

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

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

**For the six-month and three-month periods ended 30 June 2016
(unaudited)**

CONTENTS

Statement of management's responsibilities for the preparation and approval of the consolidated interim condensed financial statements for the six-month and three-month periods ended 30 June 2016	3
Consolidated Interim Condensed Statement of Financial Position	4
Consolidated Interim Condensed Statements of Profit and Loss	5
Consolidated Interim Condensed Statements of Comprehensive Income	6
Consolidated Interim Condensed Statement of Changes in Equity	7
Consolidated Interim Condensed Statements of Cash Flows	8
1. Organisation and Trading Activities	10
2. Statement of Compliance	10
3. Significant Accounting Policies	10
4. Estimates	10
5. Financial Risk Management	10
6. Seasonality of Operations	10
7. Going Concern	11
8. Goodwill	12
9. Fleet	12
10. Rolling Stock	13
11. Other Tangible Fixed Assets	14
12. Investments in Associates and Joint Ventures	15
13. Other Non-Current Assets	16
14. Accounts Receivable	16
15. Cash and Cash Equivalents	16
16. Accounts Payable	16
17. Debt and Finance Leases Obligations	17
18. Current and Deferred Tax	18
19. Shareholders' Equity	19
20. Business Segmental Analysis	19
21. Revenue	22
22. Operating Expenses	23
23. Administrative Expenses	23
24. Other Finance Income, net	23
25. Earnings/ (Loss) per Share	24
26. Contingencies and Commitments	24
27. Related Party Transactions	24
28. Events Subsequent to the Reporting Date	25

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

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

Statement of management's responsibilities for the preparation and approval of the consolidated interim condensed financial statements for the six-month and three-month periods ended 30 June 2016

The following statement is made with a view to the respective responsibilities of management in relation to the consolidated interim condensed financial statements of Far-Eastern Shipping Company PLC and its subsidiaries (the Group).

Management is responsible for the preparation of the consolidated interim condensed financial statements that present fairly the financial position of Far-Eastern Shipping Company PLC and its subsidiaries (the Group) as of 30 June 2016, the results of its operations and cash flows for the six-month and three-month periods ended 30 June 2016 and changes in shareholders' equity for the six-month period ended 30 June 2016, in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

In preparing the consolidated interim condensed financial statements, management is responsible for:

- Applying consistently the accounting principles prescribed by IAS 34;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the consolidated interim condensed statements; and
- Preparing the interim condensed consolidated financial information on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future. This statement should be considered in conjunction with the Note 7 of this consolidated interim condensed financial statements.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated interim condensed financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated interim condensed financial statements of the Group for six-month and three-month periods ended 30 June 2016 were approved by management on 29 August 2016.

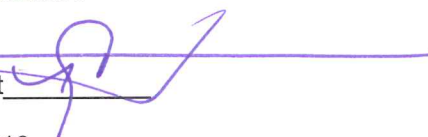
A. Isurins, President

M.V. Sakharov, Vice President and CFO

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Financial Position
As at 30 June 2016
(unaudited)

USD mln	Note	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Fleet	9	72	78
Rolling stock	10	141	129
Other tangible fixed assets	11	189	173
Goodwill	8	100	89
Investments in associates and joint ventures	12	207	180
Other non-current assets	13	19	20
Total non-current assets		728	669
Current assets			
Inventories		12	13
Accounts receivable	14	82	79
Current tax assets		9	8
Other current assets		3	-
Cash and cash equivalents	15	24	36
Total current assets		130	136
Total assets		858	805
EQUITY AND LIABILITIES			
Shareholders' Equity			
	19		
Share capital		57	57
Share premium		777	777
Accumulated losses		(223)	(280)
Reserves		(809)	(881)
Equity attributable to owners of the Company		(198)	(327)
Non-controlling interests		8	6
Total equity		(190)	(321)
Non-current liabilities			
Long-term debt and finance lease obligations	17	16	773
Deferred tax liability		7	11
Other long-term liabilities		5	113
Total non-current liabilities		28	897
Current liabilities			
Accounts payable	16	126	91
Current tax liabilities		-	1
Short-term debt and finance lease obligations	17	894	137
Total current liabilities		1,020	229
Total liabilities		1,048	1,126
Total equity and liabilities		858	805

A. Isurins, President 

M.V. Sakharov, Vice President and CFO 

Date: 29 August 2016

The accompanying notes on pages 10 to 25 form an integral part of these consolidated interim condensed financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statements of Profit and Loss
For the six-month and three-month periods ended 30 June 2016
(unaudited)

USD mln	Note	For the six - month period ended 30 June		For the three - month period ended 30 June	
		2016	2015	2016	2015
Revenue	21	258	383	132	179
Operating expenses	22	(182)	(279)	(98)	(133)
Gross profit before depreciation and amortization		76	104	34	46
Depreciation and amortisation	9,10,11	(20)	(25)	(10)	(13)
Administrative expenses	23	(36)	(43)	(19)	(22)
Other income and expenses, net		(2)	2	(2)	2
Profit from operating activity		18	38	3	13
Interest expense		(50)	(50)	(28)	(26)
Other finance income, net	24	108	24	108	9
Other non-operating expenses		(3)	(6)	(1)	(3)
Foreign exchange (loss)/ gain		(17)	10	(4)	4
Share of profit of equity accounted investees	12	4	4	3	-
Profit/(loss) before income tax		60	20	81	(3)
Income tax expense	18	(2)	(12)	(1)	(5)
Profit/(loss) for the period		58	8	80	(8)
Attributable to:					
Owners of the Company		57	7	79	(9)
Non-controlling interests		1	1	1	1
Earnings/(loss) per share (in USD)	25	0.019	0.002	0.027	(0.003)

The accompanying notes on pages 10 to 25 form an integral part of these consolidated interim condensed financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statements of Comprehensive Income
For the six-month and three-month periods ended 30 June 2016
(unaudited)

USD mln	For the six - month period ended 30 June		For the three - month period ended 30 June	
	2016	2015	2016	2015
Profit/(loss) for the period	58	8	80	(8)
Other comprehensive income:				
Items that are or may be reclassified to profit or loss				
Effect of foreign currency translation	<u>73</u>	<u>5</u>	<u>32</u>	<u>34</u>
Other comprehensive income for the period	73	5	32	34
Total comprehensive income for the period	<u>131</u>	<u>13</u>	<u>112</u>	<u>26</u>
Total comprehensive income attributable to:				
Ordinary shareholders of the Company	<u>129</u>	<u>12</u>	<u>110</u>	<u>25</u>
Non-controlling interests	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>

The accompanying notes on pages 10 to 25 form an integral part of these consolidated interim condensed financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Changes in Equity
For the six-month period ended 30 June 2016
(unaudited)

USD mln	Attributable to equity holders of the Company							Total equity
	Share capital (Note 19)	Share premium	Accumulated losses	Revaluation reserve	Translation reserve	Total	Non-controlling interests	
Balance at 1 January 2015	57	777	(113)	1	(727)	(5)	4	(1)
Profit for the period	-	-	7	-	-	7	1	8
Other comprehensive income	-	-	-	-	5	5	-	5
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
Balance at 1 January 2016	57	777	(280)	-	(881)	(327)	6	(321)
Profit for the period	-	-	57	-	-	57	1	58
Other comprehensive income	-	-	-	-	72	72	1	73
Effect of foreign currency translation	-	-	-	-	72	72	1	73
Total other comprehensive income	-	-	-	-	72	72	1	73
Total comprehensive income for the period	-	-	57	-	72	129	2	131
Balance at 30 June 2016	57	777	(223)	-	(809)	(198)	8	(190)

The accompanying notes on pages 10 to 25 form an integral part of these consolidated interim condensed financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statements of Cash Flows
For the six-month and three-month periods ended 30 June 2016
(unaudited)

USD mln	Note	For the six-month period ended 30 June		For the three-month period ended 30 June	
		2016	2015	2016	2015
Cash flows from operating activities					
Profit/(loss) for the period		58	8	80	(8)
Adjustments for:					
Depreciation and amortisation		20	25	10	13
Loss/(profit) on disposal of tangible fixed assets		2	(1)	2	(1)
Foreign exchange loss/(gain)		17	(10)	4	(4)
Net finance (income)/costs		(58)	26	(80)	17
Other income, net		(1)	-	(1)	-
Share of profit of equity accounted investees		(4)	(4)	(3)	-
Income tax expense		2	12	1	5
Cash from operating activities before changes in working capital and provisions		36	56	13	22
Change in inventories		1	23	(1)	5
Change in trade and other receivables		(4)	42	(7)	(14)
Change in trade and other payables		6	(26)	8	9
Cash flows generated from operations before income taxes paid		39	95	13	22
Income tax paid		(8)	(14)	(3)	(9)
Cash flows generated from operating activities		31	81	10	13

The accompanying notes on pages 10 to 25 form an integral part of these consolidated interim condensed financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statements of Cash Flows
For the six-month and three-month periods ended 30 June 2016 (Continued)
(unaudited)

	Note	For the six-month period ended 30 June		For the three-month period ended 30 June	
		2016	2015	2016	2015
USD mln					
Cash flows from investing activities					
Expenditure on other fixed assets	11	(5)	(8)	(2)	(5)
Expenditure on dry-docking	9	(2)	(1)	(2)	(1)
Proceeds on disposal of fleet	9	4	-	4	-
Proceeds on disposal of other fixed assets		2	3	1	3
Other investments		(2)	-	(3)	-
Dividends received		1	-	1	-
Finance lease received		-	1	-	-
Interest received		1	1	1	1
Net cash used in investing activities		(1)	(4)	-	(2)
Cash flows from financing activities					
Proceeds from borrowings		52	179	47	54
Proceeds from bonds		-	95	-	95
Repayment of borrowings		(73)	(147)	(58)	(138)
Redemption of bonds		-	(165)	-	(156)
Finance charges		(20)	(50)	(16)	(46)
Restricted deposits		-	(11)	1	(10)
Net cash used in financing activities		(41)	(99)	(26)	(201)
Effect of exchange rate fluctuations on cash and cash equivalents		(1)	(4)	-	5
Net decrease in cash and cash equivalents		(12)	(26)	(16)	(185)
Cash and cash equivalents at the beginning of the period		36	66	40	225
Cash and cash equivalents at the end of the period	15	24	40	24	40

The accompanying notes on pages 10 to 25 form an integral part of these consolidated interim condensed financial statements.

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

**Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016**

1. Organisation and Trading Activities

Far-Eastern Shipping Company PLC. (FESCO or the 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 is: 75 Sadovnicheskaya Str., Moscow, Russian Federation, 115035.

The Company's immediate shareholders are several Cyprus entities and Mr. Ziyavudin 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 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

3. Significant Accounting Policies

A number of a new and amended IFRSs became effective on 1 January 2016. Management consider that impacts of these pronouncements 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 2015.

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 2015.

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 2015.

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.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

7. Going Concern

Since 2014, the Russian economy has been facing a 'perfect storm' of negative factors including a drop in crude oil prices, Rouble devaluation and sanctions, imposing restrictions on Russian companies and banks' ability to access the international capital markets. The Russian container handling market declined by 9% p.a. in 2013-2015 (based on loaded containers) with the share of the Far East basin demonstrating the largest decline among the three basins. These factors have had a significant adverse impact on the revenue and profitability of the Group.

In addition, part of the Group's financing arrangements expire during the year ending 31 December 2016. As at 30 June 2016 the Group had not made the coupon payment due on 4 May 2016 in respect of Eurobonds and the principal payment due on 31 May 2016 in respect of the Russian rouble bonds to the total amount of USD 33 million. Management also expects that the Group may face further liquidity constraints in the second half of 2016. As a result, obligations in amount of USD 743 million have been reclassified as short term in these consolidated interim condensed financial statements and Group's current liabilities exceeded its current assets by USD 890 million as at 30 June 2016. Management performed a detailed cash flow analysis for the period from second half of 2016 to 2023 to determine its ability to service its existing debt obligations over the next 12 months.

Taking into account the current market conditions and its projections, management considers that a restructuring of the Group's debt is necessary. Since May 2016 the Group has been engaged in discussions with holders of its Eurobonds and Russian rouble bonds and other lenders under its bilateral facilities with a view to negotiating a consensual resolution of its anticipated liquidity position. Management anticipates achieving its goal through, amongst others, a combination of a write-off or capitalization of near-term interest payments; an extension of the repayment terms of facilities due within the next 12 months; a deferral of principal amortization payments on amortizing obligations; and an extension, reduction and/or equitization of certain future payment obligations. The negotiation process is conducted in accordance with international practice and supported by external advisors.

Beginning in 2015, management actions focused on cost optimization in respect of fleet operating costs and staff costs, conversion of cargo handling rates from Roubles into USD in the port division and optimization of capital expenditure. This allowed the Group to partially offset the EBITDA decline resulting from overall market saturation. Cost optimization programs continue in 2016 (and are scheduled to continue beyond 2016) and are expected to result in an increase in the Group's EBITDA. Management also expects further market improvements, including a container market recovery in 2016-2023 and associated volume increases and rate inflation that would, if they develop, likely have a positive impact on the Group's financial performance. In addition, the Group has identified certain non-core assets that could be sold to generate additional cash to fund debt payments or repurchases. Management believes the above factors, together with the measures proposed to be taken, if successful, would allow the Group to generate sufficient free cash flow to service its interest obligations starting from the year ending 31 December 2018. Management's analysis did not include an assessment of the Group's ability to repay its debt following any extension of its term.

Should the proposed concessions from creditors described above not be accepted, the Group may not, at some point in the next 12 months, be able to fulfill its debt service obligations. This results in the existence of a material uncertainty, which casts significant doubt as to Group's ability to continue as a going concern.

However, management has been advised that companies with positive free cash flow generation (excluding debt service) but with an overlevered capital structure have, on the basis of substantial relevant precedent, been able to successfully restructure their liabilities. Based on this advice and other considerations, management believes it can negotiate a consensual deal with its creditors and has therefore prepared these consolidated interim condensed financial statements on a going concern basis. These consolidated interim condensed financial statements do not include any adjustment should the Group be unable to continue as a going concern.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

8. Goodwill

	<u>Gross amount</u>	<u>Accumulated impairment loss</u>	<u>Carrying amount</u>
	USD mln		
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>
At 1 January 2016	132	(43)	89
Translation difference	17	(6)	11
At 30 June 2016	<u>149</u>	<u>(49)</u>	<u>100</u>

9. Fleet

	<u>Carrying value</u>	
	<u>30 June 2016</u>	<u>31 December 2015</u>
	USD mln	
Fleet	62	68
Deferred dry docking expenses	10	10
	<u>72</u>	<u>78</u>
Total deadweight tonnage	<u>254</u>	<u>268</u>

	<u>Valuation</u>	<u>Depreciation</u>	<u>Net Book Value</u>
	USD mln		
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>
At 1 January 2016	68	-	68
Depreciation charge for the period	-	(2)	(2)
Disposals	(4)	-	(4)
At 30 June 2016	<u>64</u>	<u>(2)</u>	<u>62</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.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

Movements during the period on deferred dry docking expenses were:

	<u>Cost</u>	<u>Depreciation</u> USD mln	<u>Net Book Value</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>
At 1 January 2016	20	(10)	10
Additions	4	-	4
Disposals	(2)	1	(1)
Charge for the period	-	(3)	(3)
Amortised dry dock write off	(3)	3	-
At 30 June 2016	<u>19</u>	<u>(9)</u>	<u>10</u>

10. Rolling Stock

	<u>Cost</u>	<u>Depreciation</u> USD mln	<u>Net Book Value</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>
At 1 January 2016	252	(123)	129
Additions in the period	3	-	3
Depreciation charge for the period	-	(8)	(8)
Disposals	(3)	2	(1)
Translation difference	31	(13)	18
At 30 June 2016	<u>283</u>	<u>(142)</u>	<u>141</u>

Rolling stock includes assets held under finance leases with a net book value of USD 29 million (31 December 2015 – USD 26 million).

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

11. Other Tangible Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD mln			
Cost				
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>
At 1 January 2016	121	145	28	294
Additions	1	2	1	4
Disposals	-	(3)	-	(3)
Translation difference	11	12	3	26
At 30 June 2016	<u>133</u>	<u>156</u>	<u>32</u>	<u>321</u>
Depreciation				
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>
At 1 January 2016	37	84	-	121
Depreciation charge	2	5	-	7
Eliminated on disposal	-	(2)	-	(2)
Translation difference	1	5	-	6
At 30 June 2016	<u>40</u>	<u>92</u>	<u>-</u>	<u>132</u>
Net Book Value				
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>
At 1 January 2016	<u>84</u>	<u>61</u>	<u>28</u>	<u>173</u>
At 30 June 2016	<u>93</u>	<u>64</u>	<u>32</u>	<u>189</u>

Plant, machinery and other fixed assets include containers with a net book value of USD 1 million (at 31 December 2015 – USD 1 million) and plant and machinery with a net book value of USD 7 million (at 31 December 2015 – USD 7 million) held under finance lease.

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

**Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016**

12. 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 Holding Limited	Cyprus	49%	Forwarding services	Associate

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

	<u>30 June 2016</u>	<u>30 June 2015</u>
	<u>USD mln</u>	
At the beginning of the period	180	229
Share of results of equity accounted investees	4	4
Dividends received	(1)	(4)
Translation differences	24	3
	<u>207</u>	<u>232</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 2016/ For six-month period ended 30 June 2016									
<u>USD mln</u>									
30 June	162	850	1,012	130	121	251	363	(350)	13

Reporting date	Current assets	Non- current assets	Total assets	Current liabilities	Non – current liabilities	Total liabilities	Income	Expenses	Profit
As at 31 December 2015/ For six-month period ended 30 June 2015									
<u>USD mln</u>									
30 June	121	764	885	103	129	232	377	(363)	14

Goodwill in the amount of USD 16 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 2016 is USD 154 million.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

13. Other Non-Current Assets

	<u>30 June 2016</u>	<u>31 December 2015</u>
	<u>USD mln</u>	
Long term loan to related party, at amortized cost	-	1
Restricted deposits	11	11
Lease right	4	4
Prepayments for fixed assets, at cost	1	1
Other intangible assets	1	1
Other equity investments	1	1
Other non-current assets	1	1
	<u>19</u>	<u>20</u>

Prepayments for fixed assets represent prepayments for equipment.

14. Accounts Receivable

	<u>30 June 2016</u>	<u>31 December 2015</u>
	<u>USD mln</u>	
Trade debtors	47	39
VAT receivable	12	14
Prepayments to OJSC "Russian Railways"	4	8
Amounts due from associates and joint ventures	1	1
Other debtors and prepayments	22	21
Allowance for impairment	(4)	(4)
	<u>82</u>	<u>79</u>

15. Cash and Cash Equivalents

	<u>30 June 2016</u>	<u>31 December 2015</u>
	<u>USD mln</u>	
Bank accounts and cash in hand	24	36
	<u>24</u>	<u>36</u>

16. Accounts Payable

	<u>30 June 2016</u>	<u>31 December 2015</u>
	<u>USD mln</u>	
Trade creditors	33	37
Taxes payable, other than income tax	4	4
Interest payable	45	16
Other creditors and accruals	44	34
	<u>126</u>	<u>91</u>

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

17. Debt and Finance Leases Obligations

	30 June 2016	31 December 2015
	USD mln	
Loans and other obligations comprise:		
<i>Secured loans</i>		
At fixed rate 5% - 12%	73	86
At fixed rate 10% - 15%	5	5
At variable rates 5%-10% above Libor/Euribor /Mosprime	37	40
	<u>115</u>	<u>131</u>
<i>Unsecured loans</i>		
At variable rate 13%	5	5
At fixed rate 5% - 15%	15	10
	<u>20</u>	<u>15</u>
<i>Bonds</i>		
Russian rouble bonds at interest rate 11%-19% p.a.	108	96
Eurobonds at interest rate 8%-8.75%	648	646
	<u>756</u>	<u>742</u>
Obligations under finance leases at fixed rate 6%-10.5%	2	3
Obligations under finance leases at fixed rate 10.5%-18.87%	17	19
	<u>19</u>	<u>22</u>
	<u>910</u>	<u>910</u>
Repayable within the next twelve months	894	137
Long-term balance	16	773
	<u>910</u>	<u>910</u>

Market value of Eurobonds and Russian rouble bonds at the reporting date was USD 313 million and USD 99 million respectively.

In May and June 2016 the Group paid bonds interest in the total amount of USD 8 million.

The carrying amount of pledged under debt obligations rolling stock, fleet and other fixed assets as at 30 June 2016 was USD 115 million.

As at 30 June 2016 the Group had not made the coupon payment due on 4 May 2016 in respect of Eurobonds and the principal payment due on 31 May 2016 in respect of the Russian rouble bonds to the total amount of USD 33 million. As a consequence obligations in the amount of USD 743 million have been classified as short term in these consolidated interim condensed financial statements. As explained more fully in note 7, the Group is currently engaged in negotiations with holders of the Eurobonds and Russian rouble bonds with a view to achieving a consensual restructuring of its indebtedness under the Eurobonds and Russian rouble bonds.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

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	
	2016	2015	2016	2015
	USD mln		USD mln	
Current tax expense				
Current period	7	8	3	3
	<u>7</u>	<u>8</u>	<u>3</u>	<u>3</u>
Deferred tax expense				
Origination and reversal of temporary differences	(5)	4	(2)	2
	<u>(5)</u>	<u>4</u>	<u>(2)</u>	<u>2</u>
Total income tax expense	<u>2</u>	<u>12</u>	<u>1</u>	<u>5</u>

Reconciliation of effective tax rate:

	Six-month period ended 30 June				Three-month period ended 30 June			
	2016		2015		2016		2015	
	USD mln	%	USD mln	%	USD mln	%	USD mln	%
Profit/(loss) before income tax	60	100	20	100	81	100	(3)	100
Income tax at applicable tax rate of 20% (2015: 20%)	12	20	4	20	16	20	(1)	(20)
Effect of income taxed at different rates	-	-	(1)	(5)	(1)	(1)	1	100
Income tax on dividends	-	-	1	3	-	-	1	100
Non-deductible expenses/ non-taxable income, net	(10)	(17)	7	35	(14)	(18)	4	133
Change in unrecognised deferred tax asset	-		1	7	-		-	
	<u>2</u>	<u>3</u>	<u>12</u>	<u>60</u>	<u>1</u>	<u>1</u>	<u>5</u>	<u>313</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.

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

**Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016**

19. Shareholders' Equity

	30 June 2016	31 December 2015
	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)	57	57

20. Business Segmental Analysis

For management purposes, the Group is organised into five major operating divisions – shipping, liner and logistics, railway services, ports 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 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.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

Segment information for the main reportable segments of the Group for the six-month period ended 30 June 2016 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans-Container	Eliminations/ Adjustments	Total
USD mln									
External sales	20	161	39	36	3	-	-	(1)	258
Inter-segment sales	13	-	4	16	8	-	-	(41)	-
Segment revenue	33	161	43	52	11	-	-	(42)	258
Segment expenses (*)	(21)	(158)	(36)	(25)	(11)	(12)	-	45	(218)
Segment result	12	3	7	27	-	(12)	-	3	40

Segment non-cash items:

Depreciation and amortization	(5)	(2)	(8)	(4)	-	-	-	(1)	(20)
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Other material items of income/expense:

Other income and expenses	(1)	-	-	(1)	-	3	-	(3)	(2)
Interest expense	-	(1)	(7)	(3)	-	(50)	-	11	(50)
Share of profit of equity accounted investees	1	-	-	-	-	-	3	-	4
Income tax expense	1	-	2	(6)	-	-	-	1	(2)

Segment information for the main reportable segments of the Group for the six-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	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

Segment non-cash items:

Depreciation and amortization	(5)	(4)	(10)	(5)	-	(1)	-	-	(25)
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Other material items of income/expense:

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)

Segment information for the main reportable segments of the Group for the three-month period ended 30 June 2016 is set out below.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans- Container	Eliminations/ Adjustments	Total
	USD mln								
External sales	4	89	21	18	1	-	-	(1)	132
Inter-segment sales	6	-	2	9	4	-	-	(21)	-
Segment revenue	10	89	23	27	5	-	-	(22)	132
Segment expenses (*)	(11)	(85)	(18)	(14)	(4)	(7)	-	22	(117)
Segment result	(1)	4	5	13	1	(7)	-	-	15
<i>Segment non-cash items:</i>									
Depreciation and amortization	(3)	(1)	(4)	(2)	-	-	-	-	(10)
<i>Other material items of income/expense:</i>									
Other income and expenses	(1)	-	(1)	(1)	-	2	-	(1)	(2)
Interest expense	-	(1)	(4)	(2)	-	(28)	-	7	(28)
Share of profit of equity accounted investees	-	-	-	-	-	-	3	-	3
Income tax expense	-	-	-	(2)	-	-	-	1	(1)

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
<i>Segment non-cash items:</i>									
Depreciation and amortization	(3)	(2)	(5)	(2)	-	(1)	-	-	(13)
<i>Other material items of income/expense:</i>									
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)

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

Segmental assets and liabilities breakdown for the six-month period ended 30 June 2016 is set out below.

Segmental assets and liabilities

	Assets		Liabilities	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	USD mln			
Shipping (Global)	93	103	28	30
Liner and logistics (Global)	97	93	48	47
Railway services (Russia)	213	204	15	19
Ports (Russia)	151	138	84	53
Bunkering (Russia)	5	7	3	5
Total of all segments	559	545	178	154
Goodwill	100	89	-	-
Other items not attributed to a specific segment	199	171	870	972
Consolidated	858	805	1,048	1,126

Other segmental information

	Acquisition of segment assets		Investments in equity accounted investees	
	30 June 2016	30 June 2015	30 June 2016	31 December 2015
	USD mln			
Shipping (Global)	4	3	1	1
Liner and logistics (Global)	1	-	4	4
Railway services (Russia)	3	5	10	9
Ports (Russia)	3	3	-	-
Investment in TransContainer	-	-	192	166
	11	11	207	180

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

21. Revenue

	Six-month period ended 30 June		Three-month period ended 30 June	
	2016	2015	2016	2015
	USD mln			
Transportation services (operators' business)	190	242	104	124
Port and stevedoring services	35	39	17	19
Bunkering	3	60	1	14
Revenue from rentals	9	7	6	4
Hire and freight	20	32	4	16
Agency fees	1	3	-	2
	258	383	132	179

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

22. Operating Expenses

	Six-month period ended 30 June		Three-month period ended 30 June	
	2016	2015	2016	2015
	USD mln			
Railway infrastructure tariff and transportation services	129	152	69	76
Payroll expenses	24	29	13	15
Bunkering	3	53	1	13
Voyage and vessel running cost	10	26	6	17
Stevedoring services	5	5	3	4
Operating lease	9	12	5	7
Non-profit based taxes	2	2	1	1
	182	279	98	133

23. Administrative Expenses

	Six-month period ended 30 June		Three-month period ended 30 June	
	2016	2015	2016	2015
	USD mln			
Salary and other staff related costs	25	27	13	12
Professional fees	4	4	2	2
Office rent	2	5	1	3
Other administrative expenses	5	7	3	5
	36	43	19	22

24. Other Finance Income, net

	Six-month period ended 30 June		Three-month period ended 30 June	
	2016	2015	2016	2015
	USD mln			
Interest income	1	6	1	3
Bonds redemption	109	23	109	11
Other expenses	(2)	(5)	(2)	(5)
	108	24	108	9

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. The Group has derecognized the repurchased Eurobonds as Management considered that the Group's obligation was extinguished on the buyback. The buyback resulted in a gain of USD 109 million, which had been recognized in other long - term liabilities in the Statement of financial position as at 31 December 2015 in accordance with the terms of the above loan agreement. In May 2016 the Group refinanced the above obligations to international bank with a new loan facility. The previously deferred gain of USD 109 million has been recognized as other finance income in the statement of profit and loss for 6 months ended 30 June 2016.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016

25. 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	
	2016	2015	2016	2015
Profit/(loss) for the period, USD	56,560,000	7,264,000	79,034,000	(8,442,000)
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 profit/(loss) per share, USD	<u>0.019</u>	<u>0.002</u>	<u>0.027</u>	<u>(0.003)</u>

26. 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 2015.

27. Related Party Transactions

For the purposes of these consolidated interim condensed 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 eleven individuals were considered to be the Group's key management and directors (2015– eight individuals). Their remuneration during the period was as follows:

	Six-month period ended 30 June		Three-month period ended 30 June	
	2016	2015	2016	2015
	USD mln			
Salaries	1	1	-	-
	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

	30 June 2016	31 December 2015	Nature of balances
Consolidated Interim Condensed Statement of Financial Position	USD mln		
Associates and joint ventures	1	1	Trade receivables
Joint Venture Company	-	1	Loan issued
Joint Venture Company	-	1	Interest receivable
Related through common shareholder	(10)	(10)	Loan payable

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

**Notes to the Consolidated Interim Condensed Financial Statements
For the six-month and three-month periods ended 30 June 2016**

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	
	2016	2015	2016	2015	
	USD mln				
Associates sales	1	2	1	1	Agency services, rent and other services
Associates purchases	(1)	(2)	(1)	(1)	Agency services, rent and other expenses
Joint Venture Company purchases	-	(1)	-	(1)	Agency, transportation and stevedoring services
Related through common shareholder	-	20	-	-	Sale of bunker
Related through common shareholder	(6)	(5)	(3)	(5)	Transportation services
Related through common shareholder	-	5	-	3	Interest income
Related through common shareholder	(2)	(2)	(1)	(1)	Other related services

28. Events Subsequent to the Reporting Date

The Group is engaged in negotiations with holders of its Eurobonds and Russian rouble bonds and other lenders of its bilateral facilities to restructure and/or refinance its debt obligations.