

# **PJSC Russian Aquaculture Group**

**Interim Condensed Consolidated  
Financial Statements (Unaudited)**

For the Six Months Ended 30 June 2015

# PJSC RUSSIAN AQUACULTURE GROUP

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## **PJSC RUSSIAN AQUACULTURE GROUP**

### **STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015**

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Management is responsible for the preparation and fair presentation of the unaudited interim condensed consolidated statement of financial position of PJSC Russian Aquaculture (the "Company") and its subsidiaries (collectively – the "Group") as at 30 June 2015 and the related unaudited interim condensed consolidated statements of comprehensive income, cash flows and changes in equity for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

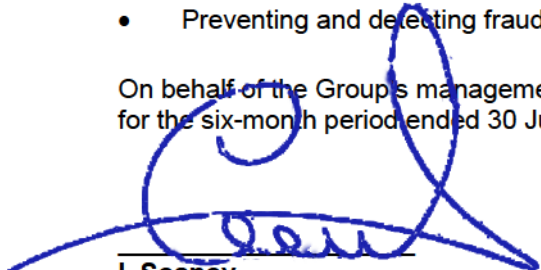
In preparing the unaudited interim condensed consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's interim condensed consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

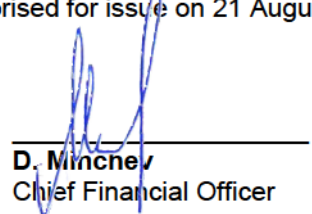
Management is also responsible for:

- 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 financial statements of the Group, and which enable them to ensure that the 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.

On behalf of the Group's management, the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2015 were authorised for issue on 21 August 2015 by:



**I. Sosnov**  
Chief Executive Officer



**D. Minchev**  
Chief Financial Officer

## **INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

To: Shareholders of Public Joint Stock Company Russian Aquaculture  
(formerly known as Open Joint Stock Company Russian Sea Group)

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of PJSC Russian Aquaculture and its subsidiaries (collectively – the “Group”) as of 30 June 2015 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 interim financial statements 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.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.



Moscow, Russian Federation

21 August 2015

## PJSC RUSSIAN AQUACULTURE

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

(in thousands of Russian Roubles)

	Notes	30 June 2015	31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1,819,834	1,226,219
Advances paid to suppliers for property, plant and equipment		35,743	53,282
Intangible assets		13,940	44,828
Deferred tax assets		66,118	83,818
Long-term investments		-	168,000
		<b>1,935,635</b>	<b>1,576,147</b>
<b>Current assets</b>			
Inventories	8	1,439,924	1,414,700
Biological assets	9	1,196,470	1,278,846
Trade and other receivables, net	10	613,267	1,061,930
VAT recoverable		137,805	96,588
Advances paid to suppliers, net	11	784,223	416,144
Short-term investments	12	168,000	26,000
Income tax receivable		33,509	57,583
Derivatives that are not designated in hedge accounting relationships		-	3,566
Cash and cash equivalents	7	83,199	795,375
		<b>4,456,397</b>	<b>5,150,732</b>
<b>Total assets</b>		<b>6,392,032</b>	<b>6,726,879</b>
<b>SHAREHOLDERS' (DEFICIT)/ EQUITY AND LIABILITIES</b>			
<b>(Deficit)/ Equity attributable to owners of the parent</b>			
Share capital		7,953,765	7,953,765
Share premium		654,035	654,035
Effect from reorganization of the Group under common control		(5,187,469)	(5,187,469)
Accumulated deficit		(3,925,872)	(3,600,335)
		<b>(505,541)</b>	<b>(180,004)</b>
<b>Non-current liabilities</b>			
Long-term borrowings	14	4,110,704	1,984,166
		<b>4,110,704</b>	<b>1,984,166</b>
<b>Current liabilities</b>			
Short-term borrowings	15	2,134,841	3,037,677
Bonds payable	16	-	629,446
Trade payables	13	554,598	1,083,495
Other payables		17,944	94,544
Advances received from customers		37,283	28,477
VAT and other taxes payable		42,203	38,875
Derivatives that are not designated in hedge accounting relationships		-	10,203
		<b>2,786,869</b>	<b>4,922,717</b>
<b>Total liabilities</b>		<b>6,897,573</b>	<b>6,906,883</b>
<b>Total shareholders' (deficit)/ equity and liabilities</b>		<b>6,392,032</b>	<b>6,726,879</b>



## PJSC RUSSIAN AQUACULTURE

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(in thousands of Russian Roubles)*

	Notes	For the six months ended 30 June	
		2015	2014
Revenue	4	6,835,327	9,047,678
Cost of sales	17	(5,637,855)	(8,068,235)
Fair value gain/(loss) on biological assets	9	101,408	(363,370)
<b>Gross profit</b>		<b>1,298,880</b>	<b>616,073</b>
Selling and distribution costs	18	(526,956)	(537,969)
General and administrative expenses	19	(181,312)	(186,567)
Other operating income		42,057	43,765
Other operating expenses	20	(403,430)	(11,081)
Interest income		13,178	2,131
Interest expense		(447,794)	(232,077)
Foreign exchange gain/(loss)		40,503	(92,768)
<b>Loss before income tax</b>		<b>(164,874)</b>	<b>(398,493)</b>
Income tax expense	21	(160,663)	(33,289)
<b>Net loss for the period</b>		<b>(325,537)</b>	<b>(431,782)</b>
<b>NET LOSS FOR THE PERIOD, BEING TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(325,537)</b>	<b>(431,782)</b>
<b>Basic and diluted loss per share (Russian Roubles)</b>	22	<b>(4.09)</b>	<b>(5.44)</b>

# PJSC RUSSIAN AQUACULTURE

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015 (in thousands of Russian Roubles)

	For the six months ended 30 June	
	2015	2014
<b>Cash flows from operating activities:</b>		
Loss before income tax	(164,874)	(398,493)
Adjustments to reconcile loss before income tax to cash generated from operating activities:		
Depreciation of property, plant and equipment	2,658	11,640
Amortisation of intangible assets	2,180	2,404
Interest income	(13,178)	(2,131)
Interest expense	447,794	246,685
Government subsidies	-	(14,608)
Foreign exchange (gain)/loss	(40,503)	92,768
Gain on disposal of property, plant and equipment	(378)	(270)
Loss on disposal of intangible assets	34,283	-
Inventory returns from customers, (obsolete) inventory write-offs and stocktake shortages	340,362	10,624
Allowance for doubtful accounts receivable	26,063	3,450
Impairment/(reversal of impairment) of advances paid	19,406	(2,721)
Fair value (gain)/loss on biological assets	(101,408)	363,370
<b>Operating profit before working capital changes</b>	<b>552,405</b>	<b>312,718</b>
<b>Movements in working capital:</b>		
Increase in inventory and biological assets	(123,864)	(73,523)
Decrease in trade and other receivables	426,402	256,255
Increase in VAT recoverable	(41,217)	(53,669)
(Increase)/decrease in advances paid to suppliers, net	(387,476)	59,850
Decrease in trade payables	(495,033)	(491,658)
Decrease in other payables	(93,819)	(41,645)
Increase/(decrease) in advances received from customers	8,797	(73,874)
Increase/(decrease) in other taxes payable	10,842	(3,068)
<b>Cash used in operating activities</b>	<b>(142,963)</b>	<b>(108,614)</b>
Income tax paid	(118,880)	(10,632)
Interest received	13,178	2,131
Interest paid	(437,967)	(211,827)
<b>Net cash used in operating activities</b>	<b>(686,632)</b>	<b>(328,942)</b>
<b>Cash flows from investing activities:</b>		
Payments for property, plant and equipment	(636,424)	(375,172)
Proceeds from disposal of property, plant and equipment (Note 6)	1	11,477
Purchase of intangible assets	(5,575)	(3,230)
Proceeds from promissory notes	26,000	-
Proceeds from loans given to third parties	-	227
<b>Net cash used in investing activities</b>	<b>(615,998)</b>	<b>(366,698)</b>

## PJSC RUSSIAN AQUACULTURE

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(in thousands of Russian Roubles)*

	For the six months ended 30 June	
	2015	2014
<b>Cash flows from financing activities:</b>		
Repayments of bonds	(629,446)	(115,496)
Purchase of treasury shares	-	(8,934)
Proceeds from sale of treasury shares	-	10,037
Proceeds from short-term loans	2,368,246	3,287,139
Repayments of short-term loans	(2,145,406)	(2,588,400)
Proceeds from long-term loans	1,000,862	134,829
Repayments of long-term loans	-	(234,202)
<b>Net cash generated from financing activities</b>	<b>594,256</b>	<b>484,973</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(708,374)</b>	<b>(210,667)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(3,802)	(11,673)
<b>Cash and cash equivalents at 1 January</b>	<b>795,375</b>	<b>361,756</b>
<b>Cash and cash equivalents at 30 June</b>	<b>83,199</b>	<b>139,416</b>



## PJSC RUSSIAN AQUACULTURE

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

(in thousands of Russian Roubles)

	(Deficit)/Equity attributable to equity holders of the parent					Total (deficit)/ equity
	Share capital	Share premium	Treasury shares	Effect from reorganiza- tion of the Group under common control	Accumu- lated deficit	
<b>Balance at 1 January 2014</b>	<b>7,953,765</b>	<b>654,035</b>	<b>(1,103)</b>	<b>(5,187,469)</b>	<b>(3,194,880)</b>	<b>224,348</b>
Total comprehensive loss for the period	-	-	-	-	(431,782)	(431,782)
Purchase of treasury shares	-	-	(8,934)	-	-	(8,934)
Sale of treasury shares	-	-	10,037	-	(2,192)	7,845
<b>Balance at 30 June 2014</b>	<b>7,953,765</b>	<b>654,035</b>	<b>-</b>	<b>(5,187,469)</b>	<b>(3,628,854)</b>	<b>(208,523)</b>
<b>Balance at 1 January 2015</b>	<b>7,953,765</b>	<b>654,035</b>	<b>-</b>	<b>(5,187,469)</b>	<b>(3,600,335)</b>	<b>(180,004)</b>
Total comprehensive loss for the period	-	-	-	-	(325,537)	(325,537)
<b>Balance at 30 June 2015</b>	<b>7,953,765</b>	<b>654,035</b>	<b>-</b>	<b>(5,187,469)</b>	<b>(3,925,872)</b>	<b>(505,541)</b>

# PJSC RUSSIAN AQUACULTURE

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

### 1. CORPORATE INFORMATION

These unaudited interim condensed consolidated financial statements are prepared by Public joint stock company ("PJSC") Russian Aquaculture (formerly known as Open joint stock company Russian Sea Group). The principal activities of PJSC Russian Aquaculture ("the Company") and its subsidiaries (jointly referred to as "the Group") are fish farming and distribution of fish.

The companies of the Group are located in Russia, except for RSEA CYPRUS LIMITED, which is registered in Cyprus.

The Company is registered under the laws of Russia in Moscow. The Company's headquarter address is: 121353, Moscow, 4 Belovezhskaya Street, Western gate.

In April 2014 Elston Trading Services Corporation, company under control of Gleb Frank, businessman and member of the Group's Board of Directors, acquired 30.5% share in RSEA Holding Ltd. from Mr. Guennadi Timtchenko. Further, in the first quarter of 2015, Gleb Frank acquired additional 6.6% of the Group's shares in the open market. Currently the Group does not have a single ultimate controlling party; however, Maxim Vorobiev, the Russian citizen, who owns 30.5% of the Group's shares via RSEA Holding Ltd., and Gleb Frank, also Russian citizen, who owns 37.1% of the Group's shares, control the Group (67.6%). 24% of shares are owned by individuals and 8.4% of shares are in free float.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors of the Company on 21 August 2015.

The principal activities and entities of the Group as of 30 June 2015 and 31 December 2014 were as follows:

Name	Principal activity	Ownership and voting interest, %	
		30 June 2015	31 December 2014
PJSC Russian Aquaculture	Holding/managing company	n/a	n/a
CJSC Russian Fish Company	Distribution	100	100
LLC Russian Sea Delivery	Distribution	100	100
LLC Russian Sea – Kaliningrad	Fish and seafood processing, distribution	100	100
LLC Russian Sea Aquaculture	Fish farming	100	100
RSEA CYPRUS LIMITED	Distribution/Export	100	100
LLC Aquaculture	Dormant	100	100

### 2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The annual consolidated financial statements of PJSC Russian Aquaculture are prepared in accordance with International Financial Reporting Standards ("IFRS"). These unaudited interim condensed consolidated financial statements for the six-months period ended 30 June 2015 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Accordingly, they do not include all of the information and disclosures required by IFRS in the annual financial statements.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Group's annual IFRS consolidated financial statements for the year ended 31 December 2014, considering the effect of adoption of new standards and interpretations, which is described below.

## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

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The Company and its subsidiaries maintain their accounting records in accordance with regulations applicable in the Russian Federation. These unaudited interim condensed consolidated financial statements are based on those accounting books and records, as adjusted and reclassified to comply with IAS 34.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results can differ significantly from such estimates.

These unaudited interim condensed consolidated financial statements unless expressly indicated otherwise are presented in the national currency of the Russian Federation, Russian Rouble (RR), which is the functional currency of the Company and its subsidiaries and the currency, in which these unaudited interim condensed consolidated financial statements are presented.

#### **Going concern**

Despite of the difficult economic situation and expansion of the contra-sanctions by the Russian Federation, the Group continues on the course of aquaculture segment development, as well as supports the distribution business direction.

The consolidated revenue of the Group for six months ended 30 June 2015 amounted to 6,835,327; that is 24% lower than the same figure for the comparative period. At the same time it is necessary to mention that gross profit increased significantly as compared to six months ended 30 June 2014 and was equal to 1,298,880 (19% of revenue and two times higher than the same figure for the comparative period).

The main factor that contributed to the gross profit growth were the Group's management concentrated efforts on changing the business development strategy under the pressure of constantly changing external environment.

In distribution segment sales of the Far-Eastern product mix increased that allowed to maintain and expand the effectiveness and profitability of this Group's business direction, despite the decline of sales volume as compared to the prior year.

At the same time during the six months ended 30 June 2015 the Group earned the net loss of 325,537. The main contributing factors to such results were:

- Loss from the mortality of fish resulted from the force majeure events in the amount of 343,729; and
- Increased interest expenses (mainly, on investment loans, taken for the purposes of aquaculture segment development).

Besides, during the six months ended 30 June 2015 the Group deteriorated the cash flow results by generating the net outflow from the operating activities in the amount of 686,632; thereby increasing the comparative period results by 2 times. It was mainly caused by the transition to prepayment scheme for the settlements with foreign suppliers. In these circumstances the Group repaid and continues to repay all its obligations.

The Group continues to increase volumes of the aquaculture (fish farming) segment, facilitating the implementation of food supply security and import substitution programs. In the summer of 2015 two more farms on growing the Atlantic salmon – "Eretic" (the second cycle) and "Chervyanoe ozerko" – were successfully launched in the Barents Sea water area. The catching of ready fish is expected at the end of 2016.

Besides, during the second quarter of 2015 the Group repaid in full its bond-secured loan, the balance of which was equal to 629,446 prior to maturity.



## **PJSC RUSSIAN AQUACULTURE**

### **NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015**

***(All amounts in thousands of Russian Roubles, if not otherwise indicated)***

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As of 30 June 2015 Group's current assets were in substantial excess of its current liabilities (by 1,669,528); and in June 2015 the Group prolonged series of its credit line agreement with Gazprombank due in September 2016 for one year, so moving those loans to the long-term sources of financing and thus further improving the liquidity situation.

Taking into account all above said management of the Group is certain about the ability of the Group to continue as going concern. The Group will continue trading in the foreseeable future and there are no intentions to liquidate the Group or cut down the activities, as well as the Group will be able to realize its assets and pay out its liabilities in the normal course of business.

#### **Significant accounting policies**

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the following new or revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") effective for accounting periods beginning on or after 1 January 2015.

#### **Adoption of new standards and interpretations**

- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle.

#### **Annual Improvements to IFRSs 2010-2012 Cycle**

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

There is no significant effect of these amendments on the interim condensed consolidated financial statements.

# PJSC RUSSIAN AQUACULTURE

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

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### Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

There is no significant effect of these amendments on the interim condensed consolidated financial statements.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

### 3. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the fish retail market, higher revenues and operating profits are usually expected in the second half of the year as compared to the first six months. In the financial year ended 31 December 2014, 47% of revenues were earned in the first half of the year, with 53% accumulating in the second half. Besides, market fish prices fluctuate significantly – during the summer period the prices are usually lower than in winter, which results in high volatility of biological assets fair value.

### 4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and has two reportable operating segments: (1) chilled and frozen fish distribution and (2) fish farming operating activities conducted by LLC Russian Sea Aquaculture. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit. Segment profit is segment revenue less segment expenses. Segment expense consists of cost of sales and selling and distribution costs and part of other operating expenses. The segments are determined based on internal reporting to the chief operating decision makers – the Management Board of PJSC Russian Aquaculture.



## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

Six months ended 30 June 2015	Chilled and frozen fish distribution	Fish farming	Eliminations	Group
Sales to external customers	6,813,083	22,244	-	6,835,327
Inter-segment sales <sup>1</sup>	-	333,610	(333,610)	-
<b>Total revenue</b>	<b>6,813,083</b>	<b>355,854</b>	<b>(333,610)</b>	<b>6,835,327</b>
Fair value adjustment on revaluation of biological assets	-	101,408	-	101,408
<b>Segment profit/(loss)<sup>2</sup></b>	<b>803,444</b>	<b>(375,249)</b>	<b>-</b>	<b>428,195</b>
General and administrative expenses				(181,312)
Other operating income				42,057
Other operating expenses (excluding 343,729 of inventory write-offs, included in fish farming segment loss)				(59,701)
Interest income				13,178
Interest expense				(447,794)
Foreign exchange gain				40,503
<b>Loss before income tax</b>				<b>(164,874)</b>
Segment assets	2,425,871	3,839,406	-	6,265,277
Unallocated assets <sup>3</sup>				126,755
<b>Total assets</b>				<b>6,392,032</b>
Segment liabilities	2,715,359	4,159,573	-	6,874,932
Unallocated liabilities <sup>3</sup>				22,641
<b>Total liabilities</b>				<b>6,897,573</b>
EBITDA <sup>4</sup>				156,692
Net debt/EBITDA <sup>5</sup>				<b>39.33</b>

<sup>1</sup> Inter-segment sales are based on 3.1% mark up for the six month ended 30 June 2015 (six month ended 30 June 2014: 3.05%).

<sup>2</sup> Segment profit is a primary measure monitored by the Management.

<sup>3</sup> Unallocated assets and liabilities include assets and liabilities of the managing company PJSC Russian Aquaculture.

<sup>4</sup> EBITDA is defined as (loss)/profit before tax less net interest expense and foreign exchange (loss)/gain, before depreciation and amortization. Starting from 2014 fair value (loss)/gain on biological assets is excluded from the calculation of EBITDA. The measure is different from the one that is calculated and monitored in accordance with the loan agreements with Gazprombank.

<sup>5</sup> Net debt is defined as total borrowings and bonds payable less cash and cash equivalents.

## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

Six months ended 30 June 2014	Chilled and frozen fish distribution	Fish farming	Eliminations	Group
Sales to external customers	9,036,699	10,979	-	9,047,678
Inter-segment sales <sup>1</sup>	-	189,934	(189,934)	-
<b>Total revenue</b>	<b>9,036,699</b>	<b>200,913</b>	<b>(189,934)</b>	<b>9,047,678</b>
Fair value adjustment on revaluation of biological assets	-	(363,370)	-	(363,370)
<b>Segment profit/(loss)<sup>2</sup></b>	<b>449,177</b>	<b>(371,073)</b>	<b>-</b>	<b>78,104</b>
General and administrative expenses				(186,567)
Other operating income				43,765
Other operating expenses				(11,081)
Interest income				2,131
Interest expense				(232,077)
Exchange gain				(92,768)
<b>Loss before income tax</b>				<b>(398,493)</b>
Segment assets	1,895,996	2,831,763	-	4,727,759
Unallocated assets <sup>3</sup>				129,253
<b>Total assets</b>				<b>4,857,012</b>
Segment liabilities	3,052,661	1,573,285	-	4,625,946
Unallocated liabilities <sup>3</sup>				439,589
<b>Total liabilities</b>				<b>5,065,535</b>
EBITDA <sup>4</sup>				274,201
Net debt/EBITDA <sup>5</sup>				13.1

<sup>1</sup> Inter-segment sales are based on 3.05% mark up for the six month ended 30 June 2014.

<sup>2</sup> Segment profit is a primary measure monitored by the Management.

<sup>3</sup> Unallocated assets and liabilities include assets and liabilities of the managing company PJSC Russian Aquaculture.

<sup>4</sup> EBITDA is defined as (loss)/profit before tax less net interest expense and foreign exchange (loss)/gain, before depreciation and amortization. Starting from 2014 fair value (loss)/gain on biological assets is excluded from the calculation of EBITDA. The measure is different from the one that is calculated and monitored in accordance with the loan agreements with Gazprombank.

<sup>5</sup> Net debt is defined as total borrowings and bonds payable less cash and cash equivalents.

## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

#### 5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, and entities over which the Group has significant influence.

The nature of the related party relationships for those related parties with whom the Group entered into transactions for the six-months period ended 30 June 2015 and 2014 or had balances outstanding at 30 June 2015 and 31 December 2014 are detailed below.

##### Balances with Related Parties:

Description	Other receivables from related parties	Cash and cash equivalents	Other payables to related parties
<b>30 June 2015</b>			
Entities under common control (b)	307	-	947
<b>31 December 2014</b>			
Entities under common control (b)	-	-	17

##### Transactions with Related Parties:

Description	Relationship	Six months ended 30 June	
		2015	2014
Other operating income	Entity under common control (a)	-	6,987
Purchases	Entity under common control (b)	-	5,551
Purchases	Key management personnel (a)	-	444
Purchases	Entity under common control (c)	169	57

(a) Purchases represented consulting services and rent of office equipment.

(b) Purchases of ready-to-eat production.

(c) Transactions related to marketing expenses.

##### Compensation to Key Management Personnel

Key management personnel comprised 4 persons as at 30 June 2015 (as at 31 December 2014: 4 persons). Total compensation to key management personnel, all of which represented by short-term employee benefits (monthly payroll and bonuses), included in general and administrative expenses in the statement of comprehensive income amounted to 17,310 for the six months ended 30 June 2015 (39,693 for the six months ended 30 June 2014).

##### Shareholders of the Group

As of 30 June 2015 and 31 December 2014 the registered shareholders of PJSC Russian Aquaculture and their respective ownership and voting rights were as follows:

	30 June 2015	31 December 2014
Gleb Frank	37.1%	-
RSEA HOLDINGS LIMITED	30.5%	61.0%
Members of Board of Directors	24.0%	27.0%
Free float	8.4%	12.0%
	<b>100.0%</b>	<b>100.0%</b>

All shares hold equal voting rights.



## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

#### 6. PROPERTY, PLANT AND EQUIPMENT

During six months ended 30 June 2015 the Group purchased property, plant and equipment in the amount of 636,424. The significant amount of purchases comprised equipment for processing of atlantic salmon and fish ponds.

#### 7. CASH AND CASH EQUIVALENTS

	<u>30 June 2015</u>	<u>31 December 2014</u>
Russian Rouble denominated cash in banks and on hand	63,009	61,834
Foreign currency denominated cash in banks:	16,190	58,294
- NOK	9,984	-
- US dollars	6,163	58,294
- Euro	43	-
Cash equivalents	4,000	300,065
Restricted cash	-	375,182
	<u>83,199</u>	<u>795,375</u>

The restricted cash in the amount of 375,182 was represented by the letter of credit facility as of 31 December 2014. The money was used in the six months ended 30 June 2015 for the purchase of ship.

The sharp decrease of cash equivalents amount was connected with the repayment of bonds matured on 23 June 2015 (Note 16).

#### 8. INVENTORIES

	<u>30 June 2015</u>	<u>31 December 2014</u>
Goods for resale	1,337,744	1,265,444
Raw materials	99,113	127,711
Finished goods	3,067	21,545
	<u>1,439,924</u>	<u>1,414,700</u>

#### 9. BIOLOGICAL ASSETS

Biological assets as at 30 June 2015 comprise 3,366 tonnes of live fish (2,674 tonnes as at 31 December 2014) and 967 tonnes of smolt (2,274 tonnes as at 31 December 2014).

In accordance with IAS 41, prior to harvest, biological assets related to agricultural activity are measured at fair value less estimated point-of-sale costs, with any changes in fair value recognized in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

Fair value of the Group's live fish is determined by using valuation techniques, as there are no observable market price for live fish.

## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

The fair value of biological assets was calculated for the six months ended 30 June 2015 based on the following key assumptions:

- The best estimate of the fair value of smolt, salmon under 1,000 g and trout under 200 g is considered to approximate the accumulated cost;
- The best estimate of the fair value of salmon above 1,000 g and under 2,000 g and trout above 200 g and below 800 g is the accumulated cost adjusted by the proportionate estimated profit;
- The best estimate of the fair value of salmon above 2,000 g and trout above 800 g is considered to be the actual selling price;
- Actual selling prices at the reporting date were used for valuation;
- The prices were adjusted for expected selling expenses which include eviscerating and packing costs;
- The volume was adjusted for gutting loss (live weight of fish was adjusted for gutting coefficient 16%).

Level 3 approach was used to determine the fair value of live fish.

Change in carrying amount of biological assets	Six months ended 30 June	
	2015	2014
<b>Balance at 1 January</b>	<b>1,278,846</b>	<b>1,351,166</b>
Purchases	649,502	594,485
Cost of harvested fish	(498,421)	(221,788)
Mortality for fish in sea (net of VAT)	(334,865)	(11,293)
Change in fair value	101,408	(363,370)
<b>Balance at 30 June</b>	<b>1,196,470</b>	<b>1,349,200</b>

As at 30 June 2015 total amount of commitments for the acquisition of smolt for the second half-year 2015 amounted to 464,994 (as at 31 December 2014: 84,941).

#### 10. TRADE AND OTHER RECEIVABLES

	30 June 2015	31 December 2014
Trade receivables	668,381	1,096,085
Other receivables	9,029	7,269
Allowance for doubtful accounts receivable	(64,143)	(41,424)
	<b>613,267</b>	<b>1,061,930</b>

Trade receivables are non-interest bearing and are normally settled within 90-120 days.

Trade receivables as at 30 June 2015 include 7,946 (as at 31 December 2014: 34,325) subject to factoring agreement with VTB. Average effective rate for the factoring agreement is 12% for six months ended 30 June 2015 and 2014. According to the factoring agreement risks and rewards on the receivables are not transferred to the factor-company in the case of customers' default to pay. Therefore these amounts are continued to be treated as trade receivables with the liabilities to VTB being shown in other advances received.



## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

#### 11. ADVANCES PAID TO SUPPLIERS

	30 June 2015	31 December 2014
Advances paid for feed	367,541	156,506
Advances paid for smolt	173,749	56,627
Advances paid for raw fish and seafood	71,509	87,904
Other	203,135	127,421
Less: Impairment of advances paid	(31,711)	(12,314)
	<b>784,223</b>	<b>416,144</b>

#### 12. SHORT-TERM INVESTMENTS

Short-term investments as at 30 June 2015 were denominated in RR and comprised promissory notes issued to the Group by Rosselkhozbank in April 2013 in the amount of 168,000 and pledged for the loans payable to Gazprombank (Notes 14 and 15).

The outstanding balances, interest rates maturity dates as at 30 June 2015 are summarised below:

Issuance date	Par value	Number of promissory notes	Outstanding balance	Interest rate	Maturity date
17 April 2013	4,800	35	168,000	7.26%	On demand but not earlier than 29 April 2016 and not later than 16 May 2016

#### 13. TRADE PAYABLES

	30 June 2015	31 December 2014
Trade payables for raw fish and seafood	431,137	857,091
Trade payables for services	123,461	226,404
	<b>554,598</b>	<b>1,083,495</b>

#### 14. LONG-TERM BORROWINGS

Long-term borrowings as at 30 June 2015 were denominated in RR and comprised the following credit facilities:

Bank and credit facility agreement	Outstanding balance as at 30 June 2015	Maturity date	Credit facility limit
Gazprombank	4,110,704	September 2016- August 2021	8,003,750
	<b>4,110,704</b>		

## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

Long-term borrowings as at 31 December 2014 were denominated in RR and comprised the following credit facilities:

<b>Bank</b>	<b>Outstanding balance as at 31 December 2014</b>	<b>Maturity Date</b>	<b>Credit facility limit</b>
Gazprombank	1,984,166	September 2016- August 2021	3,303,750
	<b>1,984,166</b>		

All long-term borrowings have fixed interest rate. The weighted average interest rate on these borrowings is 13.30% per annum, in the range of 12.50% – 14.00% (2014: 14.52% per annum, in the range of 14.10% – 15.00%).

#### 15. SHORT-TERM BORROWINGS

Short-term borrowings as at 30 June 2015 were denominated in RR and comprised the following credit facilities:

<b>Bank</b>	<b>Outstanding balance as at 30 June 2015</b>	<b>Maturity Date</b>	<b>Credit facility limit</b>
Gazprombank	2,134,841	January 2016- March 2016	3,500,000
	<b>2,134,841</b>		

Short-term borrowings as at 31 December 2014 were denominated in RR and comprised the following credit facilities:

<b>Bank</b>	<b>Outstanding balance as at 31 December 2014</b>	<b>Maturity Date</b>	<b>Credit facility limit</b>
Gazprombank	2,125,677	January- December 2015	2,500,000
MKB	912,000	May-October 2015	1,200,000
	<b>3,037,677</b>		

All short-term borrowings have fixed interest rate. The weighted average interest rate on these borrowings is 14.7% per annum, in the range of 14% – 17% (2014: 11.78% per annum, in the range of 8.7% – 18.55%).

As at 31 June 2015 the Gazprombank long-term credit facilities were secured by pledge of:

- 100% interest in LLC Russian Sea Aquaculture, 49% shares of CJSC Russian Fish Company;
- Guarantee by CJSC Russian Fish Company;
- Guarantee by PJSC Russian Aquaculture;
- Promissory notes issued by Rosselkhozbank in the amount of 168,000.

## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

#### 16. BONDS PAYABLE

On 28 June 2015 629,446 bonds were repaid to bondholders in the amount of 629,446 and interest paid in the amount of 40,930 within the put option.

#### 17. COST OF SALES

	Six months ended 30 June	
	2015	2014
Cost of goods for resale	5,108,500	7,846,035
Cost of fish raised	498,421	213,145
Materials and components used in production	25,693	4,590
Direct labour costs	2,129	1,825
Production overheads	1,510	1,332
Depreciation	1,602	1,308
	<b>5,637,855</b>	<b>8,068,235</b>

#### 18. SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2015	2014
Transport	264,057	306,816
Payroll	108,951	104,683
Warehouse rent	70,692	73,691
Allowance for doubtful accounts receivable	26,063	3,450
Impairment/(reversal of impairment) of advances paid	19,406	(2,721)
Commission fees	15,649	6,009
Certification	9,395	11,544
Advertising	2,871	4,299
Inventory (surplus)/write-off as a result of stock take	(3,367)	10,624
Other	13,239	19,574
	<b>526,956</b>	<b>537,969</b>

#### 19. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2015	2014
Payroll	80,003	88,731
Taxes other than income tax	20,084	3,598
Rent and maintenance of buildings	18,748	25,007
Travel	14,558	9,680
Audit and consulting	12,589	19,004
Bank charges	6,426	13,465
Depreciation and amortization	3,237	12,736
Communication	2,176	2,152
Security	68	117
Other	23,423	12,077
	<b>181,312</b>	<b>186,567</b>

## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

#### 20. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2015	2014
Biological assets write-offs as a result of force majeure events	343,729	-
Land lease rights write-off	34,283	-
Other	25,418	11,081
	<u>403,430</u>	<u>11,081</u>

During the spring of 2015 there was force-majeure attack of the salmon louse in the Barents Sea water area, that led to mortality of the Group's live fish. The total amount of the related loss amounted to 343,729.

#### 21. INCOME TAX

The major components of income tax expense are as follows:

	Six months ended 30 June	
	2015	2014
Current income tax expense:		
<i>In respect of the current year</i>	152,800	31,625
<i>In respect of prior years</i>	127,599	31,625
	25,201	-
Deferred income tax expense	7,863	1,664
<b>Total income tax expense</b>	<u>160,663</u>	<u>33,289</u>

The Group has tax losses that are available for ten-years period to offset against future taxable profits of the companies in which they have been incurred. Deferred tax assets have been recognized in respect of tax losses in those subsidiaries that are expected to be profitable in the future.

Companies domiciled in Russia that do not have the status of an agricultural producer are subject to a 20% corporate income tax. Companies domiciled in Russia that do have the status of an agricultural producer are exempt from corporate income tax on profits realized from the sale of agricultural produce.

LLC Russian Sea Aquaculture has the status of agricultural producer thereby enabling it to be exempt from corporate income tax on profits from sale of agricultural produce.

The reconciliation of theoretical income tax at 20%, effective in the Russian Federation, to the actual tax expense recorded in the Group's interim condensed consolidated statement of comprehensive income is as follows:

	Six months ended 30 June	
	2015	2014
Loss before income tax	(164,874)	(398,493)
Theoretical income tax expense at statutory rate of 20%	(32,975)	(79,699)
<i>Adjustments due to:</i>		
Effect of different tax rate of the subsidiary granted the status of an agricultural producer	134,561	107,033
Non-deductible expenses	23,224	3,271
Other	10,652	2,684
Adjustments recognised in the current year in relation to the current tax of prior years	25,201	-
<b>Total income tax expense</b>	<u>160,663</u>	<u>33,289</u>



## PJSC RUSSIAN AQUACULTURE

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

#### 22. LOSS PER SHARE

Loss per share is calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Group has no dilutive potential ordinary shares; therefore, the diluted loss per share equals basic loss per share.

Loss per share calculated for the periods are as follows:

	Six months ended 30 June	
	2015	2014
Weighted average number of ordinary shares outstanding	79,537,651	79,437,084
Loss for the period from continuing operations attributable to owners of the parent	(325,537)	(431,782)
<b>Basic and diluted loss per share from operations, RR</b>	<b>(4.09)</b>	<b>(5.44)</b>

#### 23. DIVIDENDS

No dividends were declared or paid during six months ended 30 June 2015 and for the year ended 31 December 2014, and subsequent to 30 June 2015 up to the date of authorization of these unaudited interim condensed consolidated financial statements for issue.

#### 24. COMMITMENTS AND CONTINGENCIES

##### Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from March 2014, sanctions have been imposed by the U.S. and E.U. on certain Russian officials, businessmen and companies.

In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook.

During 2015 the economic situation is more stable, although the above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

##### Taxation and regulatory environment

Laws and regulations affecting businesses in the Russian Federation continue to change. Those changes are characterised by different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. The tax authorities in the Russian Federation frequently take an assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.



## **PJSC RUSSIAN AQUACULTURE**

### **NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2015**

*(All amounts in thousands of Russian Roubles, if not otherwise indicated)*

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In terms of tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

Russian transfer pricing legislation was amended starting from January 1, 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

#### **Environmental matters**

The Group's management believes that it is in compliance with applicable legislation and is not aware of any potential environmental claims. Therefore, no liabilities associated with such costs are recorded as of 30 June 2015 (nil as of 31 December 2014).

#### **Capital expenditure commitments**

As at 30 June 2015 the Group has contracted 31,751 in respect of acquisition of property, plant and equipment (as at 31 December 2014: 38,131).

## **25. SUBSEQUENT EVENTS**

The Group has evaluated subsequent events through 21 August 2015, which is the date of issuance of these interim condensed consolidated financial statements. As at the date when these interim condensed consolidated financial statements were authorised for issue, no material subsequent events have taken place that would require disclosure in the interim condensed consolidated financial statements, except for the described below.

On 18 July 2015 the workshop for primary processing in Murmansk district was seriously damaged by fire. The workshop was on conservation, so there was no fish processed in there. There is an investigation in process in order to establish cause of the fire and to evaluate the damage. Per management estimations, the maximum loss on property, plant and equipment located in the damaged building will not exceed the value of 127,771.

Besides, in July 2015 Ilya Sosnov was appointed as the new Chief Executive Officer of the Group.