FAR-EASTERN SHIPPING COMPANY PLC.
AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2011

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Independent Auditors' Report on review of Interim Financial Information

To the Board of Directors of FAR-EASTERN SHIPPING COMPANY PLC. (FESCO)

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of FAR-EASTERN SHIPPING COMPANY PLC. (FESCO) (the "Company") (and its subsidiaries (the "Group")) as at 30 June 2011, and the related consolidated interim condensed income statement, consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the six months period then ended (the "consolidated interim condensed financial information"). Management is responsible for the preparation and 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 the 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 June 2011 and for the six months period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Emphasis of Matter

In 2010 the Group changed its accounting policy for accounting for investments in joint ventures. The reason for and the effects of this change are described in Note 7 to the consolidated interim condensed financial statements. We have reviewed the adjustments described in the Note 7 that were applied to restate the consolidated interim condensed income statement and consolidated interim condensed statements of comprehensive income and cash flows for the six months period ended 30 June 2010. Nothing has come to our attention that causes us to believe that such adjustments are not appropriate and have not been properly applied.

ZAO KPMG

ZAO KPMG

28 September 2011

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

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Financial Position
As at 30 June 2011

'000 USD	Note	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Fleet	9	410,879	411,605
Rolling stock	10	497,523	316,881
Other tangible fixed assets	11	169,197	152,916
Goodwill	8	217,387	200,252
Other intangible assets		5,167	5,731
Investments in associates and joint ventures	12	116,164	100,634
Other equity investments	13	194,501	165,042
Other non-current assets	14	55,199	30,721
Total non-current assets		1,666,017	1,383,782
Current assets			
Inventories		29,794	21,341
Accounts receivable	15	184,531	147,288
Current tax assets		5,622	2,455
Other current assets		2,252	2,160
Cash and cash equivalents		513,485	556,288
Total current assets		735,684	729,532
Total assets		2,401,701	2,113,314
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	20	57,230	57,230
Share premium		999,494	999,494
Treasury shares		(336,104)	(336,104)
Retained earnings		907,007	870,357
Reserves		8,466	(75,092)
Total equity attributable to equity holders of the Company		1,636,093	1,515,885
Non-controlling interest		14,685	11,409
Total equity		1,650,778	1,527,294
Non-current liabilities			
Long term loans and finance lease obligations	17	495,511	302,746
Deferred tax liability		33,810	32,987
Other long term liabilities	18	25,367	27,285
Total non-current liabilities		554,688	363,018
Current liabilities			
Accounts payable	16	118,432	98,497
Current tax liabilities		3,171	2,114
Short term loans and finance lease obligations	17	74,632	122,391
Total current liabilities		196,235	223,002
Total liabilities		750,923	586,020
Total equity and liabilities		2,401,701	2,113,314

S.V. Generalov, President____________ Y.B. Gilts, Vice President and CFO____________

Date: 28 September 2011

The accompanying notes on pages 11 to 28 form an integral part of these consolidated interim condensed financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Income Statement
For the six-month period ended 30 June 2011

'000 USD	**Note**	**30 June 2011**	**30 June 2010 Restated**
Revenue	23	458,954	361,821
Operating expenses	24	(311,447)	(250,015)
Gross profit before depreciation and amortization		147,507	111,806
Depreciation and amortisation		(37,215)	(35,939)
Administrative expenses	25	(64,744)	(48,194)
Profit on disposal of tangible fixed assets	27	659	536
Bad debt (charge) / release		(4,946)	1,667
Other income		1,996	604
Profit from operating activity		43,257	30,480
Interest expense		(15,336)	(31,932)
Foreign exchange gain/(loss)		10,368	(5,136)
Other finance income/(costs), net	26	6,344	(12,454)
Share of profit of equity accounted investees	12	7,086	1,242
Profit/(loss) before income tax		51,719	(17,800)
Income tax expense	19	(8,951)	(10,253)
Profit/(loss) for the period		42,768	(28,053)
Attributable to:			
Owners of the Company		38,187	(31,093)
Non-controlling interest		4,581	3,040
Basic and Diluted profit/(loss) per share	28	USD 0.015	USD (0.012)

The accompanying notes on pages 11 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 Comprehensive Income
For the six-month period ended 30 June 2011

‘000 USD		**30 June 2011**		**30 June 2010 Restated**
Profit/(loss) for the period		42,768		(28,053)
Other comprehensive income/(loss):				
Revaluation of fleet	-		(5,204)	
Effect of foreign currency translation	55,970		(23,834)	
Revaluation of available - for - sale investments	29,262		200,000	
Other comprehensive income for the period		85,232		170,962
Total comprehensive income for the period		128,000		142,909
Total comprehensive income attributable to:				
Ordinary shareholders of the Company		122,474		139,898
Non-controlling interest		5,526		3,011

The accompanying notes on pages 11 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 six-month period ended 30 June 2011

	Attributable to equity holders of the Company										
'000 USD	**Share capital (Note 20)**	**Share premium (Note 20)**	**Treasury shares (Note 20)**	**Retained earnings**	**Revaluation reserve**	**Investment fair value reserve**	**Translation reserve**	**Cash flow hedge**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2010	57,230	999,494	(336,104)	404,519	40,314	220,849	(92,050)	(2,419)	1,291,833	7,773	1,299,606
Loss for the period				(31,093)					(31,093)	3,040	(28,053)
Other comprehensive income/(loss)											
Effect of foreign currency translation	-	-	-	-	-	-	(23,805)	-	(23,805)	(29)	(23,834)
Revaluation of fleet, net of deferred tax	-	-	-	-	(5,204)	-	-	-	(5,204)	-	(5,204)
Release from revaluation reserve	-	-	-	1,605	(1,605)	-	-	-	-	-	-
Revaluation of available - for - sale investments	-	-	-	-	-	200,000	-	-	200,000	-	200,000
Total other comprehensive income/(loss)	-	-	-	1,605	(6,809)	200,000	(23,805)	-	170,991	(29)	170,962
Total comprehensive income for the period	-	-	-	(29,488)	(6,809)	200,000	(23,805)	-	139,898	3,011	142,909
Transactions with owners, recorded directly in equity											
Dividends declared	-	-	-	-	-	-	-	-	-	(2,911)	(2,911)
Non-controlling interest acquired	-	-	-	-	-	-	-	-	-	123	123
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	(2,788)	(2,788)
Total transaction with owners	-	-	-	-	-	-	-	-	-	(2,788)	(2,788)
Balance at 30 June 2010	57,230	999,494	(336,104)	375,031	33,505	420,849	(115,855)	(2,419)	1,431,731	7,996	1,439,727

The accompanying notes on pages 11 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 six-month period ended 30 June 2011

	Attributable to equity holders of the Company										
'000 USD	**Share capital (Note 20)**	**Share premium (Note 20)**	**Treasury shares (Note 20)**	**Retained earnings**	**Revaluation reserve**	**Investment fair value reserve**	**Translation reserve**	**Cash flow hedge**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2011	57,230	999,494	(336,104)	870,357	28,689	23,711	(130,407)	2,915	1,515,885	11,409	1,527,294
Profit for the period	-	-	-	38,187	-	-	-	-	38,187	4,581	42,768
Other comprehensive income/(loss)											
Effect of foreign currency translation	-	-	-	-	-	-	55,025	-	55,025	945	55,970
Release from revaluation reserve	-	-	-	729	(729)	-	-	-	-	-	-
Revaluation of available - for - sale investments	-	-	-	-	-	29,262	-	-	29,262	-	29,262
Total other comprehensive income/(loss)	-	-	-	729	(729)	29,262	55,025	-	84,287	945	85,232
Total comprehensive income for the period	-	-	-	38,916	(729)	29,262	55,025	-	122,474	5,526	128,000
Transactions with owners, recorded directly in equity											
Dividends declared	-	-	-	-	-	-	-	-	-	(322)	(322)
Non controlling interest acquired	-	-	-	(2,266)	-	-	-	-	(2,266)	(1,928)	(4,194)
Total contributions by and distributions to owners	-	-	-	(2,266)	-	-	-	-	(2,266)	(2,250)	(4,516)
Total transaction with owners	-	-	-	(2,266)	-	-	-	-	(2,266)	(2,250)	(4,516)
Balance at 30 June 2011	57,230	999,494	(336,104)	907,007	27,960	52,973	(75,382)	2,915	1,636,093	14,685	1,650,778

The accompanying notes on pages 11 to 28 form an integral part of these consolidated interim condensed financial statements.

Consolidated Interim Condensed Statement of Cash Flows
For the six-month period ended 30 June 2011

'000 USD	Note	30 June 2011	30 June 2010 Restated
Cash flows from operating activities			
Profit/(loss) for the period		42,768	(28,053)
Adjustments for:			
Depreciation and amortisation		37,215	35,939
Impairment losses		2,300	913
Profit on disposal of tangible fixed assets		(659)	(536)
Foreign exchange differences		(10,368)	5,136
Net finance costs		8,992	44,387
Share of profit of equity accounted investees		(7,086)	(1,242)
Income tax expense		8,951	10,253
Share options expense/(release)		2,839	(816)
Cash from operating activities before changes in working capital and provisions		84,952	65,981
Change in inventories		(8,453)	(1,285)
Change in trade and other receivables		(37,557)	(11,000)
Change in trade and other payables		18,719	6,865
Cash flows from operations before income taxes paid		57,661	60,561
Income tax paid		(10,677)	(1,546)
Cash flows from operating activities		46,984	59,015
Cash flows from investing activities			
Expenditure on vessels under construction	9	(3,886)	(7,820)
Refund from cancellation of construction contract		1,100	-
Expenditure on other fixed assets	10,11	(68,746)	(5,292)
Expenditure on drydocking	9	(4,222)	(3,791)
Proceeds on disposal of fleet		-	41,741
Proceeds on disposal of other fixed assets		1,547	2,375
Associates acquired		-	(1,644)
Other investments acquired		-	(640)
Prepayments for investments	14	(27,070)	-
Proceeds on sale of investments		708	140
Dividends received		937	498
Short-term loans issued		(1,956)	(647)
Finance lease receipt		62	390
Interest received		4,002	1,041
Net cash (used in)/ generated from investing activities		(97,524)	26,351

The accompanying notes on pages 11 to 28 form an integral part of these consolidated interim condensed financial statements.

Consolidated Interim Condensed Statement of Cash Flows
For the six-month period ended 30 June 2011
(Continued)

‘000 USD	Note	30 June 2011	30 June 2010
Cash flows from financing activities			
Loans drawn down		232,365	134,219
Loan repayments		(214,873)	(191,629)
Finance charges paid		(15,923)	(29,824)
Financial instruments liability paid		(2,570)	(3,303)
Decrease in overdraft		-	(1,530)
Dividends paid		(322)	(2,850)
Non-controlling interest acquired		(4,194)	-
Net cash used in financing activities		(5,517)	(94,917)
Exchange differences		13,254	(5,776)
Net decrease in cash and cash equivalents		(42,803)	(15,327)
Cash and cash equivalents at the beginning of the period		556,288	82,188
Cash and cash equivalents at the end of the period		513,485	66,861

The accompanying notes on pages 11 to 28 form an integral part of these consolidated interim condensed financial statements.

1. Organisation and Trading Activities

Far-Eastern Shipping Company PLC. (FESCO) 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: 15 Aleutskaya Street, Vladivostok, Primorskiy Kray, Russian Federation 690091.

The Company's immediate parent entity is SVG Holdings S.A. Luxemburg and Mr Sergey Generalov 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 2010.

3. Significant Accounting Policies

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 2010.

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 applied to the consolidated financial statements as at and for the year ended 31 December 2010.

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 2010.

6. Seasonality of Operations

The Group's operations are not subject to high seasonality.

7. Changes in Accounting Policy

In 2010 the Group changed its accounting policy in respect of accounting for investments in joint ventures- previously such investments were accounted for using "proportionate consolidation method", whereas in 2010 the Group decided that use of equity accounting for joint ventures provides a more relevant and reliable picture of performance and financial position of the Group. The Group also considered the envisaged changes to IAS 31 "*Interest in Joint Ventures"*, which will prohibit the use of proportionate consolidation when becoming effective 1 January 2013.
The comparative information has been restated accordingly. The summary of restated amounts for the period ended 30 June 2010 is as follows:

'000 USD	**As previously reported**	**Effect of change in accounting policy**	**As restated**
		Income Statement	
Revenue	387,081	(25,260)	361,821
Operating expenses	(264,946)	14,931	(250,015)
Depreciation and amortisation	(38,471)	2,532	(35,939)
Administrative expenses	(52,789)	4,595	(48,194)
Result on disposal of tangible fixed assets	642	(106)	536
Bad debt release	1,075	592	1,667
Other income	618	(14)	604
Interest expense	(33,053)	1,121	(31,932)
Foreign exchange loss	(5,325)	189	(5,136)
Other financial expenses, net	(12,369)	(85)	(12,454)
Share of profit of equity accounted investees	272	970	1,242
Income tax expense	(10,788)	535	(10,253)
Loss for the period	**(28,053)**	**-**	**(28,053)**
Attributable to non-controlling interest	3,445	(405)	3,040
Attributable to owners of the Company	(31,498)	405	(31,093)

'000 USD	**As previously reported**	**Effect of change in accounting policy**	**As restated**
		Statement of Cash Flows	
Loss for the period	(28,053)	-	(28,053)
Cash flows from operating activities	64,134	(5,119)	59,015
Cash flows from investing activities	25,522	829	26,351
Cash flows used in financing activities	(97,049)	2,132	(94,917)
Exchange differences	(5,859)	83	(5,776)

The change in accounting policy did not result in a significant change in net profit attributable to ordinary shareholders of the Parent and hence the basic and diluted earnings per share remained unchanged.

8. Goodwill

	Carrying amount '000 USD
At 1 January 2010	203,638
Translation difference	(8,363)
At 30 June 2010	195,275
At 1 January 2011	200,252
Translation difference	17,135
At 30 June 2011	217,387

Goodwill has been allocated to groups of cash generating units (CGU's) which represent the lowest level within the Group at which goodwill is monitored by management for internal reporting purposes.

9. Fleet

	Carrying value	
	30 June 2011	31 December 2010
	'000 USD	
(a) Fleet	301,193	307,256
(b) Deferred dry docking expenses	20,299	20,090
(c) Vessels under construction	89,387	84,259
	410,879	411,605

	Valuation	Depreciation	Net Book Value
		'000 USD	
At 1 January 2010	339,716	-	339,716
Depreciation charge for the period	-	(11,196)	(11,196)
Disposals	(13,383)	171	(13,212)
Revaluation	(7,220)	2,016	(5,204)
Transfers to current assets as vessels held-for-sale	(77,295)	-	(77,295)
At 30 June 2010	241,818	(9,009)	232,809
At 1 January 2011	307,256	-	307,256
Depreciation charge for the period	-	(6,063)	(6,063)
At 30 June 2011	307,256	(6,063)	301,193
Total deadweight tonnage			704,349

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.

15 vessels with a net book value of USD 206 million are pledged as a security to guarantee the Group's obligations under ING Bank N.V and Citibank International plc loans (Note 17).

Movements during the period on deferred dry docking expenses were:

	Cost	Depreciation	Net Book Value
		'000 USD	
At 1 January 2010	36,651	(17,980)	18,671
Additions	3,791	-	3,791
Charge for the period	-	(3,843)	(3,843)
Amortised dry dock write off	(1,275)	1,275	-
Release on disposal of fleet	(2,821)	2,460	(361)
At 30 June 2010	36,346	(18,088)	18,258
At 1 January 2011	39,135	(19,045)	20,090
Additions	4,446	-	4,446
Charge for the period	-	(4,237)	(4,237)
Amortised dry dock write off	(2,472)	2,472	-
At 30 June 2011	41,109	(20,810)	20,299

Movements during the period on vessels under construction were:

	30 June 2011	30 June 2010
	'000 USD	
At the beginning of the period	84,259	66,202
Expenditure incurred during the period	4,218	31,200
Capitalised borrowing costs	910	624
At the end of the period	89,387	98,026

Details of the Group's commitments in respect of vessels under construction are given in Note 29(a).

The Group constructs four dry cargo bulk vessels at the Qingshan Shipyard with the delivery expected in 2011-2012. The contracted price of such vessels was agreed at USD 37.5 million per unit. The vessels were impaired in prior periods by reference to the fair value less cost to sell of similar completed vessels and are stated at USD 31.8 million per unit at the end of 2010. The market value of similar vessels during the reporting period and subsequent to the reporting date fluctuated in a range of USD 29 - 32 million and no further impairment loss was recognized in the current period in respect of these vessels. However, there is a risk that the prices for such vessels will continue to decline and further impairment loss may need to be recognized at the end of the year.

10. Rolling Stock

	Cost	Depreciation	Net Book Value
		'000 USD	
At 1 January 2010	409,133	(75,940)	333,193
Additions in the period	470	-	470
Depreciation charge for the period	-	(12,030)	(12,030)
Disposals	(1,136)	641	(495)
Translation difference	(14,821)	4,018	(10,803)
At 30 June 2010	393,646	(83,311)	310,335
At 1 January 2011	420,897	(104,016)	316,881
Correction of the cost of tangible fixed assets	(7,251)	7,113	(138)
Additions in the period	168,285	-	168,285
Depreciation charge for the period	-	(15,793)	(15,793)
Disposals	(2,080)	714	(1,366)
Translation difference	36,278	(6,624)	29,654
At 30 June 2011	616,129	(118,606)	497,523

Rolling stock includes assets held under finance leases with a net book value of USD 158 million (at 31 December 2010 – USD 48 million).

At 30 June 2011 rolling stock with a carrying amount of USD 218 million (31 December 2010 – USD 133 million) are subject to registered debenture to secure bank loans (Note 17).

11. Other Tangible Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	'000 USD			
Cost				
At 1 January 2010	70,970	145,613	2,237	218,820
Additions	107	1,164	1,990	3,261
Transfer	616	822	(1,438)	-
Disposals	(113)	(3,053)	(339)	(3,505)
Translation difference	(4,166)	(2,336)	52	(6,450)
At 30 June 2010	67,414	142,210	2,502	212,126
At 1 January 2011	82,314	150,979	9,796	243,089
Additions	1,654	5,225	13,027	19,906
Transfer	-	947	(947)	-
Disposals	-	(2,736)	(653)	(3,389)
Translation difference	3,977	5,091	239	9,308
At 30 June 2011	87,945	159,506	21,462	268,913
Depreciation				
At 1 January 2010	18,251	60,425	-	78,676
Depreciation charge	1,211	6,812	-	8,023
Eliminated on disposal	-	(2,510)	-	(2,510)
Translation difference	(126)	(884)	-	(1,010)
At 30 June2010	19,336	63,843	-	83,179
At 1 January 2011	20,765	69,408	-	90,173
Depreciation charge	2,101	8,178	-	10,279
Eliminated on disposal	-	(2,163)	-	(2,163)
Translation difference	387	1,040	-	1,427
At 30 June 2011	23,253	76,463	-	99,716
Net Book Value				
At 1 January 2010	52,719	85,188	2,237	140,144
At 30 June 2010	48,078	78,367	2,502	128,947
At 1 January 2011	61,549	81,571	9,796	152,916
At 30 June 2011	64,692	83,043	21,462	169,197

Plant, machinery and other fixed assets include containers held under finance lease with a net book value of USD 20 million (at 31 December 2010– USD 23 million) and plant and machinery with a net book value of USD 2.8 million (at 31 December 2010– nil)

At 30 June 2011 other fixed assets with a carrying amount of USD 25 million (31 December 2010 - USD 11 million) are pledged as a security to guarantee the Group's loan obligations (Note 17).

12. Investments in Associates and Joint Ventures

Equity accounted investments represent investments in joint ventures and associates.

Name	Country of Incorporation	Percentage Holding	Activity
Commercial Port of Vladivostok (VMTP)	Russia	50%	Commercial Port
"Russkaya Troyka"	Russia	50%	Intermodal Container Operations
FESCO Wallem Shipmanagement Limited	Hong Kong	50%	Technical, crewing and safety management services provider
Trans Russia Agency Japan Co. Ltd	Japan	50%	Agency services
International Paint (East Russia) Limited	Hong Kong	49%	Ship Paint Production
"SHOSHTRANS" JVCSC	Uzbekistan	25%	Forwarding services
MB –Fesco Trans	Cyprus	49%	Forwarding services
Transorient Shipping Co., Ltd	South Korea	49%	Maritime general agency

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

	30 June 2011	30 June 2010
	'000 USD	
At the beginning of the period	100,634	100,883
Share of results of equity accounted investees	7,086	1,242
Additions	-	1,644
Dividends paid to associate	-	2,875
Dividends received from associate	(539)	(5,045)
Translation differences	8,983	(3,821)
At the end of the period	116,164	97,778

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/ (loss)
					30 June 2011					
					'000 USD					
VMTP (joint venture)	31 December	27,666	190,179	217,845	22,035	44,334	66,369	60,526	(50,856)	9,670
Russkaya Troyka (joint venture)	31 December	7,596	58,825	66,421	6,050	27,434	33,484	10,384	(7,920)	2,464
Fesco Wallem (joint venture)	31 December	1,808	79	1,887	1,418	-	1,418	1,253	(1,212)	41
Trunsrussia agency (joint venture)	31 December	3,685	42	3,727	3,625	121	3,746	1,172	(1,227)	(55)
International Paint (associate)	31 December	5,438	36	5,474	3,532	-	3,532	7,635	(5,524)	2,111
Shoshtrans (associate)	31 December	3,335	489	3,824	1,497	-	1,497	473	(239)	234
Transorient (associate)	31 December	6,542	488	7,030	5,221	-	5,221	1,153	(1,196)	(43)
MB –Fesco Trans (associate)	31 December	4,543	169	4,712	1,181	-	1,181	3,711	(3,665)	46
		60,613	250,307	310,920	44,559	71,889	116,448	86,307	(71,839)	14,468

	Reporting date	Current assets	Non-current assets	Total assets	Current liabilities	Non – current liabilities	Total liabilities	Income	Expenses	Profit/ (loss)
				31 December 2010					6 months ended 30 June 2010	
					'000 USD					
VMTP (joint venture)	31 December	5,060	164,837	169,897	1,789	32,963	34,752	47,299	(41,610)	5,689
Russkaya Troyka (joint venture)	31 December	6,798	55,478	62,276	6,427	27,821	34,248	4,618	(8,281)	(3,663)
Fesco Wallem (joint venture)	31 December	1,167	100	1,267	838	-	838	1,363	(1,245)	118
Trunsrussia agency (joint venture)	31 December	3,592	43	3,635	3,331	134	3,465	649	(853)	(204)
International Paint (associate)	31 December	2,979	45	3,024	2,094	-	2,094	5,054	(4,169)	885
Shoshtrans (associate)	31 December	3,331	520	3,851	2,217	-	2,217	555	(595)	(40)
Transorient (associate)	31 December	5,437	512	5,949	4,191		4,191	804	(1,120)	(316)
MB –Fesco Trans (associate)	31 December	4,295	155	4,449	1,239		1,239	10	(3)	7
		32,659	221,690	254,349	22,126	60,918	83,044	60,352	(57,876)	2,476

Goodwill in amount of USD 20 million related to VMTP is included into the investments in associates and joint ventures.

13. Other Equity Investments

	30 June 2011	31 December 2010
	'000 USD	
(a) Investments available-for-sale	192,304	162,979
(b) Other investments	2,197	2,063
	194,501	165,042

Investments available for sale are comprised of 12.5% shares and Global Depository Receipts (GDR) of TransContainer OJSC. Fair value of investments was determined based on Russian Trading System (RTS) and London Stock Exchange (LSE) for shares and GDR respectively (level 1 of the hierarchy of the fair values).

14. Other Non-Current Assets

	30 June 2011	31 December 2010
	'000 USD	
Non-current portion of finance lease receivable, at amortized cost	7,742	8,636
Prepayments for investment, at cost	27,070	-
Long-term bank deposit, at cost	3,642	3,361
Prepayments for fixed assets, at cost	9,393	12,879
Other long-term prepayments, at cost	2,048	2,291
Long-term loan to related party, at cost	3,044	2,660
Other non-current assets	2,260	894
	55,199	30,721

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 %.

15. Accounts Receivable

	30 June 2011	31 December 2010
	'000 USD	
Trade debtors	83,570	76,189
VAT receivable	60,920	45,258
Receivable from KUKE	-	1,100
Prepayments to OJSC "Russian Railways"	15,196	18,944
Amounts due from associates and joint ventures	3,497	5,213
Amounts due from non-consolidated subsidiaries	94	782
Other debtors and prepayments	56,163	31,653
Allowance for impairment	(34,909)	(31,851)
	184,531	147,288

16. Accounts Payable

	30 June 2011	31 December 2010
	'000 USD	
Trade creditors	69,037	62,983
Fair value of interest swap contracts	11,513	11,625
Taxes payable, other than income tax	5,857	4,805
Interest payable	1,833	1,539
Amounts due to associates and joint ventures	1,913	2,587
Amounts due to non-consolidated subsidiaries	24	-
Other creditors and accruals	28,255	14,958
	118,432	98,497

17. Loans Payable and Finance Leases Obligations

(a) Loans payable

	30 June 2011	31 December 2010
	'000 USD	
Loans and other obligations comprise:		
Secured loans		
At fixed rate 1.5%-5%	50,486	52,993
At fixed rate 5% - 10%	191,902	43,892
At fixed rate 10% -15%	82	248
At variable rates 0.95%-5% above Libor/Euribor /Mosprime	188,045	202,868
At variable rates 5%-9.5% above Libor/Euribor /Mosprime	-	52,611
	430,515	352,612
Unsecured loans		
At fixed rate 9.5% -11%	-	26,249
	-	26,249
Obligations under finance leases at fixed rate 6%	22,989	25,001
Obligations under finance leases at fixed rate 9.5% - 17,48%	116,639	21,275
	139,628	46,276
	570,143	425,137
Repayable within the next twelve months	74,632	122,391
Long term balance	495,511	302,746
	570,143	425,137

Fixed assets pledged as a security for loans are disclosed in Notes 9,10,11.

The Group was in compliance with covenants as at 30 June 2011.

18. Other Non-Current Liabilities

	30 June 2011	31 December 2010
	'000 USD	
Fair value of interest rate swap	16,781	21,072
Share based payments (Note 21)	7,529	4,690
Defined benefit obligations	903	832
Other non-current payables	154	691
	25,367	27,285

19. Current and Deferred Tax

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

	Six-month period ended 30 June 2011	2010
	'000 USD	
Current tax expense		
Current period	9,949	9,356
Adjustment for prior periods	-	727
	9,949	10,083
Deferred tax expense		
Origination and reversal of temporary differences	(998)	170
	(998)	170
Total income tax expense	8,951	10,253

Reconciliation of effective tax rate:

	Six-month period ended 30 June 2011		2010	
	'000 USD	%	'000 USD	%
Profit/(loss) before income tax	51,719	100	(17,800)	100
Income tax at applicable tax rate of 20%	10,344	20	(3,560)	20
Effect of income tax at lower/higher rates	(2,402)	(5)	9,780	(55)
Income tax on intra group dividends	-	-	759	(4)
Non-deductible temporary differences, net	3,629	7	2,547	(14)
Effect of foreign exchange rates	(2,558)	(5)	727	(4)
Current period losses for which no deferred tax asset was recognised	(62)	-	-	-
	8,951	17	10,253	(57)

20. Shareholders' Equity

	30 June 2011	31 December 2010
	'000 USD	
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 ('000 USD)	57,230	57,230

As at 30 June 2011 and 31 December 2010 the Group held 393,705,807 of its own shares which were purchased for USD 336 million, being approximately 13% of the shares in issue .

	30 June 2011	31 December 2010
	Number of shares	
Treasury shares held by:		
Far Eastern Shipping Company PLC	55,783	55,783
Neteller Holdings Limited	393,650,024	393,650,024
	393,705,807	393,705,807

90 million of treasure shares are loaned to related party for a fee in the amount of 0.3% per annum of the market value of the shares.

21. Share – Based Payments

In December 2010, the Board of Directors of the Company took a decision to grant additional share options within share option program of the Group, resulting an increase in a number of share options to 85,643,593 shares. Exercise price is established in a range of USD 0.32 – 0.456 at the expiry period of 3 years.

The Group's obligations may be settled in shares or in cash at the choice of the employee. Vesting of the options is subject to the individuals concerned remaining employees at the end of the specified period, although leavers may have a pro-rata entitlement. The employees are not required to achieve any other non-market or market based performance conditions.

The accumulated liability from recognised grants amounts to USD 7.5 million (31 December 2010 – USD 4.7 million).

The fair values of options granted under the Group's share option scheme were calculated at the period end using a Black-Scholes option pricing model with the following key assumptions:

	2011	2010
Stock price, USD	0.48	0.54
Exercise price, USD	0.32-0.456	0.32
Risk – free rate	0.81%-0.87%	1.02%
Volatility	83.85%-136.38%	137.50%
Time to expiration	3 years	3 years

The stock price was obtained from Russian Trading System (RTS) data on the balance sheet date. The risk – free rate is based on an estimate of returns on US two-four year Treasury bonds. Volatility is based upon historical record of share price with reference to the period of time from the reporting date to expected exercise date ranging from 2.5 to 3 years. The method corresponds to level 3 of the hierarchy of determination of the fair values.

22. Business Segmental Analysis

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

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 period ended 30 June 2011 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Corporate	Eliminations/ Adjustments	Total
				'000 USD			
External sales	47,480	254,399	134,331	22,744	-	-	458,954
Inter-segment sales	22,631	304	3,719	12,769	-	(39,423)	-
Segment revenue	70,111	254,703	138,050	35,513	-	(39,423)	458,954
Total segment operating expenses	(69,121)	(234,417)	(86,269)	(13,099)	(16,821)	43,536	(376,191)
Segment result	990	20,286	51,781	22,414	(16,821)	4,113	82,763
Segment non-cash items:							
Depreciation and amortization	(11,754)	(5,907)	(16,874)	(2,000)	(680)	-	(37,215)
Bad debt (charge) / release	(2,954)	131	432	(255)	(2,300)	-	(4,946)
Other material items of income/expense:							
(Loss)/profit on disposal of tangible fixed assets	565	353	(259)	-	-	-	659
Interest expense	(3,469)	(1,760)	(12,449)	(177)	(939)	3,458	(15,336)
Share of profit/(loss) of equity accounted investees	1,055	(36)	1,232	4,835	-	-	7,086
Income tax (expense) / benefit	4,917	(2,929)	(6,282)	(4,287)	(370)	-	(8,951)

Segment information for the main reportable segments of the Group for the period ended 30 June 2010 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Corporate	Eliminations/ Adjustments	Total
	'000 USD						
External sales	64,854	189,137	92,885	14,945	-	-	361,821
Inter-segment sales	13,333	256	683	11,134	-	(25,406)	-
Segment revenue	78,187	189,393	93,568	26,079	-	(25,406)	361,821
Total segment operating expenses	(72,025)	(166,779)	(75,048)	(10,947)	(9,144)	35,734	(298,209)
Segment result	6,162	22,614	18,520	15,132	(9,144)	10,328	63,612
Segment non-cash items:							
Depreciation and amortization	(16,263)	(5,191)	(12,294)	(1,473)	(718)	-	(35,939)
Bad debt (charge) / release	(248)	1,542	371	2	-	-	1,667
Other material items of income/expense:							
(Loss)/profit on disposal of tangible fixed assets	(365)	1,252	(359)	121	(7)	-	642
Interest expense	(9,659)	(1,316)	(13,984)	(131)	(19,835)	12,993	(31,932)
Share of profit/(loss) of equity accounted investees	493	(282)	(1,831)	2,862	-	-	1,242
Income tax (expense) / benefit	(1,274)	(3,834)	(1,676)	(3,490)	21	-	(10,253)

Segmental assets and liabilities

	Assets		Liabilities	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	'000 USD			
Shipping (Global)	639,300	635,101	208,273	241,569
Liner and logistics (Global)	221,991	172,993	87,965	73,316
Railway services (Russia)	662,070	435,410	404,218	224,030
Stevedoring services (Russia)	180,186	145,624	22,416	17,774
Total of all segments	1,703,547	1,389,128	722,872	556,689
Goodwill	217,387	200,252	-	-
Other items not attributable to a specific segment	480,766	523,934	28,051	29,331
Consolidated	2,401,700	2,113,314	750,923	586,020

Other segmental information

	Acquisition of segment assets		Investments in equity accounted investees	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	'000 USD			
Shipping (Global)	12,010	82,032	1,568	1,074
Liner and logistics (Global)	5,054	3,580	2,300	2,350
Railway services (Russia)	170,988	14,876	16,469	14,014
Stevedoring services (Russia)	8,803	7,987	95,827	83,196
	196,855	108,475	116,164	100,634

23. Revenue

	Six-month period ended 30 June 2011	2010
	'000 USD	
Transportation services (operators' business)	367,688	268,027
Hire and freight	47,660	65,974
Port and stevedoring services	22,744	14,851
Revenue from rentals	15,109	8,157
Agency fees	5,753	4,812
	458,954	361,821

24. Operating Expenses

	Six-month period ended 30 June 2011	2010
	'000 USD	
Railway infrastructure tariff and transportation services	200,665	148,713
Voyage and vessel running cost	46,372	40,240
Payroll expenses	32,601	27,456
Stevedoring services	3,058	5,065
Operating lease	24,834	24,795
Non- profit based taxes	3,917	3,746
	311,447	250,015

25. Administrative Expenses

	Six-month period ended 30 June 2011	2010
	'000 USD	
Salary and other staff related costs	43,475	24,723
Professional fees	2,832	7,455
Office rent	3,889	3,036
Other administrative expenses	14,548	12,980
	64,744	48,194

Salary and other staff related costs include share based expense in amount of USD 2.8 million (2010: USD 0.4 million).

26. Other Finance Income and Costs

	Six-month period ended 30 June 2011	2010
	'000 USD	
Interest income	6,525	1,467
Changes in fair value of financial instruments	(1,153)	(13,795)
Other income/(expenses)	972	(126)
	6,344	(12,454)

27. Profit on Disposal of Tangible Fixed Assets

	Six-month period ended 30 June 2011	2010
	'000 USD	
Loss on sale of vessels	-	(567)
Profit on disposal of other fixed assets	659	1,103
	659	536

28. Profit/(Loss) per Share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, 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. These represent share options granted to management.

	30 June 2011	30 June 2010
	USD	
Profit/(loss) for the period attributable to owners of the Company	38,187,000	(31,093,000)
Weighted average number of shares in issue (note 20)	2,557,544,193	2,557,544,193
Basic profit/(loss) per share	0.015	(0.012)

	30 June 2011	30 June 2010
	USD	
Profit/(loss) for the period, adjusted for stock option expense	41,026,000	(30,276,000)
Weighted average number of shares in issue, adjusted for stock options (note 20)	2,582,804,420	2,557,544,193
Diluted profit/(loss) per share	0.015	(0.012)

Since the exercise of the options results in anti-dilutive effect, the diluted earnings per share equal to basic ones.

29. Contingencies and Commitments

(a) Capital commitments

The Group's commitments which mainly relate to new buildings fall due as follows:

	30 June 2011	31 December 2010
	'000 USD	
In one year	33,260	42,746
Total outstanding commitment	33,260	42,746

At 30 June 2011 the Group has no other capital commitment (2010: USD 6.6 million for acquisition of rolling stock).

(b) Taxation contingencies

The Group operates in several jurisdictions with significantly different taxation systems. Management believes that the Group's shipping and holding companies incorporated in foreign jurisdictions are not subject to taxes outside their countries of incorporation. However, there is a risk that the taxation authorities of higher tax jurisdictions may attempt to subject the Group's earnings to income taxes of a particular jurisdiction. Should the taxation authorities be successful in assessing additional taxes, late payment interest and imposing fines on this basis, the impact on these financial statements could be significant.

Russian tax law and practice are not as clearly established as those of more developed market economies. Russian tax laws, regulations and court practice are subject to frequent change, varying interpretation and inconsistent and selective enforcement. As a result, sometimes taxpayers are being challenged as to structures and transactions which have not been challenged or litigated as a result of prior tax audits. Taxation of companies in the transportation and freight forwarding industry in particular has historically been a vague area in the Russian tax legislation leaving a room for interpretation by the tax authorities.

From 1 January 2011 amendments into Russian tax legislation related to VAT treatment of transportation and related services (in particular, application of the 0% VAT rate) came into force. These new amendments introduced clarity with respect to application of 0% VAT rate to transportation of imported goods. However, certain ambiguity as to VAT treatment of some transportation and related services still remains.

The taxation system in the Russian Federation is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, different interpretations exist amongst numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are able by law to impose severe fines, penalties and interest charges. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These facts may create tax risks in Russia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

As at 31 December of 2010 the Group had number of disputes with tax authorities in respect of 0% VAT application for multimodal transportation services. Total claim by the tax authorities was USD 31.4 million in taxes and penalties. During the reporting period and subsequent to the balance sheet date tax authorities confirmed the legitimacy of 0% VAT application to such services.

(c) Business environment

Part of the Group's operations is located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation 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 financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

30. 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 nine individuals were considered to be the Group's key management and directors (2010 – ten individuals). Their remuneration during the period was as follows:

	30 June 2011	30 June 2010
	'000 USD	
Salaries	1,046	865
Bonuses	2,237	-
	3,283	865
Share options expense	2,839	408
	6,122	1,273

Statement of Financial Position	30 June 2011	31 December 2010	Nature of balances
	'000 USD		
Non-consolidated subsidiaries	94	781	Trade receivables
Non-consolidated subsidiaries	(24)	-	Trade payables
Associates	1,271	3,502	Agency and other service
Joint Venture Company	(1,913)	(2,587)	Trade payables
Joint Venture Company	2,225	1,609	Trade receivables
Non-consolidated subsidiaries	914	699	Loan issued
Joint Venture Company	3,044	2,660	Loan issued
Related through common shareholder	129,325	148,281	Deposit
Joint Venture Company	9,170	9,376	Finance lease receivable

Income Statement	30 June 2011	30 June 2010	Nature of transactions
	'000 USD		
Non-consolidated subsidiary purchases	(293)	(459)	Agency Services
Non-consolidated subsidiary sales	56	274	Agency Services
Associates purchases	(1,012)	(1,521)	Agency services, rent and security expenses
Joint Venture Company purchases	(2,577)	(2,241)	Agency ,transportation and stevedoring services
Joint Venture Company sales	2,592	89	Transportation services
Joint Venture Company	731	682	Finance lease and interest income
Related through common shareholder	3,196	215	Interest income
Related through common shareholder	-	(12)	Interest expense

31. Events Subsequent to the Reporting Date

a) 99.9% shareholding of "MetizTrans" group, whose principal activity is acting as a railway operator, was acquired by the Group in July 2011 for total cash consideration of USD 51,810 thousand.
The acquisition is an expansion of the Group in the rail segment. The Group has not completed the accounting for business combination yet;

b) FESCO Saratov, a 57,000 dwt dry cargo bulk vessel, was delivered to the Group on 20 July 2011;

c) In July 2011 the Group entered into Repurchase Agreement (REPO) with ING Bank N.V. The Group has pledged 5,210,540 Global Depositary Receipts and 1,215,794 ordinary shares of TransContainer OJSK as a security for a short term loan to the total amount of USD 100 million.