

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

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS**

**For the six-month period ended 30 June 2020  
(unaudited)**

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## **Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements**

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

### ***Introduction***

We have reviewed the accompanying consolidated interim condensed statement of financial position of FAR-EASTERN SHIPPING COMPANY PLC. (the "Company") and its subsidiaries (the "Group") as at 30 June 2020, and the related consolidated interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed 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 consolidated interim condensed 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.

Reviewed entity: FAR-EASTERN SHIPPING COMPANY PLC.  
(FESCO)

Registration No. in the Unified State Register of Legal Entities  
1022502256127.

Moscow, Russia

Audit firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities  
1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351.



**FAR-EASTERN SHIPPING COMPANY PLC.**

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**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 June 2020 and for the six-month period then ended are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Ludmila Klimanova  
JSC "KPMG"  
Moscow, Russia  
31 August 2020



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

**Consolidated Interim Condensed Statement of Financial Position**  
**As at 30 June 2020**  
**(unaudited except for 31 December 2019)**

RUB mln	Note	30 June 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fleet	9	5 310	4 982
Rolling stock and other tangible fixed assets	10	24 469	24 067
Goodwill	8	6 461	6 418
Investments in associates and joint ventures	11	104	68
Other non-current assets	12	1 955	1 584
<b>Total non-current assets</b>		<b>38 299</b>	<b>37 119</b>
<b>Current assets</b>			
Inventories		910	1 046
Accounts receivable	12	8 886	10 542
Other current assets		50	52
Cash and cash equivalents	12	2 987	1 232
Assets classified as held for sale		-	11 336
<b>Total current assets</b>		<b>12 833</b>	<b>24 208</b>
<b>Total assets</b>		<b>51 132</b>	<b>61 327</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
	15		
Share capital		2 951	2 951
Share premium		23 697	23 697
Accumulated losses		4 376	(908)
Reserves		(28 112)	(22 255)
<b>Equity attributable to owners of the Company</b>		<b>2 912</b>	<b>3 485</b>
<b>Non-controlling interests</b>		<b>1 490</b>	<b>2 124</b>
<b>Total equity</b>		<b>4 402</b>	<b>5 609</b>
<b>Non-current liabilities</b>			
Long-term debt obligations	13	25 610	26 741
Long-term lease liabilities	12	3 294	2 881
Deferred tax liability		1 000	1 496
Other long-term liabilities		204	192
<b>Total non-current liabilities</b>		<b>30 108</b>	<b>31 310</b>
<b>Current liabilities</b>			
Accounts payable	12	8 683	10 666
Short-term debt obligations	13	7 547	6 145
Short-term lease liabilities	12	392	343
Liabilities classified as held for sale		-	7 254
<b>Total current liabilities</b>		<b>16 622</b>	<b>24 408</b>
<b>Total liabilities</b>		<b>46 730</b>	<b>55 718</b>
<b>Total equity and liabilities</b>		<b>51 132</b>	<b>61 327</b>

M.V. Sakharov, President

L.G. Zvyagintsev, Vice President and CFO

Date: 31 August 2020

*The accompanying notes on pages 12-29 form an integral part of these consolidated interim condensed financial statements.*

**FAR-EASTERN SHIPPING COMPANY PLC.**  
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**Consolidated Interim Condensed Statement of Profit or Loss**  
**For the six-month period ended 30 June 2020**  
**(unaudited)**

RUB mln	Note	30 June 2020	30 June 2019
Revenue	17	27 596	27 585
Operating expenses	18	(18 881)	(18 018)
<b>Gross profit before depreciation and amortization</b>		8 715	9 567
Depreciation and amortisation	9, 10	(1 381)	(1 757)
Administrative expenses	19	(3 127)	(3 374)
Impairment		(87)	(39)
Other (loss)/income, net		(455)	79
<b>Profit from operating activity</b>		3 665	4 476
Finance income	20	3 848	49
Finance costs	20	(1 819)	(4 380)
Result of disposal of subsidiaries	21	(22)	-
Other non-operating expenses		(206)	(147)
Share of profit of equity accounted investees	11	40	29
<b>Profit before income tax</b>		5 506	27
Income tax expense	14	(240)	(1 228)
<b>Profit/(loss) for the period</b>		5 266	(1 201)
Attributable to:			
Owners of the Company		5 101	(1 423)
Non-controlling interests		165	222
Earnings/(loss) per share (in RUB)	22	1,729	(0,482)

*The accompanying notes on pages 12-29 form an integral part of these consolidated interim condensed financial statements.*

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**Consolidated Interim Condensed Statement of Comprehensive Income**  
**For the six-month period ended 30 June 2020**  
**(unaudited)**

RUB mln	<u>30 June 2020</u>	<u>30 June 2019</u>
<b>Profit/(loss) for the period</b>	5 266	(1 201)
<b>Other comprehensive (loss)/income:</b>		
<i>Items that are not to be reclassified to profit or loss:</i>		
Effect of foreign currency translation	(5 851)	3 553
Disposal of revaluation reserve	-	(11)
<b>Other comprehensive (loss)/income for the period</b>	<u>(5 851)</u>	<u>3 542</u>
<b>Total comprehensive (loss)/income for the period</b>	<u>(585)</u>	<u>2 341</u>
<b>Total comprehensive (loss)/income attributable to:</b>		
Ordinary shareholders of the Company	(750)	2 119
Non-controlling interests	<u>165</u>	<u>222</u>

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**FAR-EASTERN SHIPPING COMPANY PLC.**  
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**Consolidated Interim Condensed Statement of Changes in Equity**  
**For the six-month period ended 30 June 2020**  
**(unaudited except for 1 January 2019 and 1 January 2020)**

RUB mln	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital (Note 15)	Share premium	Accumulated losses	Revaluation reserve	Translation reserve	Total		
<b>Balance at 1 January 2019</b>	2 951	23 697	1 312	187	(26 705)	1 442	1 734	3 176
Loss for the period	-	-	(1 423)	-	-	(1 423)	222	(1 201)
<b>Other comprehensive income</b>								
Effect of foreign currency translation	-	-	-	(16)	3 569	3 553	-	3 553
Depreciation of revaluation reserve	-	-	9	(9)	-	-	-	-
Disposal of revaluation reserve	-	-	-	(11)	-	(11)	-	(11)
<b>Total other comprehensive income</b>	-	-	9	(36)	3 569	3 542	-	3 542
<b>Total comprehensive income for the period</b>	-	-	(1 414)	(36)	3 569	2 119	222	2 341
<b>Transactions with owners, recorded directly in equity</b>								
Dividends paid	-	-	(2)	-	-	(2)	-	(2)
<b>Total transactions with owners</b>	-	-	(2)	-	-	(2)	-	(2)
<b>Balance at 30 June 2019</b>	<b>2 951</b>	<b>23 697</b>	<b>(104)</b>	<b>151</b>	<b>(23 136)</b>	<b>3 559</b>	<b>1 956</b>	<b>5 515</b>

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**FAR-EASTERN SHIPPING COMPANY PLC.**  
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**Consolidated Interim Condensed Statement of Changes in Equity**  
**For the six-month period ended 30 June 2019**  
**(unaudited except for 1 January 2019 and 1 January 2020)**  
**(Continued)**

RUB mln	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital (Note 15)	Share premium	Accumulated losses	Revaluation reserve	Translation reserve	Total		
<b>Balance at 1 January 2020</b>	2 951	23 697	(908)	103	(22 358)	3 485	2 124	5 609
Profit for the period	-	-	5 101	-	-	5 101	165	5 266
<b>Other comprehensive loss</b>				13	(5 864)	(5 851)	-	(5 851)
Effect of foreign currency translation	-	-						
Depreciation of revaluation reserve	-	-	6	(6)	-	-	-	-
<b>Total other comprehensive loss</b>	-	-	6	7	(5 864)	(5 851)	-	(5 851)
<b>Total comprehensive loss for the period</b>	-	-	5 107	7	(5 864)	(750)	165	(585)
<b>Transactions with owners, recorded directly in equity</b>								
Acquisition of non-controlling interest	-	-	177	-	-	177	(799)	(622)
<b>Total transactions with owners</b>	-	-	177	-	-	177	(799)	(622)
<b>Balance at 30 June 2020</b>	2 951	23 697	4 376	110	(28 222)	2 912	1 490	4 402

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**FAR-EASTERN SHIPPING COMPANY PLC.**  
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**Consolidated Interim Condensed Statements of Cash Flows**  
**For the six-month period ended 30 June 2020**  
**(unaudited)**

RUB mln	Note	<u>30 June 2020</u>	<u>30 June 2019</u>
<b>Cash flows from operating activities</b>			
<b>Profit/(loss) for the period</b>		<b>5 266</b>	<b>(1 201)</b>
<i>Adjustments for:</i>			
Depreciation and amortisation		1 381	1 757
Impairment losses		87	39
Loss/(gain) on disposal of tangible fixed assets		280	(178)
Foreign exchange (gain)/loss	20	(3 826)	2 110
Other finance costs, net	20	1 797	2 221
Loss on disposal of subsidiaries		22	-
Share of profit of equity accounted investees		(40)	(29)
Other income/(expense)		202	(77)
Income tax expense	14	240	1 228
<b>Cash from operating activities before changes in working capital and provisions</b>		<b>5 409</b>	<b>5 870</b>
Change in inventories		136	(44)
Change in trade and other receivables		1 191	787
Change in trade and other payables		(1 679)	(1 489)
<b>Cash flows from operations before income taxes paid</b>		<b>5 057</b>	<b>5 124</b>
Income tax paid		(494)	(1 709)
<b>Cash flows generated from operating activities</b>		<b>4 563</b>	<b>3 415</b>

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**Consolidated Interim Condensed Statements of Cash Flows**  
**For the six-month period ended 30 June 2020**  
**(unaudited)**  
**(Continued)**

RUB mln	Note	30 June 2020	30 June 2019
<b>Cash flows from investing activities</b>			
Expenditure on rolling stock and other fixed assets	10	(1 224)	(1 661)
Proceeds on disposal of other fixed assets		120	777
Vessels acquired	9	(828)	(353)
Expenditure on dry-docking	9	-	(235)
Proceeds on disposal of fleet		325	422
Disposal of subsidiary, net of cash disposed	21	3 857	-
Other investments disposal/ (acquisition), net		(1)	626
Dividends received		5	41
Interest received		21	26
Restricted cash flow		10	-
		<hr/>	<hr/>
<b>Net cash generated from/ (used in) investing activities</b>		<b>2 285</b>	<b>(357)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		819	-
Repayment of borrowings		(2 952)	(1 871)
Lease liabilities repayments		(342)	(538)
Redemption of bonds		(5)	(18)
Finance charges		(1 785)	(2 476)
Acquisition of non-controlling interest		(516)	-
Dividends paid		-	(2)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		<b>(4 781)</b>	<b>(4 905)</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>		<hr/>	<hr/>
		(312)	73
<b>Net increase/(decrease) in cash and cash equivalents</b>		1 755	(1 774)
<b>Cash and cash equivalents at 1 January</b>		1 232	3 313
		<hr/>	<hr/>
<b>Cash and cash equivalents at 30 June</b>	12	<b>2 987</b>	<b>1 539</b>

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**FAR-EASTERN SHIPPING COMPANY PLC.  
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**Notes to the Consolidated Interim Condensed Financial Statements  
For the six-month period ended 30 June 2020**

**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: Presnenskaya nab. 6 p. 2, entrance, Moscow, Russian Federation, 123112.

As at 30 June 2020 the principal shareholders which have indirect ownership of the Group are as follows: Z. Magomedov – 32.5% of FESCO shares, TPG Group – 17.4% of FESCO shares, GHP Group – 23.8% of FESCO shares.

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

**2. Statement of Compliance**

These consolidated interim condensed financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

**3. Significant Accounting Policies**

The accounting policies applied in these consolidated interim condensed financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2019.

**4. Estimates**

The preparation of consolidated interim condensed financial statements in accordance with IFRS 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 2019 except for estimates and judgements disclosed in Note 7.

**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 2019. Management of the Group believes that the fair values of financial assets and liabilities shown in the consolidated interim condensed statement of financial position both as at 30 June 2020 and 31 December 2019 approximate their carrying amounts. Group's exposure to credit risk, market risks and liquidity risk as at 30 June 2020 has not changed significantly as compared to those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019.

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**For the six-month period ended 30 June 2020**

**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.

**7. Going Concern**

In connection with the consolidated interim condensed financial statements preparation and the Group's analysis of its liquidity position, management performed a detailed cash flow analysis for the period from the year 2020 to 2023 to determine its ability to service its existing debt obligations over the next 12 months and in the foreseeable future. The Group's cash flows are particularly sensitive to such macroeconomic factors as exchange rates and the balance of export and import turnover. In the first half of 2020 the global economy has faced significant turbulence related to COVID which was announced as pandemic by the World Health Organisation in March 2020. As a result certain measures were introduced by the government of the Russian Federation and other countries which included inter alia limitations on cross-border movements, quarantine measures and work-from-home regime. As at reporting date the quarantine measures were removed in the most part of locations whether the Group maintains its operations.

As a result of the above global oil demand has fallen in February-March 2020 which, together with other factors, has resulted in significant decrease in oil prices and financial indices together with depreciation of the Russian Rouble. In April 2020, a number of countries have agreed on oil extraction volumes cut for the purpose of oil market stabilisation. This has decreased the pressure on the oil prices starting from May 2020 and as at the date of these interim condensed consolidated financial statements - minor oil price recovery compared to April 2020. The above factors have also resulted in the fluctuations with transportation and loading volumes in February - March 2020 including temporarily decrease of transportation to China counterbalanced by increases at other directions. During the 2<sup>nd</sup> quarter 2020 the volumes of the Group's export and import transportations have been volatile which was counterbalanced by stable volumes of internal transportations and increased volumes of loading services. However total Group's services volume have demonstrated positive dynamics in the 2<sup>nd</sup> quarter 2020 compared to February-March 2020. In the beginning of the 3<sup>rd</sup> quarter 2020 transportation volumes on export and import as well as internal directions and loading volumes maintain positive trend.

At the moment the Group is in the process of monitoring the further impact of the above-mentioned factors on its business volumes, continues taking a number of measures to mitigate the related business and liquidity risks, develops steps to attract new customers, optimises transportation routes and costs and remains a reliable and open partner for all interested parties, including suppliers and customers. Considering the factors above and GDP decline during the 2<sup>nd</sup> quarter of 2020, the Group expects certain fluctuations of loading and transportation volumes and related charge-out rates and increased share of empty runs due to export and import disbalance during the 2 half of the year ending 31 December 2020 followed by stabilization at the end of 2020 – early 2021 supported by forecasted slow down of GDP decline. These fluctuations will depend on the type of cargo and transportation directions and, based on management estimates, financial impact of the fluctuations will be balanced within the Group considering diversification of its service lines and transportation directions.

The Group expects that the above-mentioned risks will be additionally mitigated by the further depreciation of the Russian rouble which support the increase of margin earned on Far-Eastern intermodal routes and partially continuing quarantine measures which increase the demand for the Group's container transportation services as well as decrease in the cost of Group's debt financing resulting from overall decrease in market rates on loans. The Group considers a number of stress-test scenarios of loading and transportation volumes dynamics in correlation to GDP forecast, current Russian Rouble exchange rate and Group's current services portfolio. Considering the forecast which is based on historical market developments during the years 2014-2015 and takes into account cyclical nature of container market during and after crisis years the Group expects that it will be able to meet its obligations when they fall due during the years 2020-2021. In case continuing negative disbalance

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**For the six-month period ended 30 June 2020**

of export and import is maintained and the market developments in terms of volumes and rates do not meet the Group's expectations, the Group may face liquidity gap during the year 2021. To mitigate liquidity and market risks, Group's management maintains discussions with the suppliers for the purpose of liquidity management and develops a number of actions to optimise costs and railcar and container fleet allocation by routes.

Despite the excess of short-term liabilities over current assets as at 30 June 2020 by RUB 3 789 million, current indicators that characterize the level of the Group's debt allow management to carry out measures to mitigate financial, payment and other risks.

Based on the actions taken to date, management has a reasonable expectation that the Group has adequate resources to reach the targeted cash flows or, if required, negotiate the acceptable terms under existing loan arrangements and therefore to continue as a going concern for the foreseeable future.

Thus these consolidated interim condensed financial statements have been prepared on a going concern basis.

**8. Goodwill**

	<u>Gross amount</u>	<u>Accumulated impairment loss</u>	<u>Carrying amount</u>
	<u>RUB mln</u>		
<b>At 1 January 2019</b>	11 668	(3 175)	8 493
Translation difference	(36)	-	(36)
<b>At 30 June 2019</b>	<u>11 632</u>	<u>(3 175)</u>	<u>8 457</u>
<b>At 1 January 2020</b>	9 593	(3 175)	6 418
Translation difference	43	-	43
<b>At 30 June 2020</b>	<u>9 636</u>	<u>(3 175)</u>	<u>6 461</u>

Considering the positive dynamics of Group's loading volumes and other factors described in Note 7, the Group has not identified goodwill impairment indicators at the reporting date.

**9. Fleet**

	<u>Carrying value</u>		
	<u>30 June 2020</u>	<u>31 December 2019</u>	
	<u>RUB mln</u>		
Fleet	4 700	4 342	
Deferred dry docking expenses	610	640	
	<u>5 310</u>	<u>4 982</u>	
Total deadweight tonnage	<u>278</u>	<u>292</u>	
	<u>Valuation</u>	<u>Depreciation</u>	<u>Net Book Value</u>
	<u>RUB mln</u>		
<b>At 1 January 2019</b>	5 035	-	5 035
Depreciation charge for the period		(87)	(87)
Additions	308	-	308
Disposal	(253)	-	(253)

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**For the six-month period ended 30 June 2020**

	<u>Valuation</u>	<u>Depreciation</u>	<u>Net Book Value</u>
	<u>RUB mln</u>		
Translation difference	(465)	3	(462)
<b>At 30 June 2019</b>	<u>4 625</u>	<u>(84)</u>	<u>4 541</u>
<b>At 1 January 2020</b>	4 342	-	4 342
Depreciation charge for the period	-	(171)	(171)
Additions	353	12	365
Disposal	(309)	-	(309)
Revaluation	(87)	-	(87)
Translation difference	563	(3)	560
<b>At 30 June 2020</b>	<u>4 862</u>	<u>(162)</u>	<u>4 700</u>

The Group reviews the carrying value of the fleet on an annual basis. At the interim date management analyses the carrying value of fleet for indicators of impairment /reversal of impairment. As at 30 June 2020, the estimated scrap value of the Group's fleet was calculated based on an estimate of RUB 20 985 per LWT (31 December 2019: RUB 24 453). This change in accounting estimates is associated with a decrease in the cost of scrap on the market. The resulting revaluation loss of RUB 87 million was recorded in the statement of profit or loss.

The Group has not identified any other Group's fleet impairment indicators at the reporting date. In July-August 2020 market scrap rate demonstrates positive dynamics and increased to RUB 24 590 per LWT as at the date of these consolidated interim condensed financial statements.

Movements during the period on deferred dry docking expenses were:

	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
	<u>RUB mln</u>		
<b>At 1 January 2019</b>	1 332	(690)	642
Additions	331	-	331
Disposal	(96)	69	(27)
Charge for the period	-	(117)	(117)
Amortised dry dock write off	(197)	197	-
Translation difference	(123)	59	(64)
<b>At 30 June 2019</b>	<u>1 247</u>	<u>(482)</u>	<u>765</u>
<b>At 1 January 2020</b>	1 206	(566)	640
Additions	69	-	69
Disposal	(171)	104	(67)
Charge for the period	-	(115)	(115)
Translation difference	156	(73)	83
<b>At 30 June 2020</b>	<u>1 260</u>	<u>(650)</u>	<u>610</u>

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and its subsidiaries

**Notes to the Consolidated Interim Condensed Financial Statements**  
**For the six-month period ended 30 June 2020**

**10. Rolling Stock and Other Tangible Fixed Assets**

**a) Rolling stock**

	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
	<u>RUB mln</u>		
At 31 December 2018	21 065	(3 886)	17 179
IFRS 16 application	2 725	-	2 725
<b>At 1 January 2019</b>	<b>23 790</b>	<b>(3 886)</b>	<b>19 904</b>
Additions in the period	532	-	532
Depreciation charge for the period	-	(989)	(989)
Disposals	(824)	506	(318)
Translation difference	(22)	17	(5)
<b>At 30 June 2019</b>	<b>23 476</b>	<b>(4 352)</b>	<b>19 124</b>
<b>At 1 January 2020</b>	<b>12 893</b>	<b>(3 670)</b>	<b>9 223</b>
Additions	460	-	460
Depreciation charge	-	(477)	(477)
Disposals	(283)	167	(116)
Translation difference	58	(56)	2
<b>At 30 June 2020</b>	<b>13 128</b>	<b>(4 036)</b>	<b>9 092</b>

As at 30 June 2020 rolling stock include right-of-use assets with a net book value of RUB 1 144 million (31 December 2019 – RUB 1 195 million).

Considering the positive dynamics of Group's internal transportation volumes, within which Group's rolling stock is mostly utilized, and other factors described in Note 7, the Group has not identified any impairment indicators in respect of rolling stock as at reporting date.

**b) Other Tangible Fixed Assets**

	<u>Buildings and</u>	<u>Plant,</u>	<u>Assets</u>	
	<u>Infrastructure</u>	<u>Machinery</u>	<u>under</u>	<u>Total</u>
	<u>RUB mln</u>			
<b>Cost</b>				
At 31 December 2018	8 799	10 392	2 761	21 952
IFRS 16 application	1 292	586	-	1 878
<b>At 1 January 2019</b>	<b>10 091</b>	<b>10 978</b>	<b>2 761</b>	<b>23 830</b>
Additions	42	266	178	486
Transfers from AUC	233	8	(241)	-
Disposals	(46)	(51)	(37)	(134)
Translation difference	(218)	(410)	(45)	(673)
<b>At 30 June 2019</b>	<b>10 102</b>	<b>10 791</b>	<b>2 616</b>	<b>23 509</b>
<b>At 1 January 2020</b>	<b>10 590</b>	<b>11 344</b>	<b>2 538</b>	<b>24 472</b>
Additions	267	583	42	892
Transfers from AUC	103	20	(123)	-
Disposals	(1)	(54)	(1)	(56)
Translation difference	148	199	37	384
<b>At 30 June 2020</b>	<b>11 107</b>	<b>12 092</b>	<b>2 493</b>	<b>25 692</b>



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	<b>Buildings and Infrastructure</b>	<b>Plant, Machinery and Other</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Depreciation</b>				
<b>At 1 January 2019</b>	2 592	6 712	-	9 304
Depreciation charge for the period	137	363	-	500
Disposals	(6)	(44)	-	(50)
Translation difference	(161)	(342)	-	(503)
<b>At 30 June 2019</b>	<u>2 562</u>	<u>6 689</u>	-	<u>9 251</u>
<b>At 1 January 2020</b>	2 658	6 970	-	9 628
Depreciation charge for the period	142	424	-	566
Disposals	(1)	(49)	-	(50)
Translation difference	111	60	-	171
<b>At 30 June 2020</b>	<u>2 910</u>	<u>7 405</u>	-	<u>10 315</u>
<b>Net Book Value</b>				
At 1 January 2019	<u>7 499</u>	<u>4 266</u>	<u>2 761</u>	<u>14 526</u>
At 30 June 2019	<u>7 540</u>	<u>4102</u>	<u>2 616</u>	<u>14 258</u>
At 31 December 2019	<u>7 932</u>	<u>4 374</u>	<u>2 538</u>	<u>14 844</u>
At 30 June 2020	<u>8 197</u>	<u>4 687</u>	<u>2 493</u>	<u>15 377</u>

As at 30 June 2020 other tangible fixed assets include right-of-use assets with a net book value of RUB 2 840 million (31 December 2019 – RUB 1 919 million).

The Group has not identified any impairment indicators in respect of other fixed assets included in key cash generating units.

## 11. Investments in Associates and Joint Ventures

Equity accounted investments represent investments in joint ventures and associates.

<b>Name</b>	<b>Country of incorporation</b>	<b>Percentage Holding</b>	<b>Activity</b>	<b>Classification</b>
Trans Russia Agency Japan Co. Ltd	Japan	50%	Agency services	Joint Venture
International Paint (East Russia) Limited	Hong Kong	49%	Ship Paint Production	Associate

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

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>RUB mln</b>	
At the beginning of the period	68	141
Share of profit of equity accounted investees	40	29
Dividends received	-	(41)
Translation difference	(4)	(13)
At the end of the period	<u>104</u>	<u>116</u>

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Summary financial information for equity-accounted investees, not adjusted for the percentage ownership held by the Group, is as follows:

Reporting date	Cur- rent assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Profit from operations	Other comprehen- sive income	Total compre- hensive income
<b>As at 30 June 2020/ For six-month period ended 30 June 2020</b>									
<b>RUB mln</b>									
30 June	330	9	339	160	7	167	81	-	81

Reporting date	Cur-rent assets	Non- current assets	Total assets	Current liabilities	Non- current liabilities	Total liabilities	Profit from operations	Other comprehen- sive income	Total compre- hensive income	
<b>As at 31 December 2019/ For six-month period ended 30 June 2019</b>										
<b>RUB mln</b>										
31 December/ 30 June		249	8	257	149	6	155	61	-	61

## 12. Non-derivative Financial Assets and Liabilities

### (a) Other Non-Current Assets

	30 June 2020	31 December 2019
	<b>RUB mln</b>	
Restricted deposits	13	9
Prepayments for fixed assets, at cost	1 392	877
Prepayments for investments	-	106
Other intangible assets	206	248
Other equity investments	43	38
Guarantees	65	70
Other non-current assets	236	236
	<u>1 955</u>	<u>1 584</u>

### (b) Other Current Assets

	30 June 2020	31 December 2019
	<b>RUB mln</b>	
Restricted cash	41	41
Other current assets	9	11
	<u>50</u>	<u>52</u>

### (c) Accounts Receivable

	30 June 2020	31 December 2019
	<b>RUB mln</b>	
Trade debtors	4 573	4 255
VAT receivable	1 522	2 795
Prepayments to OJSC "Russian Railways"	506	761

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	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>RUB mln</b>	
Current tax assets	644	1 110
Other debtors and prepayments	2 349	2 252
Allowance for impairment	(708)	(631)
	<u>8 886</u>	<u>10 542</u>

**(d) Cash and Cash Equivalents**

	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>RUB mln</b>	
Bank accounts and cash in hand	2 367	1 232
Restricted cash	620	-
	<u>2 987</u>	<u>1 232</u>

**(e) Accounts Payable**

	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>RUB mln</b>	
Trade creditors	3 019	3 814
Taxes payable, other than income tax	624	1 128
Interest payable	395	364
Current tax liabilities	1 084	997
Other creditors and accruals	3 561	4 363
	<u>8 683</u>	<u>10 666</u>

**(f) Leases**

Liabilities under lease agreements were the following:

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>RUB mln</b>	
At 1 January	3 224	11 051
New lease contracts	584	141
Termination of contracts	(32)	-
Interest expenses on lease liabilities	337	750
Lease payments for the period	(679)	(1 288)
Other changes	83	-
Translation difference	169	(68)
	<u>3 686</u>	<u>10 586</u>

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	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>RUB mln</b>	
Short-term lease liabilities	392	343
Long term balance less short- term part	3 294	2 881
	<u>3 686</u>	<u>3 224</u>

The lease liabilities comprise:

	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>RUB mln</b>	
Liabilities under lease agreements classified as operating lease before 1 January 2019 before IFRS 16 come into effect	1 706	1 557
Liabilities under lease agreements classified as finance lease before 1 January 2019	1 980	1 667
	<u>3 686</u>	<u>3 224</u>

The table below shows the lease-related expenses recognised in the consolidated interim condensed statement of profit or loss:

	<b>Six-month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RUB mln</b>	
Depreciation of assets in the form of right of use	213	633
Interest expenses on lease liabilities	337	750
Short-term lease and low value lease contracts expenses that are exempt from the recognition under IFRS 16 "Leases"	990	524

### 13. Debt Obligations

#### (a) Loans payable

	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>RUB mln</b>	
Loans and other obligations comprise:		
<i>Secured loans</i>		
At fixed rate 10% - 15%	734	16
At variable rates +7%-12% linked to Libor/ Russian Central bank	31 675	32 117
	<u>32 409</u>	<u>32 133</u>

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	30 June 2020	31 December 2019
	RUB mln	
<i>Unsecured loans</i>		
At fixed rate 5% - 10%	501	501
	<u>501</u>	<u>501</u>
<i>Bonds</i>		
Russian rouble bonds at interest rate 11%-19% p.a.	247	252
	<u>247</u>	<u>252</u>
	<u>33 157</u>	<u>32 886</u>
Repayable within the next twelve months	7 547	6 145
Long term balance	<u>25 610</u>	<u>26 741</u>
	<u>33 157</u>	<u>32 886</u>

The carrying amount of pledged under debt obligations rolling stock and other fixed assets as at 30 June 2020 was RUB 7 231 million (31 December 2019: USD 133 million).

**(b) Reconciliation of movements of liabilities to cash flows arising from financing activities**

RUB mln	Loans	Bonds	Leases (Note 12)	Interest payable	Total
<b>Balance at 1 January 2019</b>	32 634	252	3 224	364	36 474
<b>Changes from financing cash flows</b>					
Repayments	(2 952)	(5)	(342)	-	(3 299)
Received	819	-	-	-	819
Interest paid	-	-	(337)	(1 448)	(1 785)
Total changes from financing cash flows	<u>(2 133)</u>	<u>(5)</u>	<u>(679)</u>	<u>(1 448)</u>	<u>(4 265)</u>
<b>Other changes</b>					
Finance leases received	-	-	584	-	584
Termination of contracts	-	-	(32)	-	(32)
Interest expense	-	-	337	1 482	1 819
Other changes	-	-	83	-	83
Translation differences	2 409	-	169	(3)	2 575
Total other changes	<u>2 409</u>	<u>-</u>	<u>1 141</u>	<u>1 479</u>	<u>5 029</u>
<b>Balance at 30 June 2020</b>	<u>32 910</u>	<u>247</u>	<u>3 686</u>	<u>395</u>	<u>37 238</u>

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Reconciliation of movements of liabilities to cash flows arising from financing activities for the period ended 30 June 2019:

RUB mln	Loans	Bonds	Leases (Note 12)	Interest payable	Total
<b>Balance at 31 December 2018</b>	38 821	378	6 448	491	46 138
IFRS 16 application	-	-	4 603	-	4 603
<b>Balance at 1 January 2019</b>	38 821	378	11 051	491	50 741
<b>Changes from financing cash flows</b>					
Repayments	(1 871)	(18)	(538)	-	(2 427)
Interest paid	-	-	(750)	(1 726)	(2 476)
Total changes from financing cash flows	(1 871)	(18)	(1 288)	(1 726)	(4 903)
<b>Other changes</b>					
Finance leases received	-	-	141	-	141
Interest expense	-	-	750	1 520	2 270
Redemption of bonds result	-	(4)	-	-	(4)
Translation differences	(2 128)	-	(68)	111	(2 085)
Total other changes	(2 128)	(4)	823	1 631	322
<b>Balance at 30 June 2019</b>	34 822	356	10 586	396	46 160

#### 14. 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.

	<b>Six-month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RUB mln</b>	
<b>Current tax expense</b>		
Current period	1 082	1 163
	1 082	1 163
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(842)	65
	(842)	65
Total income tax expense	240	1 228

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Reconciliation of effective tax rate:

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>RUB mln</b>	<b>RUB mln</b>
Profit before income tax	5 506	27
Income tax (benefit)/expense at applicable tax rate of 20% (2019: 20%)	1 102	5
Effect of income taxed at different rates	(260)	586
Non-taxable income /non-deductible expenses, net	(728)	418
Change in unrecognised deferred tax asset	126	219
	<u>240</u>	<u>1 228</u>

The Group's deferred tax liability mainly arises in entities incorporated in Russia and the effect of deferred taxation in other jurisdictions is not material.

#### 15. Shareholders' Equity

	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>RUB mln</b>	
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 (RUB mln)	<u>2 951</u>	<u>2 951</u>

#### 16. Business Segmental Analysis

For management purposes, the Group is organised into five major operating divisions – shipping, liner and logistics, railway services, ports and bunkering. The Group also includes certain companies that cannot be allocated to a specific division. These 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

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services and facilities.

**Bunkering** The bunkering division provides services of ship bunkering which involves transferring oil and fuel to and from a vessel and other supporting activity.

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

Segment information for the main reportable segments of the Group for the six-month period ended 30 June 2020 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Eliminations/ Adjustments	Total
<b>RUB mln</b>								
External sales	917	19 958	1 300	5 421	-	-	-	27 596
Inter-segment sales	681	252	1 657	1 961	409	-	(4 960)	-
Segment revenue	1 598	20 210	2 957	7 382	409	-	(4 960)	27 596
Segment expenses (*)	(1 216)	(19 446)	(1 913)	(3 657)	(405)	(1 130)	5 759	(22 008)
Segment result	382	764	1 044	3 725	4	(1 130)	799	5 588

*Segment non-cash items:*

Depreciation and amortization	(303)	(173)	(489)	(366)	-	(49)	(1)	(1 381)
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*Other material items of income/expense:*

Finance costs, net	(9)	(116)	(190)	626	(10)	2 558	(830)	2 029
Other income, net	(188)	5	(170)	(13)	(1)	732	(820)	(455)
Impairment	(87)	-	-	-	-	-	-	(87)
Result of disposal of subsidiaries	-	-	(22)	-	-	-	-	(22)
Share of profit of equity accounted investees	40	-	-	-	-	-	-	40
Income tax expense	108	212	117	(638)	1	(41)	1	(240)
Segment net result	(57)	692	290	3 334	(6)	1 864	(851)	5 266



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Segment information for the main reportable segments of the Group for the six-month period ended 30 June 2019 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Eliminations/ Adjustments	Total
RUB mln								
External sales	1 049	17 801	2 965	5 659	111	-	-	27 585
Inter-segment sales	561	99	1 253	1 840	639	-	(4 392)	-
Segment revenue	1 610	17 900	4 218	7 499	750	-	(4 392)	27 585
Segment expenses (*)	(1 312)	(16 724)	(2 267)	(3 945)	(725)	(1 199)	4 780	(21 392)
Segment result	298	1 176	1 951	3 554	25	(1 199)	388	6 193

*Segment non-cash items:*

Depreciation and amortization	(218)	(132)	(1 021)	(329)	-	(55)	(2)	(1 757)
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*Other material items of income/expense:*

Finance costs, net	(17)	86	(784)	1 312	(4)	(3 549)	(1 375)	(4 331)
Other income, net	(43)	23	303	(68)	-	281	(417)	79
Impairment	-	-	(39)	-	-	-	-	(39)

Share of profit of equity accounted investees	27	2	-	-	-	-	-	29
Income tax expense	69	(254)	(103)	(868)	(4)	(69)	1	(1 228)
Segment net result	116	901	307	3 454	17	(4 591)	(1 405)	(1 201)

*Segmental assets and liabilities*

	Assets		Liabilities	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
RUB mln				
Shipping (Global)	6 956	8 107	1 440	723
Liner and logistics (Global)	9 370	9 150	4 933	5 467
Railway services (Russia)	13 389	23 427	2 282	9 046
Ports (Russia)	14 473	13 556	36 456	36 535
Bunkering (Russia)	18	104	21	133
Total of all segments	44 206	54 344	46 132	51 904
Goodwill	6 461	6 418	-	-
Other items not attributable to a specific segment	465	565	1 598	3 814
Consolidated	51 132	61 327	46 730	55 718

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*Other segmental information*

	<b>Acquisition of segment assets</b>		<b>Investments in equity accounted investees</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RUB mln</b>			
Shipping (Global)	432	644	84	50
Liner and logistics (Global)	24	29	20	18
Railway services (Russia)	456	416		-
Ports (Russia)	858	449		-
	<b>1 770</b>	<b>1 538</b>	<b>104</b>	<b>68</b>

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

**17. Revenue**

	<b>Six-month period ended</b>	
	<b>30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RUB mln</b>	
<b>Revenue from contracts with customers</b>		
Transportation services (operators' business)	20 844	20 480
Port and stevedoring services	5 421	5 659
Bunkering	-	111
Freight revenue	161	289
Total revenue from contracts with customers	<b>26 426</b>	<b>26 539</b>
<b>Other revenue</b>		
Revenue for vessels chartering	756	677
Revenue from railcar and other rentals	305	249
Agency fees	109	120
Total other revenue	<b>1 170</b>	<b>1 046</b>
	<b>27 596</b>	<b>27 585</b>

Transportation services revenue is generated from contracts with customers related to liner and logistics and railway operating segments.

Revenue from stevedoring and bunkering services is related to ports and bunkering operating segments respectively.

Revenue from rentals is attributable to railway division and hire and freight – to shipping division.

Agency fees are earned by liner and logistics division.

Below please find the disclosure of contract assets and liabilities under contracts with customers:

	<b>30 June 2020</b>	<b>31 December</b>
	<b>2019</b>	
	<b>RUB mln</b>	
Contract assets included in Trade and other receivables	970	805
Contract liabilities included in Trade and other payables	(1 406)	(1 776)

Contract assets comprise receivables from customers from revenue earned but not yet invoiced as at 30 June 2020. Contract liabilities comprise advances received for the revenue recognised over time. Contract liabilities as at 1 January 2020 were recognised as revenue for the six-month period ended 30 June 2020.

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**18. Operating Expenses**

	Six-month period ended	
	30 June	
	2020	2019
	RUB mln	
Railway infrastructure tariff and transportation services	14 312	13 385
Payroll expenses	2 270	2 387
Voyage and vessel running cost	488	618
Stevedoring services	938	1 166
Bunkering	8	74
Short-term lease	823	352
Non-profit based taxes	42	36
	<u>18 881</u>	<u>18 018</u>

**19. Administrative Expenses**

	Six-month period ended	
	30 June	
	2020	2019
	RUB mln	
Salary and other staff related costs	2 285	2 328
Professional fees	209	318
Short-term office lease	167	172
Other administrative expenses	466	556
	<u>3 127</u>	<u>3 374</u>

**20. Finance Income/(Costs), net**

	Six-month period ended	
	30 June	
	2020	2019
	RUB mln	
<b>Finance income</b>		
Interest income	22	45
Foreign exchanges gain	3 826	-
Redemption of bonds	-	4
<b>Total finance income</b>	<u>3 848</u>	<u>49</u>
<b>Finance costs</b>		
Interest expense	(1 482)	(1 520)
Foreign exchanges loss	-	(2 110)
Interest expense on leases (IFRS 16 (2018: financial leases))	(337)	(750)
<b>Total finance costs</b>	<u>(1 819)</u>	<u>(4 380)</u>
	<u>2 029</u>	<u>(4 331)</u>

Interest expense in the amount of RUB 337 million comprise RUB 165 million interest expense on the lease contracts that were accounted as finance leases under IAS 17 *Leases* as at 31 December 2018 and RUB 172 million interest expense on the lease contracts that were recognized as a lease upon transition to IFRS 16 *Leases*.

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**Notes to the Consolidated Interim Condensed Financial Statements  
For the six-month period ended 30 June 2020**

**21. Sale of Disposal Group Held for Sale**

In February 2020, the Group sold its 100% stake in the grain carrier operator «Trans – Grain» LLC and a number of other assets related to the grain business. The total amount of the transaction was RUB 4 391 million.

The financial effect of the transaction resulted a loss on disposal of RUB 22 million and was calculated as follows:

	<b>RUB mln</b>
Total consideration received in cash	4 391
Advance received in cash as at 31 December 2019	(504)
Cash disposed	(30)
<b>Cash received due to disposal of subsidiary recognized in Consolidated Interim Condensed Statements of Cash Flows</b>	<b>3 857</b>
Net assets at the date of disposal	
Goodwill	2 028
Fixed assets	9 121
Trade and other accounts receivable	313
Lease liability	(6 905)
Trade and other accounts payable	(86)
Other assets and liabilities	(88)
	<b>4 383</b>
<b>Loss on disposal subsidiary</b>	<b>(22)</b>

**22. Earnings/ (loss) per Share**

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

	<b>30 June 2020</b>	<b>30 June 2019</b>
Profit/(loss) for the period, RUB	5 101 000 000	(1 423 000 000)
Weighted average number of shares in issue	2 951 250 000	2 951 250 000
Earnings/(loss) per share, RUB	1,729	(0,482)

**23. Contingencies and Commitments**

There were no changes in management assessment of taxation contingencies and business environment as compared to those disclosed in consolidated financial statements as at and for the year ended 31 December 2019.

**FAR-EASTERN SHIPPING COMPANY PLC.  
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**Notes to the Consolidated Interim Condensed Financial Statements  
For the six-month period ended 30 June 2020**

**24. Related Party Transactions**

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

During the period nine individuals were considered to be the Group's key management and directors (2019: nine individuals). Their remuneration during the period was as follows:

	<b>Six-month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RUB mln</b>	
Salaries	125	95
	125	95

	<b>30 June 2020</b>	<b>31 December 2019</b>	<b>Nature of balances</b>
<b>Consolidated Interim Condensed Statement of financial position</b>	<b>RUB mln</b>		
Related through common shareholder	(113)	(103)	Other services

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>Nature of transactions</b>
<b>Consolidated Interim Condensed Statement of Profit and Loss</b>	<b>RUB mln</b>		
Purchases from associates	-	(7)	Agency services, lease payment
Related through common shareholder	(52)	(196)	Other related services

**25. Events Subsequent to the Reporting Date**

In July 2020 the Group purchased new vessel FESCO Paris for RUB 375 million (USD 5,5 million).