Key Recurring Questions from Creditors

The draft disclosure below intends to provide public domain answers to four frequently recurring questions from noteholders and their advisers and aims to dispel misinformed rumours.

1. *What were the uses of funds in the December 2012 acquisition and subsequent refinancings in 2013?*

2. *Further disclosure on the accounting write-down of the USD 161m loan to a related party as detailed in Note 9 of FESCO's consolidated financial statements for the year ended 31 December 2015.*

3. *Further detail on refinancing of the original repo notes due in May 2015 and where the repurchased notes are held within the Group.*

4. *Has the Company been involved in the repurchasing of its bonds?*

The December 2012 acquisition and subsequent refinancing transactions

The majority shareholders made a substantial investment to acquire a 73.75% interest in the shares of Far-Eastern Shipping Company plc ("FESCO", and together with its subsidiaries, the "Group") in December 2012. All sources of funding, which included the shareholder investment and new financing facilities, together were applied in connection with the purchase of FESCO shares (at a price reflecting a control premium over the then market price of the FESCO shares). The acquisitions were partially financed with debt facilities as follows:

(i) a USD 400m bridge financing facility provided to FESCO's parent companies that are outside the Group ("HoldCo Facility");

(ii) a USD 400m bridge financing facility provided to Vladivostok Container Terminal CJSC ("OpCo Facility"), with the funds on-lent to FESCO's parent company by way of an intragroup loan; and

(iii) a USD 140m margin loan facility to Halimeda International Ltd ("Margin Loan") secured by the Group's equity stake in TransContainer. Halimeda on-lent the proceeds to FESCO's parent company (through the parent company's holding company).

An additional USD 380m of pre-acquisition financial indebtedness from third party credit institutions not affiliated with the shareholders remained outstanding following the acquisition ("Pre-Acquisition Financial Indebtedness").

In May 2013, the Group's subsidiary, Far East Capital Ltd, issued USD 550m 8.0% senior secured notes due 2018 and USD 325m 8.75% senior secured notes due 2020 (together, the "Eurobonds"), comprising a total issuance of $875m of Eurobonds, and used the proceeds to:

(i) fully repay the USD 400m HoldCo Facility;
(ii) repay USD 275m of the USD 400m OpCo Facility;
(iii) repay USD 181.5m of the USD 380m Pre-Acquisition Financial Indebtedness; and
(iv) pay certain accrued interest of the repaid facilities, breakage costs and financing fees (in addition to the issuance costs) from the remainder.

In June 2013, FESCO issued RUB 5bn (USD 150m at the then prevailing FX rate) of Rouble bonds and used the proceeds to:

(i) repay the remaining amount outstanding under the OpCo Facility;
(ii) repay certain other Pre-Acquisition Financial Indebtedness; and
(iii) pay certain accrued interest on the repaid facilities, breakage costs and financing fees.

In December 2013, the Group entered into a repurchase agreement with VTB Bank. The Group received a USD 150m short term loan from VTB Bank and used the proceeds to fully repay the Margin Loan (the outstanding Margin Loan balance was increased by USD 9m to USD 149m in August 2013, in association with the acquisition of additional shares in TransContainer).

All proceeds from the Group's 2013 debt issuances were used exclusively to refinance the Group's acquisition financing facilities and outstanding Pre-Acquisition Financial Indebtedness in full. The Group did not distribute any dividends and since the acquisition has paid only those management fees disclosed in the Group's consolidated financial statements as 'Other related services' in Related Party Transactions.

The impairment of the shareholder loan in fiscal year 2015

Halimeda International Ltd is the lender of a loan provided to FESCO's parent company (through the parent company's holding company) originally out of the proceeds of a USD 140m margin loan entered into in December 2012 to fund the acquisition of a majority interest in FESCO plc. The aforementioned loan, together with accrued interest and an additional unrelated and separate loan provided to FESCO's parent company that repaid HoldCo Facility interest and fees, amounted to USD 161m at December 31, 2015. As part of FESCO's standard audit procedures and asset impairment testing, FESCO's auditors requested that these loans to FESCO's parent companies should be fully provided against and fully written down to zero in the Group's financial statements based on their assessment of those entities' ability to eventually repay the loans, as their sole asset is their indirect stake in FESCO plc. Despite the accounting impairment, the full amounts of the loans remain outstanding as claims against FESCO's parent companies.

The refinancing of the Repurchased Notes Repo facility

In April and May 2015, the Group repurchased USD 220m of the nominal value of the Eurobonds (together, the "Repurchased Notes") for total consideration of USD 111m. The buyback was partially financed by a REPO loan obtained from an international bank in the amount of USD 44m (the "Buyback Loan"). In accordance with the Buyback Loan, the Repurchased Notes were transferred by the Group to the bank as collateral, to be returned to the Group in February 2018 when the Buyback Loan was scheduled to mature, provided that the Buyback Loan was fully repaid by the Group.

As detailed in the Group's press release dated 13 May 2016, the Buyback Loan was subsequently refinanced by another international bank and the Repurchased Notes were transferred back to the Group and used to secure the refinancing. The Repurchased Notes are currently held within the Group. The full press release is available at: http://www.fesco.ru/en/press-center/news/5656/.

Transactions by the Group or its majority shareholders in the Eurobonds

The Group previously reported in its consolidated financial statements for the three-month period ended 31 March 2015 that it had purchased Eurobonds with a nominal value of USD 21m for total consideration of USD 9m ("Repurchased Notes"). The purchases were conducted outside of and prior to the tender conducted later in 2015 and the Repurchased Notes have subsequently been re-sold into the market. The Group no longer holds these Repurchased Notes. Furthermore, the majority shareholders currently do not hold, directly or indirectly (via their representatives, partners or affiliate companies outside the Group), any Eurobonds or Rouble bonds and have not transacted in the Eurobonds or Rouble bonds in the past twelve months.