trade and other payables		(26)	12	9	7
Cash flows generated from/(used in) operations before income taxes paid		95	(1)	22	(56)
Income tax paid		(14)	(10)	(9)	(6)
Cash flows generated from/(used in) operating activities		81	(11)	13	(62)

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Consolidated Interim Condensed Statements of Cash Flows
For the six-month and three-month periods ended 30 June 2015 (Continued)
(unaudited)

	Note	For the six-month period ended 30 June		For the three-month period ended 30 June	
		2015	2014	2015	2014
USD mln					
Cash flows from investing activities					
Vessels acquired	8	-	(7)	-	(4)
Expenditure on other fixed assets	10	(8)	(22)	(5)	(7)
Expenditure on dry-docking	8	(1)	(3)	(1)	(3)
Proceeds on disposal of fleet		-	7	-	2
Proceeds on disposal of other fixed assets		3	2	3	1
Other non-current assets acquired		-	(4)	-	(4)
Dividends received		-	1	-	1
Finance lease received		1	1	-	-
Interest received		1	3	1	1
Net cash used in investing activities		(4)	(22)	(2)	(13)
Cash flows from financing activities					
Proceeds from borrowings		179	193	54	51
Proceeds from bonds		95	-	95	-
Repayment of borrowings		(147)	(152)	(138)	(148)
Redemption of bonds		(165)	-	(156)	-
Finance charges		(50)	(55)	(46)	(50)
Restricted deposits		(11)	-	(10)	-
Net cash used in financing activities		(99)	(14)	(201)	(147)
Effect of exchange rate fluctuations on cash and cash equivalents		(4)	(5)	5	13
Net decrease in cash and cash equivalents		(26)	(52)	(185)	(209)
Cash and cash equivalents at the beginning of the period		66	191	225	348
Cash and cash equivalents at the end of the period	14	40	139	40	139

The accompanying notes on pages 11 to 26 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 2015**

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: 75 Sadovnicheskaya Str., Moscow, Russian Federation, 115035.

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, 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 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Significant Accounting Policies

A number of a new and amended IFRS became effective on 1 January 2015. 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 2014.

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 2014.

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 2014.

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.

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Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2015

7. Goodwill

	<u>Gross amount</u>	<u>Accumulated impairment loss</u>	<u>Carrying amount</u>
	USD mln		
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>
At 1 January 2015	170	(56)	114
Translation difference	2	(1)	1
At 30 June 2015	<u>172</u>	<u>(57)</u>	<u>115</u>

8. Fleet

	<u>Carrying value</u>	
	<u>30 June 2015</u>	<u>31 December 2014</u>
	USD mln	
Fleet	79	80
Deferred dry docking expenses	11	12
	<u>90</u>	<u>92</u>
Total deadweight tonnage	<u>268</u>	<u>268</u>

	<u>Valuation</u>	<u>Depreciation</u>	<u>Net Book Value</u>
	USD mln		
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>
At 1 January 2015	80	-	80
Depreciation charge for the period	-	(1)	(1)
At 30 June 2015	<u>80</u>	<u>(1)</u>	<u>79</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.

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For the six-month and three-month periods ended 30 June 2015

Movements during the period on deferred dry docking expenses were:

	<u>Cost</u>	<u>Depreciation</u> <u>USD mln</u>	<u>Net Book Value</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>
At 1 January 2015	20	(8)	12
Additions	2	-	2
Charge for the period	-	(3)	(3)
Amortised dry dock write off	(1)	1	-
At 30 June 2015	<u>21</u>	<u>(10)</u>	<u>11</u>

9. Rolling Stock

	<u>Cost</u>	<u>Depreciation</u> <u>USD mln</u>	<u>Net Book Value</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>
At 1 January 2015	324	(142)	182
Additions in the period	4	-	4
Depreciation charge for the period	-	(10)	(10)
Disposals	(4)	3	(1)
Translation difference	3	(2)	1
At 30 June 2015	<u>327</u>	<u>(151)</u>	<u>176</u>

Rolling stock includes assets held under finance leases with a net book value of USD 36 million (31 December 2014 – USD 37 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 2015

10. Other Tangible Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD mln			
Cost				
At 1 January 2014	224	254	31	509
Additions	-	1	13	14
Transfers	-	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>
At 1 January 2015	147	183	29	359
Additions	1	-	5	6
Disposals	-	(2)	-	(2)
Translation difference	2	1	-	3
At 30 June 2015	<u>150</u>	<u>182</u>	<u>34</u>	<u>366</u>
Depreciation				
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>
At 1 January 2015	38	100	-	138
Depreciation charge	3	7	-	10
Eliminated on disposal	-	(2)	-	(2)
At 30 June 2015	<u>41</u>	<u>105</u>	<u>-</u>	<u>146</u>
Net Book Value				
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>
At 1 January 2015	<u>109</u>	<u>83</u>	<u>29</u>	<u>221</u>
At 30 June 2015	<u>109</u>	<u>77</u>	<u>34</u>	<u>220</u>

Plant, machinery and other fixed assets include containers held under finance lease with a net book value of USD 3 million (at 31 December 2014 – USD 5 million) and plant and machinery with a net book value of USD 1 million (at 31 December 2014 – USD 1 million).

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Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2015

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
PJSC 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
Fesco China Logistic Co. Ltd	China	50%	Forwarding services	Joint Venture
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 2015	30 June 2014
	USD mln	
At the beginning of the period	229	370
Share of results of equity accounted investees	4	12
Dividends received	(4)	(11)
Translation differences	3	(9)
At the end of the period	<u>232</u>	<u>362</u>

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 2015/ For six-month period ended 30 June 2015									
USD mln									
30 June	156	998	1,154	118	191	309	377	(363)	14

Reporting date	Current assets	Non-current assets	Total assets	Current liabilities	Non – current liabilities	Total liabilities	Income	Expenses	Profit
As at 31 December 2014/ For six-month period ended 30 June 2014									
USD mln									
31 December	141	1,006	1,147	109	202	311	542	(495)	47

Goodwill in the amount of USD 19 million related to PJSC TransContainer is included into the investments in associates and joint ventures.

The market value of PJSC TransContainer shares and GDR’s held by the Group, based on the quotations in Moscow Stock Exchange and LSE at 30 June 2015 is USD 147 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 2015

12. Other Non-Current Assets

	<u>30 June 2015</u>	<u>31 December 2014</u>
	<u>USD mln</u>	
Long term loan to related party, at amortized cost	157	152
Restricted deposits	11	-
Lease right	5	6
Prepayments for fixed assets, at cost	3	5
Other intangible assets	6	6
Other equity investments	2	2
Other non-current assets	2	2
	<u>186</u>	<u>173</u>

Loans to related party in the amount of USD 156 million represents loans to intermediate shareholder. Loans in amount of USD 148 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. Accounts Receivable

	<u>30 June 2015</u>	<u>31 December 2014</u>
	<u>USD mln</u>	
Trade debtors	57	70
VAT receivable	26	30
Prepayments to OJSC "Russian Railways"	5	12
Amounts due from associates and joint ventures	2	2
Dividends receivable	3	-
Other debtors and prepayments	31	51
Allowance for impairment	(5)	(5)
	<u>119</u>	<u>160</u>

14. Cash and Cash Equivalent

	<u>30 June 2015</u>	<u>31 December 2014</u>
	<u>USD mln</u>	
Bank accounts and cash in hand	40	66
	<u>40</u>	<u>66</u>

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15. Accounts Payable

	<u>30 June 2015</u>	<u>31 December 2014</u>
	<u>USD mln</u>	
Trade creditors	52	65
Taxes payable, other than income tax	6	7
Interest payable	16	16
Other creditors and accruals	49	62
	<u>123</u>	<u>150</u>

16. Debt and Finance Leases Obligations

	<u>30 June 2015</u>	<u>31 December 2014</u>
	<u>USD mln</u>	
Loans and other obligations comprise:		
<i>Secured loans</i>		
At fixed rate 5% - 10%	27	27
At fixed rate 10% - 15%	9	10
At variable rates 5%-10% above Libor/Euribor /Mosprime	112	89
	<u>148</u>	<u>126</u>
<i>Unsecured loans</i>		
At fixed rate 1% - 5%	10	-
	<u>10</u>	<u>-</u>
<i>Bonds</i>		
Russian rouble bonds at interest rate 11%-19% p.a.	125	88
Eurobonds at interest rate 8%-8.75%	627	864
	<u>752</u>	<u>952</u>
Obligations under finance leases at fixed rate 6%-10.5%	7	9
Obligations under finance leases at fixed rate 10.5%-18.87%	24	29
	<u>31</u>	<u>38</u>
	<u>941</u>	<u>1,116</u>
Repayable within the next twelve months	106	48
Long term balance	835	1,068
	<u>941</u>	<u>1,116</u>

Market value of Eurobonds and bonds at the reporting date was USD 405 million and USD 121 million respectively.

In May 2015 the Group paid Eurobond and bonds interest to the total amount of USD 36 million and USD 4 million respectively.

The carrying amount of pledged under debt obligations rolling stock, fleet and other fixed assets as at 30 June 2015 was USD 120 million.

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During the reporting period the Group redeemed Russian rouble bonds and Eurobonds with a nominal value of USD 77 million for total consideration of USD 54 million. The Group has derecognized the repurchased Russian rouble bonds and Eurobonds as Management considers that the Group's obligation was extinguished on the buyback. The buyback resulted in a gain of USD 23 million, which has been recognized in other financial income in the Statement of profit and loss.

In April and May 2015 the Group redeemed Eurobonds with a nominal value of USD 220 million for total consideration of USD 111 million. The buyback was partially financed by a loan obtained from an international bank in amount of USD 44 million. In accordance with the loan agreement the redeemed Eurobonds were transferred by the Group to the bank as collateral, which will be returned to the Group in February 2018 when the loan matures and is repaid by the Group. In case the Group does not comply with the terms of the loan agreement the Bank has the right to liquidate the collateral. The Group has derecognized the repurchased Eurobonds as Management considers that the Group's obligation was extinguished on the buyback. The buyback resulted in a gain of USD 109 million, which has been recognized in other long - term liabilities in the Statement of financial position as the loan agreement stipulates that recognition of the gain in the Statement of profit and loss should be deferred until the loan termination date when the collateral is returned to the Group.

In April 2015 the Group issued Russian rouble denominated exchange-traded, non-convertible bonds for a total amount of RUB 5 billion (approximately USD 100 million) that will be repaid in 2018. The interest rate is set at 19% for the first coupon period and equals to the effective key rate of the Bank of Russia increased by 5% p.a. for further five semi-annual coupon periods, but cannot be either less than 11% p.a. or more than 19% p.a. Bonds bear early redemption option. In October 2016.

The Group was in compliance with covenants as at 30 June 2015.

17. 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	
	2015	2014	2015	2014
	USD mln		USD mln	
Current tax expense				
Current period	8	13	3	7
	8	13	3	7
Deferred tax expense				
Origination and reversal of temporary differences	4	(4)	2	(1)
	4	(4)	2	(1)
Total income tax expense	12	9	5	6

Reconciliation of effective tax rate:

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	Six-month period ended 30 June				Three-month period ended 30 June			
	2015		2014		2015		2014	
	USD mln	%	USD mln	%	USD mln	%	USD mln	%
Profit/(loss) before income tax	20	100	(10)	100	(3)	100	-	100
Income tax at applicable tax rate of 20% (2014: 20%)	4	20	(2)	(20)	(1)	(20)	-	-
Effect of income taxed at different rates	(1)	(5)	-	-	1	100	-	-
Income tax on dividends	1	3	-	-	1	100	-	-
Non-deductible expenses/non-taxable income, net	7	35	11	150	4	133	6	100
Change in unrecognised deferred tax asset	1	7	-	-	-	-	-	-
	<u>12</u>	<u>60</u>	<u>9</u>	<u>130</u>	<u>5</u>	<u>313</u>	<u>6</u>	<u>100</u>

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.

18. Shareholders' Equity

	30 June 2015	31 December 2014
	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>

19. 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.

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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 and other supporting activity.

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.

Segment information for the main reportable segments of the Group for the six-month period ended 30 June 2015 is set out below.

	Liner and Shipping	Railway Logistics	services	Ports	Bunkering	Corporate	Investment in Trans- Container	Eliminations/ Adjustments	Total
	USD mln								
External sales	26	198	54	39	66	-	-	-	383
Inter-segment sales	22	-	4	20	15	-	-	(61)	-
Segment revenue	48	198	58	59	81	-	-	(61)	383
Segment expenses (*)	(33)	(190)	(48)	(28)	(76)	(14)	-	67	(322)
Segment result	15	8	10	31	5	(14)	-	6	61
<i>Segment non-cash items:</i>									
Depreciation and amortization	(5)	(4)	(10)	(5)	-	(1)	-	-	(25)
<i>Other material items of income/expense:</i>									
Other income and expenses	1	2	1	1	(1)	3	-	(5)	2
Interest expense	(2)	(1)	(8)	(1)	(1)	(50)	-	13	(50)
Share of profit of equity accounted investees	1	-	-	-	-	-	3	-	4
Income tax expense	(1)	(2)	(1)	(6)	(1)	(1)	-	-	(12)

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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)	(16)	-	78	(447)
Segment result	(1)	9	22	39	6	(16)	-	7	66

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 three-month period ended 30 June 2015 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans- Container	Eliminations/ Adjustments	Total
	USD mln								
External sales	10	101	29	19	20	-	-	-	179
Inter-segment sales	10	-	2	8	9	-	-	(29)	-
Segment revenue	20	101	31	27	29	-	-	(29)	179
Segment expenses (*)	(17)	(94)	(25)	(14)	(29)	(8)	-	32	(155)
Segment result	3	7	6	13	-	(8)	-	3	24

Segment non-cash items:

Depreciation and amortization	(3)	(2)	(5)	(2)	-	(1)	-	-	(13)
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Other material items of income/expense:

Other income and expenses	1	2	-	1	(1)	1	-	(2)	2
Interest expense	(2)	-	(5)	-	-	(28)	-	9	(26)
Share of profit of equity accounted investees	-	-	-	-	-	-	-	-	-
Income tax expense	(1)	(1)	-	(2)	-	(1)	-	-	(5)

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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)

Segmental assets and liabilities breakdown for the six-month period ended 30 June 2015 is set out below.

Segmental assets and liabilities

	Assets		Liabilities	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
USD mln				
Shipping (Global)	121	126	32	21
Liner and logistics (Global)	127	145	67	85
Railway services (Russia)	274	256	35	42
Ports (Russia)	176	218	57	63
Bunkering (Russia)	24	62	13	14
Total of all segments	722	807	204	225
Goodwill	115	114	-	-
Other items not attributed to a specific segment	371	365	992	1,062
Consolidated	<u>1,208</u>	<u>1,286</u>	<u>1,196</u>	<u>1,287</u>

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Other segmental information

	Acquisition of segment assets		Investments in equity accounted investees	
	30 June 2015	30 June 2014	30 June 2015	31 December 2014
	USD mln			
Shipping (Global)	3	12	1	-
Liner and logistics (Global)	-	1	4	3
Railway services (Russia)	5	11	12	13
Ports (Russia)	3	10	-	-
Investment in TransContainer	-	-	215	213
	<u>11</u>	<u>34</u>	<u>232</u>	<u>229</u>

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

20. Revenue

	Six-month period ended 30 June		Three-month period ended 30 June	
	2015	2014	2015	2014
	USD mln			
Transportation services (operators' business)	242	370	124	199
Port and stevedoring services	39	67	19	33
Bunkering	60	43	14	28
Revenue from rentals	7	14	4	6
Hire and freight	32	17	16	4
Agency fees	3	2	2	1
	<u>383</u>	<u>513</u>	<u>179</u>	<u>271</u>

21. Operating Expenses

	Six-month period ended 30 June		Three-month period ended 30 June	
	2015	2014	2015	2014
	USD mln			
Railway infrastructure tariff and transportation services	152	233	76	122
Payroll expenses	29	47	15	24
Bunkering	53	61	13	39
Voyage and vessel running cost	26	14	17	7
Stevedoring services	5	10	4	4
Operating lease	12	13	7	7
Non-profit based taxes	2	4	1	2
	<u>279</u>	<u>382</u>	<u>133</u>	<u>205</u>

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22. Administrative Expenses

	Six-month period ended 30 June		Three-month period ended 30 June	
	2015	2014	2015	2014
	USD mln			
Salary and other staff related costs	27	44	12	21
Professional fees	4	5	2	2
Office rent	5	4	3	2
Other administrative expenses	7	12	5	7
	<u>43</u>	<u>65</u>	<u>22</u>	<u>32</u>

23. Other Finance Income, Net

	Six-month period ended 30 June		Three-month period ended 30 June	
	2015	2014	2015	2014
	USD mln			
Interest income	6	7	3	3
Bonds redemption (Note 16)	23	-	11	-
Other expenses	(5)	-	(5)	-
	<u>24</u>	<u>7</u>	<u>9</u>	<u>3</u>

24. Earnings/ (Loss) per Share

Basic 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	
	2015	2014	2015	2014
	USD			
Profit/(loss) for the period	7,264,000	(20,771,000)	(8,442,000)	(7,352,000)
Weighted average number of shares in issue (note 18)	<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 profit/(loss) per share	<u>0.002</u>	<u>(0.007)</u>	<u>(0.003)</u>	<u>(0.002)</u>

25. Contingencies and Commitments

There were no changes in management assessment of taxation contingencies and business environment as compared to those disclosed in consolidated financial statements as at and for the year ended 31 December 2014.

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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 eight individuals were considered to be the Group's key management and directors (2014– eight individuals). Their remuneration during the period was as follows:

	Six-month period ended		Three-month period ended	
	30 June		30 June	
	2015	2014	2015	2014
	USD mln			
Salaries	1	2	-	1
	1	2	-	1

Consolidated Interim Condensed Statement of Financial Position	30 June	31 December	Nature of balances
	2015	2014	
	USD mln		
Associates and joint ventures	2	2	Trade receivables
Associates	3	-	Dividends receivable
Joint Venture Company	1	1	Loan issued
Joint Venture Company	1	1	Interest receivable
Joint Venture Company	1	2	Finance lease receivable
Related through common shareholder	156	152	Loan issued
Related through common shareholder	(10)	-	Loan payable
Related through common shareholder	-	2	Trade receivables
Related through common shareholder	-	(9)	Trade payables

Consolidated Interim Condensed Statement of Profit and Loss	For six-month period ended		For three-month period ended		Nature of transactions
	30 June	30 June	30 June	30 June	
	2015	2014	2015	2014	
	USD mln				
Associates sales	2	2	1	1	Agency services, rent and other services
Associates purchases	(2)	(4)	(1)	(2)	Agency services, rent and other expenses
Joint Venture Company purchases	(1)	(2)	(1)	(1)	Agency, transportation and stevedoring services
Related through common shareholder	20	13	-	-	Sale of bunker
Related through common shareholder	(5)	-	(5)	-	Transportation services
Related through common shareholder	5	5	3	3	Interest income
Related through common shareholder	(2)	(2)	(1)	(1)	Other related services

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27. Events Subsequent to the Reporting Date

After the reporting date the Russian Rouble has depreciated against US dollar which resulted in decrease in Rouble to US dollar rate by 25% since 30 June 2015 up to the date these financial statements were authorized for issue. The effect of the above devaluation will have negative impact on Group's net assets position.