FAR-EASTERN SHIPPING COMPANY PLC.
AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine-month and three-month periods ended 30 September 2014
(unaudited)

CONTENTS

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

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

Introduction

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

Scope of Review

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

Conclusion

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

Akylbek Y.A.

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

ZAO KPMG

28 November 2014

Moscow, Russian Federation

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

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

USD mln	**Note**	**30 September 2014**	**31 December 2013**
ASSETS			
Non-current assets			
Fleet	8	93	91
Rolling stock	9	339	442
Other tangible fixed assets	10	313	361
Goodwill	7	217	260
Investments in associates and joint ventures	11	318	370
Other non-current assets	12	173	165
Total non-current assets		1,453	1,689
Current assets			
Inventories	13	60	30
Accounts receivable	14	200	165
Current tax assets		8	14
Assets held for sale		-	4
Other current assets		13	5
Cash and cash equivalents	15	160	191
Total current assets		441	409
Total assets		1,894	2,098
EQUITY AND LIABILITIES			
Shareholders' equity	19		
Share capital		57	57
Share premium		777	777
(Accumulated losses)/Retained earnings		(21)	9
Reserves		(424)	(211)
Equity attributable to owners of the Company		389	632
Non-controlling interests		8	9
Total equity		397	641
Non-current liabilities			
Long-term debt and finance lease obligations	17	1,071	1,098
Deferred tax liability		37	44
Other long-term liabilities		9	12
Total non-current liabilities		1,117	1,154
Current liabilities			
Accounts payable	16	182	132
Current tax liabilities		3	1
Short-term debt and finance lease obligations	17	195	170
Total current liabilities		380	303
Total liabilities		1,497	1,457
Total equity and liabilities		1,894	2,098

K.A. Sokolov, President__________

M.V. Sakharov, Director, Budgeting and Financial Reporting__________

Date: 28 November 2014

The accompanying notes on pages 12 to 28 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 nine-month and three-month periods ended 30 September 2014
(unaudited)

USD mln	Note	For the nine - months period ended 30 September 2014	2013	For the three - months period ended 30 September 2014	2013
Revenue	21	844	850	331	292
Operating expenses	22	(626)	(600)	(244)	(206)
Gross profit before depreciation and amortization		218	250	87	86
Depreciation and amortisation	8,9,10	(57)	(67)	(18)	(23)
Administrative expenses	23	(101)	(103)	(34)	(35)
Other income and expenses, net		2	2	-	2
Profit from operating activity		62	82	35	30
Interest expense		(87)	(87)	(30)	(32)
Interest income		11	27	4	6
Foreign exchange (loss)/gain		(20)	(11)	(21)	2
Share of profit of equity accounted investees	11	23	38	11	15
(Loss)/profit before income tax		(11)	49	(1)	21
Income tax expense	18	(18)	(21)	(9)	(7)
(Loss)/profit for the period		(29)	28	(10)	14
Attributable to:					
Owners of the Company		(31)	26	(11)	13
Non-controlling interests		2	2	1	1
Basic (loss)/earnings per share (in USD)	24	(0.011)	0.009	(0.004)	0.004
Diluted (loss)/earnings per share (in USD)	24	(0.011)	0.008	(0.004)	0.004

The accompanying notes on pages 12 to 28 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 nine-month and three-month periods ended 30 September 2014
(unaudited)

	For the nine - month period ended 30 September		For the three - month period ended 30 September	
USD mln	**2014**	**2013**	**2014**	**2013**
(Loss)/profit for the period	(29)	28	(10)	14
Other comprehensive (loss)/income:				
Items that are or may be reclassified to profit or loss	-	-	-	-
Effect of foreign currency translation	(214)	(70)	(159)	13
Other comprehensive (loss)/ income for the period	(214)	(70)	(159)	13
Total comprehensive (loss)/ income for the period	(243)	(42)	(169)	27
Total comprehensive (loss)/income attributable to:				
Ordinary shareholders of the Company	(243)	(42)	(168)	26
Non-controlling interests	-	-	(1)	1

The accompanying notes on pages 12 to 28 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 nine-month period ended 30 September 2014
(unaudited)

	Attributable to equity holders of the Company							
USD mln	**Share capital (Note 19)**	**Share premium**	**Retained earnings/ (accumulated losses)**	**Revaluation reserve**	**Translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2013	57	777	814	13	(138)	1,523	9	1,532
Profit for the period	-	-	26	-	-	26	2	28
Other comprehensive income/(loss)								
Effect of foreign currency translation	-	-	-	-	(68)	(68)	(2)	(70)
Release from revaluation reserve	-	-	1	(1)	-	-	-	-
Total other comprehensive income/(loss)	-	-	1	(1)	(68)	(68)	(2)	(70)
Total comprehensive income/(loss) for the period	-	-	27	(1)	(68)	(42)	-	(42)
Transactions with owners, recorded directly in equity								
Distribution to shareholders	-	-	(824)	-	-	(824)	-	(824)
Acquisition of non-controlling interests without a change in control	-	-	(4)	-	-	(4)	-	(4)
Correction of the cost of tangible fixed assets, net of deferred tax	-	-	6	-	-	6	-	6
Total transaction with owners	-	-	(822)	-	-	(822)	-	(822)
Balance at 30 September 2013	57	777	19	12	(206)	659	9	668

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FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Changes in Equity
For the nine-month period ended 30 September 2014
(unaudited)
(Continued)

USD mln	Attributable to equity holders of the Company							
	Share capital (Note 19)	Share premium	(Accumulated losses)/ Retained earnings	Revaluation reserve	Translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	57	777	9	13	(224)	632	9	641
Loss for the period	-	-	(31)	-	-	(31)	2	(29)
Other comprehensive loss								
Effect of foreign currency translation	-	-	-	-	(212)	(212)	(2)	(214)
Release from revaluation reserve	-	-	1	(1)	-	-	-	-
Total other comprehensive loss	-	-	1	(1)	(212)	(212)	(2)	(214)
Total comprehensive loss for the period	-	-	(30)	(1)	(212)	(243)	-	(243)
Transactions with owners, recorded directly in equity								
Acquisition of non-controlling interests	-	-	-	-	-	-	(1)	(1)
Total transaction with owners	-	-	-	-	-	-	(1)	(1)
Balance at 30 September 2014	57	777	(21)	12	(436)	389	8	397

The accompanying notes on pages 12 to 28 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 nine-month and three-month period ended 30 September 2014
(unaudited)

	For the nine-month period ended 30 September		For the three-month period ended 30 September	
USD mln	**2014**	**2013**	**2014**	**2013**
Cash flows from operating activities				
(Loss)/profit for the period	(29)	28	(10)	14
Adjustments for:				
Depreciation and amortisation	57	67	18	23
Loss on disposal of tangible fixed assets	4	3	4	-
Share option release	-	(3)	-	-
Foreign exchange loss/(gain)	20	11	21	(2)
Net finance costs	76	60	26	26
Share of profit of equity accounted investees	(23)	(38)	(11)	(15)
Other income and expenses, net	2	-	-	-
Income tax expense	18	21	9	7
Cash from operating activities before changes in working capital and provisions	125	149	57	53
Change in inventories	(30)	(9)	24	(7)
Change in trade and other receivables	(34)	(4)	(10)	1
Change in trade and other payables	26	(6)	17	3
Effect of exchange rate fluctuations on net current assets	(15)	-	(15)	-
Cash flows generated from operations before income taxes paid	72	130	73	50
Income tax paid	(14)	(22)	(4)	(4)
Cash flows generated from operating activities	58	108	69	46

The accompanying notes on pages 12 to 28 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 nine-month and three-month periods ended 30 September 2014 (Continued)
(unaudited)

		For the nine-month period ended 30 September		For the three-month period ended 30 September	
	Note	**2014**	**2013**	**2014**	**2013**
USD mln					
Cash flows from investing activities					
Vessels acquired	8	(9)	(9)	(2)	-
Expenditure on other fixed assets	10	(43)	(30)	(21)	(16)
Expenditure on dry-docking	8	(4)	(1)	(1)	-
Proceeds on disposal of fleet		8	9	1	(1)
Proceeds on disposal of other fixed assets		3	6	1	5
Acquisition of equity-accounted investee		-	(9)	-	(9)
Other non-current assets acquired		(4)	(1)	-	-
Acquisition of non-controlling interests		-	(3)	-	(3)
Dividends received		11	11	10	10
Loan issued to shareholders		-	(14)	-	-
Repayment of loans		-	423	-	-
Finance lease received		2	2	1	1
Interest received		4	15	1	1
Net cash (used in)/generated from investing activities		(32)	399	(10)	(12)
Cash flows from financing activities					
Proceeds from borrowings		199	18	6	9
Proceeds from bonds		-	1,030	-	-
Repayment of borrowings		(158)	(698)	(6)	(55)
Distribution to shareholders		-	(824)	-	-
Finance charges		(62)	(65)	(7)	(9)
Restricted deposits		(10)	(34)	(10)	(18)
Net cash used in financing activities		(31)	(573)	(17)	(73)
Effect of exchange rate fluctuations on cash and cash equivalents		(26)	(11)	(21)	3
Net (decrease)/increase in cash and cash equivalents		(31)	(77)	21	(36)
Cash and cash equivalents at the beginning of the period		191	232	139	191
Cash and cash equivalents at the end of the period		160	155	160	155

The accompanying notes on pages 12 to 28 form an integral part of these consolidated interim condensed financial statements.

1. Organisation and Trading Activities

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

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

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

2. Statement of Compliance

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

3. Significant Accounting Policies

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

4. Estimates

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

5. Financial Risk Management

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

6. Seasonality of Operations

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

7. Goodwill

	Gross amount	Accumulated impairment loss	Carrying amount
		USD mln	
At 1 January 2013	312	(32)	280
Translation difference	(19)	2	(17)
At 30 September 2013	293	(30)	263
At 1 January 2014	289	(29)	260
Translation difference	(48)	5	(43)
At 30 September 2014	241	(24)	217

8. Fleet

	Carrying value	
	30 September 2014	31 December 2013
	USD mln	
(a) Fleet	81	80
(b) Deferred dry docking expenses	12	11
	93	91
Total deadweight tonnage	268	268

(a)

	Valuation	Depreciation	Net Book Value
		USD mln	
At 1 January 2013	80	-	80
Depreciation charge for the period	-	(1)	(1)
Additions	9	-	9
Disposals	(2)	-	(2)
At 30 September 2013	87	(1)	86
At 1 January 2014	80	-	80
Depreciation charge for the period	-	(2)	(2)
Additions	7	-	7
Disposals	(4)	-	(4)
At 30 September 2014	83	(2)	81

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.

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

	Cost	Depreciation	Net Book Value
		USD mln	
At 1 January 2013	19	(12)	7
Additions	7	-	7
Release on disposal of fleet	(4)	4	-
Charge for the period	-	(2)	(2)
Amortised dry dock write off	(3)	3	-
At 30 September 2013	19	(7)	12
At 1 January 2014	18	(7)	11
Additions	6	-	6
Release on disposal of fleet	(2)	1	(1)
Charge for the period	-	(4)	(4)
Amortised dry dock write off	(2)	2	-
At 30 September 2014	20	(8)	12

9. Rolling Stock

	Cost	Depreciation	Net Book Value
		USD mln	
At 1 January 2013	681	(183)	498
Correction of cost of tangible fixed assets	6	-	6
Additions in the period	17	-	17
Depreciation charge for the period	-	(34)	(34)
Disposals	(9)	2	(7)
Translation difference	(43)	18	(25)
At 30 September 2013	652	(197)	455
At 1 January 2014	647	(205)	442
Additions in the period	11	-	11
Depreciation charge for the period	-	(28)	(28)
Disposals	(5)	4	(1)
Translation difference	(121)	36	(85)
At 30 September 2014	532	(193)	339

Rolling stock includes assets held under finance leases with a net book value of USD 67 million (31 December 2013 – USD 85 million).

10. Other Tangible Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD mln			
Cost				
At 1 January 2013	235	280	28	543
Additions	4	15	1	20
Disposals	(1)	(25)	-	(26)
Translation difference	(14)	(11)	(1)	(26)
At 30 September 2013	224	259	28	511
At 1 January 2014	224	254	31	509
Additions	1	7	22	30
Transfer	5	2	(7)	-
Disposals	-	(6)	(2)	(8)
Translation difference	(33)	(28)	(5)	(66)
At 30 September 2014	197	229	39	465
Depreciation				
At 1 January 2013	31	103	-	134
Depreciation charge	5	23	-	28
Eliminated on disposal	-	(18)	-	(18)
Translation difference	-	(3)	-	(3)
At 30 September 2013	36	105	-	141
At 1 January 2014	39	109	-	148
Depreciation charge	5	16	-	21
Eliminated on disposal	-	(6)	-	(6)
Translation difference	(4)	(7)	-	(11)
At 30 September 2014	40	112	-	152
Net Book Value				
At 1 January 2013	204	177	28	409
At 30 September 2013	188	154	28	370
At 1 January 2014	185	145	31	361
At 30 September 2014	157	117	39	313

Plant, machinery and other fixed assets include containers held under finance lease with a net book value of USD 6 million (at 31 December 2013 – USD 9 million) and plant and machinery with a net book value of USD 2 million (at 31 December 2013 – USD 4 million).

11. Investments in Associates and Joint Ventures

Equity accounted investments represent investments in joint ventures and associates.

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

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

	30 September 2014	30 September 2013
	USD mln	
At the beginning of the period	370	359
Share of results of equity accounted investees	23	38
Additions	-	9
Dividends received	(13)	(12)
Translation differences	(62)	(22)
At the end of the period	318	372

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 September 2014/ For nine-month period ended 30 September 2014									
	USD mln								
30 September	192	1,420	1,612	159	162	321	836	(745)	91

Reporting date	Current assets	Non-current assets	Total assets	Current liabilities	Non – current liabilities	Total liabilities	Income	Expenses	Profit/ (loss)
As at 31 December 2013/ For nine-month period ended 30 September 2013									
	USD mln								
31 December	262	1,678	1,940	214	389	603	990	(830)	160

Goodwill in amount of USD 31 million related to OJSC TransContainer is included into the investments in associates and joint ventures. Carrying value of investment in OJSC TransContainer as at 30 September 2014 amounts to USD 296 million.

The market value of OJSC TransContainer shares and GDR's held by the Group, based on the quotations in Moscow Stock Exchange at 30 September 2014 is USD 213 million.

12. Other Non-Current Assets

	30 September 2014	31 December 2013
	USD mln	
Long term loan to related party, at amortized cost	151	145
Lease right	6	8
Non-current portion of finance lease receivable, at amortized cost	-	2
Prepayments for fixed assets, at cost	5	2
Other intangible assets	6	3
Other equity investments	2	2
Other non-current assets	3	3
	173	165

Loans to related party in the amount of USD 150 million represents loans to intermediate shareholder. Loans in amount of USD 142 million are repayable in December 2018 and outstanding amount is repayable in December 2020.

Prepayments for fixed assets represent prepayments for equipment.

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

13. Inventories

	30 September 2014	31 December 2013
	USD mln	
Bunkers	49	21
Stores and spares	4	4
Other stocks and raw materials	7	5
	60	30

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

14. Accounts Receivable

	30 September 2014	31 December 2013
	USD mln	
Trade debtors	98	84
VAT receivable	42	41
Prepayments to OJSC "Russian Railways"	9	9
Amounts due from non-consolidated subsidiaries	-	1
Amounts due from associates and joint ventures	2	2
Other debtors and prepayments	68	49
Allowance for impairment	(19)	(21)
	200	165

15. Cash and Cash Equivalents

	30 September 2014	31 December 2013
	USD mln	
Bank accounts and cash in hand	160	191
	160	191

16. Accounts Payable

	30 September 2014	31 December 2013
	USD mln	
Trade creditors	71	51
Taxes payable, other than income tax	10	10
Interest payable	38	15
Other creditors and accruals	63	56
	182	132

17. Debt and Finance Leases Obligations

Debt

	30 September 2014	31 December 2013
	USD mln	
Loans and other obligations comprise:		
Secured loans		
At fixed rate 5% - 10%	38	29
At fixed rate 10% - 15%	15	-
At variable rates 5%-9.5% above Libor/Euribor /Mosprime	150	150
	203	179
Unsecured loans		
At fixed rate 10% - 15%	20	-
	20	-
Bonds		
At coupon rate of 10.25% p.a.	126	151
At interest rate 8%-8.75%	864	864
	990	1,015
Obligations under finance leases at fixed rate 6%-10.5%	9	12
Obligations under finance leases at fixed rate 10.5%-18.87%	44	62
	53	74
	1,266	1,268
Repayable within the next twelve months	195	170
Long term balance	1,071	1,098
	1,266	1,268

Market value of Eurobonds and bonds at the reporting date was USD 608 million and USD 121 million respectively.

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

The carrying amount of pledged under debt obligations rolling stock, fleet and other fixed assets as at 30 September 2014 was USD 224 million.

In August and November 2014, the Group paid in secured deposit to the total amount of USD 44 million under Repurchase Agreement (REPO) with VTB Bank because security to loan ratio fell below the level fixed therein.

In November 2014 the Group paid Eurobond interest to the total amount of USD 36 million.

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

18. Current and Deferred Tax

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

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2014	**2013**	**2014**	**2013**
	USD mln		**USD mln**	
Current tax expense				
Current period	22	24	9	7
	22	24		7
Deferred tax expense				
Origination and reversal of temporary differences	(4)	(3)	-	-
	(4)	(3)	-	-
Total income tax expense	18	21	9	7

Reconciliation of effective tax rate:

	Nine-month period ended 30 September				Three-month period ended 30 September			
	2014		**2013**		**2014**		**2013**	
	USD mln	**%**	**USD mln**	**%**	**USD mln**	**%**	**USD mln**	**%**
(Loss)/profit before income tax	(11)	100	49	100	(1)	100	21	100
Income tax at applicable tax rate of 20% (2013: 20%)	(2)	(20)	10	20	-	-	4	20
Effect of income taxed at different rates	1	10	(3)	(6)	1	10	(4)	(20)
Income tax on dividends	1	10	1	2	1	10	-	-
Non-deductible expenses/non taxable income, net	15	150	5	10	4	60	1	5
Change in unrecognised deferred tax asset	3	30	8	16	3	30	6	29
	18	180	21	42	9	100	7	34

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.

19. Shareholders' Equity

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

20. Business Segmental Analysis

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

Shipping — The shipping division is involved in ship ownership, ship management, chartering out and provision of agency services. These activities are carried out on a cabotage, cross trade and import-export basis. The vessels operated by the shipping division are largely container vessels and bulk carriers.

Liner and Logistics — The Liner and logistics division operates liner services and provides freight forwarding services both for containers and break-bulk cargoes.

Railway Services — The railway services division provides services both as an operator and an agent. When acting as an operator it renders services for containerised and bulk cargoes using locomotives, railway wagons, hoppers, steel-pellet wagons and tank wagons owned by the division or leased by it under finance leases. In addition it uses rolling stock hired on short term operating leases.

Ports — The ports division owns and operates port facilities and container terminals in Russia and provides cargo handling, stevedoring, container storage and rental and related port services and facilities.

Bunkering — The bunkering division provides services of ship bunkering which involves transferring oil and fuel to and from a vessel.

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

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

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans-Container	Eliminations/ Adjustments	Total
	USD mln								
External sales	31	477	118	104	114	-	-	-	844
Inter-segment sales	27	-	8	37	41	-	-	(113)	-
Segment revenue	58	477	126	141	155	-		(113)	844
Segment expenses (*)	(54)	(451)	(93)	(73)	(146)	(32)	-	122	(727)
Segment result	4	26	33	68	9	(32)	-	9	117
Segment non-cash items:									
Depreciation and amortization	(7)	(8)	(29)	(12)	-	(1)	-	-	(57)
Other material items of income/expense:									
Other income and expenses	3	1	3	(1)	-	6	-	(10)	2
Interest expense	(1)	(2)	(18)	(3)	(3)	(77)	-	17	(87)
Share of profit of equity accounted investees	-	-	2	-	-	-	21	-	23
Income tax (expense)/benefit	-	(6)	3	(13)	(1)	(1)	-	-	(18)

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

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in TransContainer	Eliminations/ Adjustments	Total
	USD mln								
External sales	22	496	189	111	32	-	-	-	850
Inter-segment sales	21	1	9	41	15	-	-	(87)	-
Segment revenue	43	497	198	152	47	-	-	(87)	850
Segment expenses (*)	(55)	(471)	(125)	(77)	(44)	(28)	-	97	(703)
Segment result	(12)	26	73	75	3	(28)	-	10	147
Segment non-cash items:									
Depreciation and amortization	(6)	(10)	(35)	(14)	-	(2)	-	-	(67)
Other material items of income/expense:									
Other income and expenses	5	4	(1)	(2)	-	6	-	(10)	2
Interest expense	(1)	(4)	(34)	(18)	-	(50)	-	20	(87)
Share of profit of equity accounted investees	1	1	4	-	-	-	32	-	38
Income tax expense	(1)	(3)	(2)	(13)	-	(2)	-	-	(21)

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

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans-Container	Eliminations/ Adjustments	Total
	USD mln								
External sales	13	172	38	37	71	-	-	-	331
Inter-segment sales	12	-	3	14	13	-	-	(42)	-
Segment revenue	25	172	41	51	84	-	-	(42)	331
Segment expenses (*)	(20)	(155)	(30)	(24)	(81)	(12)	-	44	(278)
Segment result	5	17	11	27	3	(12)	-	2	53
Segment non-cash items:									
Depreciation and amortization	(2)	(3)	(9)	(4)	-	-	-	-	(18)
Other material items of income/expense:									
Other income and expenses	1	1	2	(1)	-	1	-	(4)	-
Interest expense	-	(1)	(6)	(1)	(2)	(26)	-	6	(30)
Share of profit of equity accounted investees	-	-	1	-	-	-	10	-	11
Income tax (expense)/benefit	(1)	(3)	1	(5)	-	(1)	-	-	(9)

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

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in TransContainer	Eliminations/ Adjustments	Total
	USD mln								
External sales	7	169	54	38	24	-	-	-	292
Inter-segment sales	7	1	3	16	10	-	-	(37)	-
Segment revenue	14	170	57	54	34	-	-	(37)	292
Segment expenses (*)	(18)	(159)	(37)	(24)	(31)	(12)	-	40	(241)
Segment result	(4)	11	20	30	3	(12)	-	3	51
Segment non-cash items:									
Depreciation and amortization	(2)	(3)	(13)	(4)	-	(1)	-	-	(23)
Other material items of income/expense:									
Other income and expenses	2	1	(1)	1	-	2	-	(3)	2
Interest expense	-	(2)	(9)	(3)	-	(28)	-	10	(32)
Share of profit of equity accounted investees	1	-	1	-	-	-	13	-	15
Income tax expense	-	-	(1)	(6)	-	-	-	-	(7)

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

Segmental assets and liabilities

	Assets		Liabilities	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	USD mln			
Shipping (Global)	142	150	21	22
Liner and logistics (Global)	180	203	96	78
Railway services (Russia)	446	571	80	86
Ports (Russia)	327	348	94	87
Bunkering	91	19	22	-
Total of all segments	1,186	1,291	313	273
Goodwill	217	260	-	-
Other items not attributed to a specific segment	491	547	1,184	1,184
Consolidated	1,894	2,098	1,497	1,457

Other segmental information

	Acquisition of segment assets		Investments in equity accounted investees	
	30 September 2014	30 September 2013	30 September 2014	31 December 2013
	USD mln			
Shipping (Global)	15	17	1	1
Liner and logistics (Global)	5	9	3	4
Railway services (Russia)	18	17	17	23
Ports (Russia)	16	9	-	-
Investment in TransContainer	-	-	297	342
	54	52	318	370

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

21. Revenue

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2014	2013	2014	2013
	USD mln			
Transportation services (operators' business)	572	639	202	208
Port and stevedoring services	104	123	37	45
Bunkering	114	32	71	24
Revenue from rentals	21	32	7	8
Hire and freight	30	21	13	6
Agency fees	3	3	1	1
	844	850	331	292

22. Operating Expenses

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2014	2013	2014	2013
	USD mln			
Railway infrastructure tariff and transportation services	386	418	153	129
Payroll expenses	68	68	21	20
Bunkering	102	43	41	32
Voyage and vessel running cost	28	25	14	8
Stevedoring services	17	21	7	9
Operating lease	20	18	7	5
Non-profit based taxes	5	7	1	3
	626	600	244	206

23. Administrative Expenses

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2014	2013	2014	2013
	USD mln			
Salary and other staff related costs	64	62	20	18
Professional fees	8	10	3	5
Office rent	6	6	2	2
Other administrative expenses	23	25	9	10
	101	103	34	35

24. (Loss)/Earnings per Share

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

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2014	2013	2014	2013
	USD			
(Loss)/profit for the period	(31,354,000)	25,741,000	(10,583,000)	13,094,000
Weighted average number of shares in issue (note 19)	2,951,250,000	2,951,250,000	2,951,250,000	2,951,250,000
Basic (loss)/profit per share	(0.011)	0.009	(0.004)	0.004

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2014	2013	2014	2013
	USD			
(Loss)/profit for the period, adjusted for stock option expense	(31,354,000)	22,970,842	(10,583,000)	11,373,568
Weighted average number of shares in issue, adjusted for potentially dilutive shares	2,951,250,000	2,913,982,854	2,951,250,000	2,913,982,854
Diluted (loss)/profit per share	(0.011)	0.008	(0.004)	0.004

25. Contingencies and Commitments

(a) Taxation contingencies

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

(b) Business environment

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

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

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

In March 2014, the regional Parliament in the Autonomous Republic of Crimea declared its independence from Ukraine and signed an agreement with the Russian Federation outlining the Republic of Crimea's intention to join the Russian Federation. Effective from 1 June 2014 the national currency of the Autonomous Republic of Crimea is Russian rouble. The Ukrainian State authorities do not recognise these declarations and agreements, as they believe they are violation of the Ukrainian constitution. However, as a result of these events and the Crimean parliament no longer recognising the authority of the Ukrainian national government, the Ukrainian authorities are not currently able to enforce Ukrainian laws on the territory of the Autonomous Republic of Crimea. In April-May 2014, the political unrest has further escalated in the Eastern regions of Ukraine, including primarily Donetsk and Lugansk regions, and has further escalated over the summer and autumn 2014. From 1 January 2014 to 30 September 2014, the Ukrainian Hryvnia devaluated against US dollar by approximately 49%, The National Bank of Ukraine, among other measures, has imposed certain temporary restrictions on processing client payments by banks and on the purchase of foreign currency in the inter-bank market. Further economic and political developments are currently unpredictable and their severe adverse affect on the Ukrainian economy may continue.
Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated interim condensed financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. These consolidated interim condensed financial statements do not include any adjustments for the potential impact of events in Ukraine that have occurred after the reporting date.

26. Related Party Transactions

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

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

	Nine-month period ended 30 September		**Three-month period ended 30 September**	
	2014	**2013**	**2014**	**2013**
	USD mln			
Salaries	3	3	1	1
Bonuses	-	2	-	-
	3	5	1	1

Consolidated Interim Condensed Statement of financial position	**30 September 2014**	**31 December 2013**	**Nature of balances**
	USD mln		
Non-consolidated subsidiaries	-	1	Trade receivables
Associates	2	1	Trade receivables
Joint Venture Company	-	1	Trade receivables
Joint Venture Company	1	1	Loan issued
Joint Venture Company	1	1	Interest receivable

Consolidated Interim Condensed Statement of financial position	30 September 2014	31 December 2013	Nature of balances
	USD mln		
Joint Venture Company	3	5	Finance lease receivable
Related through common shareholder	150	143	Loan issued
Related through common shareholder	2	-	Trade receivables
Related through common shareholder	(3)	-	Trade payables
Related through common shareholder	5	3	Other receivables

Consolidated Interim Condensed Statement of Profit and Loss	For nine-month period ended		For three-month period ended		Nature of transactions
	30 September 2014	30 September 2013	30 September 2014	30 September 2013	
	USD mln				
Associates sales	4	3	2	-	Agency services, rent and other services
Associates purchases	(8)	(6)	(4)	-	Agency services, rent and other expenses
Joint Venture Company purchases	(3)	(4)	(1)	(3)	Agency, transportation and stevedoring services
Joint Venture Company sales	2	2	2	-	Transportation services
Joint Venture Company	1	1	1	1	Finance lease and interest income
Related through common shareholder	50	-	37	-	Sale of bunker
Related through common shareholder	2	-	2	-	Transportation services
Related through common shareholder	7	17	2	1	Interest income
Related through common shareholder	(3)	3	(1)	-	Other related services

27. Events Subsequent to the Reporting Date

After the reporting date the Russian Rouble and Ukrainian Hryvnia have continued their depreciation against US dollar which resulted in decrease in Rouble to US dollar and Hryvnia to US dollar rates by 16% and 8% respectively since 30 September 2014 up to the date these financial statements are authorized for issue. The effect of the above devaluation will have negative impact on Group’s net assets position.