OAO FAR-EASTERN SHIPPING COMPANY

AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2008

CONTENTS

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Interim Condensed Financial Information

Statement of Management Responsibilities

Management has prepared and is responsible for the interim condensed financial information and related notes of OAO Far-Eastern Shipping Company and its subsidiaries ("the Group"). They have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on judgements and estimates by management.

The Group maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of interim condensed financial information and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Group's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

E.N. Ambrosov,
President

Y. B. Gilts,
Vice President and CFO

28 November 2008

Report of the Independent Auditors
to the Members of
OAO Far-Eastern Shipping Company

We have audited the accompanying consolidated interim condensed financial statements of OAO Far-Eastern Shipping Company and its subsidiaries (the "Group"), which comprise consolidated interim balance sheet as at 30 June 2008 and the related consolidated interim statements of income, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Interim Condensed Financial Information

Management is responsible for the preparation and fair presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on this consolidated interim condensed financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the interim financial information is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim condensed financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated interim condensed financial information, whether due to fraud or error. In making those risk assessments, the auditor considered internal control relevant to the entity's preparation and fair presentation of the consolidated interim condensed financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated interim condensed financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated interim condensed financial information gives a true and fair view of the financial position of the Group as at 30 June 2008 and of the Group's financial performance and cash flows for the six months then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

OOO Moore Stephens

OØO Moore Stephens

28 November 2008

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Moscow
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OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Balance Sheet – 30 June 2008

(Expressed in USD'000s)

	Note	30 June 2008		31 December 2007	
Non-Current Assets					
Intangible Assets					
Goodwill			417,168		405,138
Other intangible assets			18,862		17,450
Tangible Assets					
Fleet	3	675,848		673,021	
Deferred drydocking costs	3	22,896		22,305	
Vessels under construction	3	191,225		80,678	
Rolling stock	4	409,736		346,022	
Other fixed assets	5	398,924		324,230	
			1,698,629		1,446,256
Equity Accounted Investments			20,828		20,385
Long Term Investments			8,145		8,652
Investment Property			33,949		33,571
Other Non-current Assets			14,550		22,584
Current Assets					
Inventories		23,742		14,519	
Accounts receivable		298,589		230,588	
Profit tax receivable		3,439		13,360	
Loans and promissory notes receivable		1,875		4,722	
Bank and cash balances		122,178		113,839	
		449,823		377,028	
Less: Current Liabilities					
Accounts payable		146,788		124,005	
Profit tax payable		3,532		4,574	
Loans and other obligations	6, 7	431,813		169,135	
		582,133		297,714	
Net Current (Liabilities) / Assets			(132,310)		79,314
Deferred tax liability			(96,350)		(93,024)
			1,983,471		1,940,326
Financed by:					
Share capital	8		32,044		32,044
Share premium			392,965		392,965
Treasury shares			(59,123)		(59,125)
Retained earnings			805,866		724,667
Other reserves	9		204,573		179,572
			1,376,325		1,270,123
Minority interest			19,640		18,895
Total equity			1,395,965		1,289,018
Long term loans and other obligations	6, 7		563,803		640,873
Long term liabilities under share option scheme	10		23,703		10,435
			1,983,471		1,940,326

E.N. Ambrosov, President__________ Y.B. Gilts, Vice President and CFO__________
Date: 28 November 2008

The attached notes on pages 9 to 30 form an integral part of this interim condensed financial information.

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Income Statement
For the six months period ended 30 June 2008

(Expressed in USD'000s)

	Note	30 June 2008		30 June 2007	
Revenue			614,259		376,445
Operating expenses			(391,715)		(223,763)
Gross profit	11		222,544		152,682
Depreciation and amortisation					
Fleet	3	(35,054)		(21,878)	
Deferred drydocking amortisation	3	(4,615)		(4,343)	
Rolling stock	4	(13,332)		(7,092)	
Other fixed assets	5	(11,464)		(5,740)	
Intangible assets		(1,582)		(528)	
			(66,047)		(39,581)
Other Income and Expenses					
Other income			6,553		5,013
Interest receivable			3,101		1,437
Excess of net assets acquired over consideration			-		3,939
Goodwill not recognised	15		(1,781)		-
Administrative expenses			(65,025)		(33,533)
Non- profit based taxes			(5,838)		(3,825)
Bad debt charge			(1,322)		(6,976)
Interest payable and finance charges			(33,681)		(31,718)
Exchange gain			15,501		2,985
			(82,492)		(62,678)
Profit before taxation, asset disposals and revaluations			74,005		50,423
Profit / (loss) on disposal of fixed assets and investments			2,446		(1,960)
Loss on disposal of share in a joint venture	16		(3,556)		-
Fair value and impairment adjustments			(1,127)		568
Group share of results of associated companies			7,500		963
Profit before Taxation			79,268		49,994
Taxation			(21,250)		(4,183)
Net profit for the period			58,018		45,811
Attributable to:					
Equity holders of the parent			56,050		45,791
Minority interest			1,968		20
Profit per share	12		USD 0.025		USD 0.024

The attached notes on pages 9 to 30 form an integral part of this interim condensed financial information.

OAO Far-Eastern Shipping Company
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Consolidated Statement of Changes in Equity
For the period ended 30 June 2008

(Expressed in USD'000s)

	Attributable to equity holders of the parent							
	Share Capital (Note 8)	Share premium	Own Shares (Note 8)	Retained Earnings	Other Reserves (Note 9)	Total	Minority Interest	Total Equity
Balance at 1 January 2007	4,130	-	(279)	564,142	109,449	677,442	54	677,496
Deferred tax liability arising on revaluation of fleet	-	-	-	-	(680)	(680)	-	(680)
Translation difference	-	-	-	-	2,490	2,490	-	2,490
Revaluation of fleet	-	-	-	-	3,422	3,422	-	3,422
Release from revaluation reserve – annual	-	-	-	15,960	(15,960)	-	-	-
Release from revaluation reserve – on disposal	-	-	-	5,120	(5,120)	-	-	-
Net gains recognised directly in equity	-	-	-	21,080	(15,848)	5,232	-	5,232
Profit for the period	-	-	-	45,791	-	45,791	20	45,811
Total recognised income for the period	-	-	-	66,871	(15,848)	51,023	20	51,043
Issue of share capital	15,909	200,267	-	-	-	216,176	-	216,176
Minority interest on acquisition	-	-	-	-	-	-	264	264
Balance at 30 June 2007	20,039	200,267	(279)	631,013	93,601	944,641	338	944,979
Deferred tax liability arising on revaluation of fleet	-	-	-	-	(5,904)	(5,904)	-	(5,904)
Translation difference	-	-	-	-	13,396	13,396	-	13,396
Revaluation of fleet	-	-	-	-	94,517	94,517	-	94,517
Release from revaluation reserve – annual	-	-	-	14,069	(14,069)	-	-	-
Release from revaluation reserve – on disposal	-	-	-	134	(134)	-	-	-
Increase in minority interest on disposal of share in JV	-	-	-	-	-	-	16,281	16,281
Net gains recognised directly in equity	-	-	-	14,203	87,806	102,009	16,281	118,290
Profit for the period	-	-	-	56,136	-	56,136	1,851	57,987
Total recognised income for the period	-	-	-	70,339	87,806	158,145	18,132	176,277
Movements in own shares	-	-	(58,846)			(58,846)	-	(58,846)
Issue of share capital	12,005	192,698	-	-	-	204,703	-	204,703
Cash flow hedges reserve	-	-	-	-	(1,835)	(1,835)	-	(1,835)
Equity reserve	-	-	-	23,315	-	23,315		23,315
Minority interest on acquisition	-	-	-	-	-	-	425	425
Balance at 31 December 2007 carried forward to the next page	32,044	392,965	(59,125)	724,667	179,572	1,270,123	18,895	1,289,018

The attached notes on pages 9 to 30 form an integral part of this interim condensed financial information.

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Statement of Changes in Equity
For the period ended 30 June 2008
(continued)

(Expressed in USD'000s)

	Attributable to equity holders of the parent							
	Share Capital (Note 8)	Share premium	Own Shares (Note 8)	Retained Earnings	Other Reserves (Note 9)	Total	Minority Interest	Total Equity
Balance at 31 December 2007 brought forward from the previous page	32,044	392,965	(59,125)	724,667	179,572	1,270,123	18,895	1,289,018
Deferred tax liability arising on revaluation of fleet	-	-	-	-	(3,644)	(3,644)	-	(3,644)
Translation difference	-	-	-	-	34,874	34,874	-	34,874
Revaluation of fleet	-	-	-	-	19,130	19,130	-	19,130
Release from revaluation reserve – annual	-	-	-	25,149	(25,149)	-	-	-
Net gains recognised directly in equity	-	-	-	25,149	25,210	50,359	-	50,359
Profit for the period	-	-	-	56,050	-	56,050	1,968	58,018
Total recognised income for the period	-	-	-	81,199	25,210	106,409	1,968	108,377
Movements in own shares	-	-	2	-	-	2	-	2
Cash flow hedges reserve	-	-	-	-	(210)	(210)	-	(210)
Dividends declared	-	-	-	-	-	-	(1,223)	(1,223)
Balance at 30 June 2008	32,044	392,965	(59,123)	805,866	204,573	1,376,325	19,640	1,395,965

The availability of the Company's retained earnings for distribution to shareholders is determined by the Company's Articles of Association and by Russian legal and fiscal regulations and does not correspond with the figures shown above. The Company's reserves under Russian Accounting Standards as at 30 June 2008 were USD151 million (as at 30 June 2007: USD 124 million).

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Cash Flow Statement
For the six months period ended 30 June 2008

(Expressed in USD'000s)

	Note	30 June 2008	30 June 2007
Cash Flow from Operating Activities			
Receipts from customers		593,934	402,262
Payments to suppliers		(430,933)	(207,200)
Other cash receipts		6,553	4,666
Other cash payments		(41,186)	(57,330)
Operating cash flows		128,368	142,398
Taxation		(36,365)	(47,745)
Net operating cash flows		92,003	94,653
Cash Flow from Investing Activities			
Vessels under construction		(108,398)	(21,764)
Vessels acquired		(4,460)	-
Expenditure on other fixed assets		(109,080)	(42,775)
Expenditure on intangible assets		(3,001)	-
Expenditure on drydocking		(6,141)	(5,178)
Proceeds on disposal of fleet		6,021	169,059
Proceeds on disposal of other fixed assets		2,588	8,603
Proceeds on disposal of investment property		595	-
Subsidiaries acquired	15	(3,120)	(243,350)
Prepayment for a subsidiary		(10,125)	-
Cash on acquisition of subsidiaries	15	691	3,833
Other investments acquired		(426)	-
Proceeds on sale of joint ventures	16	9,316	-
Cash on sale of joint ventures	16	(807)	-
Proceeds on finance lease		38	-
Short-term loans (issued) / received		(949)	4,828
Interest and investment income		3,101	1,784
Dividends received		6,900	-
Net cash used in investing activities		(217,257)	(124,960)
Cash Flow from Financing Activities			
Dividends paid		(1,223)	-
Issue of own shares		2	216,176
Loan repayments		(113,098)	(542,338)
Movement on restricted cash		-	(437)
Increase in overdraft		35,313	26,374
Finance charges		(37,774)	(31,718)
Loans drawn down		242,091	385,265
Net cash generated by financing activities		125,311	53,322
Exchange Differences		8,282	2,063
Net Increase in Cash		8,339	25,078
Cash and Cash Equivalents at 1 January		113,171	51,621
Cash and Cash Equivalents at 30 June		121,510	76,699

The attached notes on pages 9 to 30 form an integral part of these financial statements

OAO Far-Eastern Shipping Company
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Information – 30 June 2008

1. Organisation and Trading Activities

OAO Far-Eastern Shipping Company (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 690990, Russia.

The Company's immediate parent entity is Industrial Investors, Russia 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) including cabotage, import-export and international cross trade operations. In recent years these activities were expanded to include intermodal operations, railway transportation services and container terminal operations.

2. Accounting Policies

This interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting.

The same accounting principles are applied in this interim report as in the Annual Report. These accounting principles are described in the Group's consolidated financial statements for the year ended 31 December 2007, note 3 Accounting Principles.

3. Fleet

	Valuation	Depreciation	Net Book Value
		USD'000s	
At 1 January 2007	744,222	-	744,222
Newbuildings acquired during the period	20,294	-	20,294
Depreciation charge for the period	-	(21,878)	(21,878)
Disposals	(170,053)	637	(169,416)
Revaluation	3,422	-	3,422
At 30 June 2007	597,885	(21,241)	576,644
Newbuildings acquired during the period	22,100	-	22,100
Depreciation charge for the period	-	(21,349)	(21,349)
Disposals	(6,175)	134	(6,041)
Revaluation	59,211	42,456	101,667
At 1 January 2008	673,021	-	673,021
Newbuildings acquired during the period	22,060	-	22,060
Depreciation charge for the period	-	(35,054)	(35,054)
Disposals	(3,309)	-	(3,309)
Revaluation	19,130	-	19,130
At 30 June 2008	710,902	(35,054)	675,848
Total deadweight tonnage			849,911

During the year the following vessel was transferred from the shipyard (see below):

mv "Fesco Argun"	1100 TEU Container vessel	April 2008

At 30 June 2008, the estimated scrap value of the Group's fleet was increased to USD 640 (2007: USD 430) per LWT. This change in accounting estimate was made in reaction to the increase in international steel prices. Had this change in accounting estimate not been adopted the depreciation charge for the period ended 30 June 2008 would have been USD 7 million higher than shown in this interim condensed financial information.

OAO Far-Eastern Shipping Company
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Information – 30 June 2008 (continued)

3. Fleet (continued)

Fleet includes 16 vessels fully depreciated with an aggregate book value of USD 64 million at 30 June 2008 (14 vessels with NBV of USD 34 million at 31 December 2007). Depreciated historical cost of the Group's fleet at 30 June 2008 was USD 515 million (2007 – USD 526 million).

At 30 June 2008, 25 vessels in the Group's fleet with a net book value of USD 509 million were insured for hull and machinery risks with western underwriters. A further 33 vessels with a net book value of USD 167 million were insured with Russian underwriters. The total insured value amounted to USD 815 million.

49 vessels with a net book value of USD 636 million are pledged as security to guarantee the Group's obligations under ING Bank N.V., Calyon Bank and Vneshtorgbank loans (Note 6).

Movements during the period on deferred dry docking expenses were:

	Cost	Amortisation	Net Book Value
		USD'000s	
At 1 January 2007	41,276	(18,794)	22,482
Additions	5,178	-	5,178
On acquisition of newbuildings	200	-	200
Charge for the period	-	(4,343)	(4,343)
Expensed	(3,940)	3,419	(521)
Disposals	(2,917)	1,686	(1,231)
At 30 June 2007	39,797	(18,032)	21,765
Additions	5,097	-	5,097
On acquisition of newbuildings	200	-	200
Charge for the period	-	(4,293)	(4,293)
Expensed	(1,982)	1,834	(148)
Disposals	(1,158)	842	(316)
At 1 January 2008	41,954	(19,649)	22,305
Additions	6,141	-	6,141
On acquisition of newbuildings	240	-	240
Charge for the period	-	(4,615)	(4,615)
Expensed	(1,565)	1,374	(191)
Disposals	(3,578)	2,594	(984)
At 30 June 2008	43,192	(20,296)	22,896

Movements during the period on vessels under construction were:

	30 June 2008	31 December 2007
	USD'000s	
At 1 January 2008	80,678	39,909
Expenditure during the year	130,961	83,563
Capitalised borrowing costs	1,886	-
Transferred to fleet during the year	(22,300)	(42,794)
At 30 June 2008	191,225	80,678

Details of the Group's commitments in respect of vessels under construction are given in Note 17a. The amount transferred to fleet during the period represents prepayments previously made in respect of the construction of the Fesco Argun.

4. Rolling stock

	Cost	Depreciation	Net Book Value
		USD'000s	
At 1 January 2007	158,525	(3,901)	154,624
Additions in the period	15,689	-	15,689
Additions on acquisition of subsidiary	128,110	-	128,110
Depreciation charge for the period	-	(7,092)	(7,092)
Disposals	(162)	11	(151)
Translation difference	3,490	(450)	3,040
At 30 June 2007	305,652	(11,432)	294,220
Additions in the period	50,341	-	50,341
Additions on acquisition of subsidiary	8,645	-	8,645
Depreciation charge for the period	-	(10,220)	(10,220)
Disposals	(8,610)	1,050	(7,560)
Disposal on sale of subsidiary	(182)	90	(92)
Translation difference	10,183	505	10,688
At 1 January 2008	366,029	(20,007)	346,022
Additions in the period	75,836	-	75,836
Additions on acquisition of subsidiary	29,574	(1,196)	28,378
Depreciation charge for the period	-	(13,332)	(13,332)
Disposals	(32)	17	(15)
Disposal on sale of subsidiary	(42,700)	1,888	(40,812)
Translation difference	13,283	376	13,659
At 30 June 2008	441,990	(32,254)	409,736

Rolling stock includes assets held under finance leases with a net book value of USD 101 million (at 31 December 2007 – USD 95 million).

As at 30 June 2008 rolling stock with a net book value of USD 218 million was insured with Russian insurance companies. The total insured value is USD 275 million (at 31 December 2007 – USD 245 million with a net book value of USD 187 million).

Rolling stock of USD 122 million (31 December 2007 – USD 115 million) is pledged to secure loans and borrowings granted to the Group (note 6).

5. Other Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
		USD'000s		
Cost				
At 1 January 2007	66,536	98,621	23,162	188,319
Additions in the period	1,427	11,145	20,209	32,781
Additions on acquisition of subsidiary	62,342	5,742	7,509	75,593
Transfer	3,313	-	(3,313)	-
Disposals during the period	(15,530)	(1,424)	(75)	(17,029)
Transferred as contribution to share capital	(42)	(308)	-	(350)
Translation difference	303	650	18	971
At 30 June 2007 (carried forward to the next page)	118,349	114,426	47,510	280,285

5. Other Fixed Assets (continued)

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD'000s			
Cost				
At 30 June 2007 (brought forward from the previous page)	118,349	114,426	47,510	280,285
Additions in the period	134	21,659	43,316	65,109
Additions on acquisition of subsidiary	12,455	31,477	-	43,932
Transfer	16,880	13,772	(30,652)	-
Disposals during the period	(89)	(3,637)	(433)	(4,159)
Disposal on sale of subsidiary	(792)	(175)	-	(967)
Translation difference	2,203	5,438	2,320	9,961
At 31 December 2007	149,140	182,960	62,061	394,161
Additions in the period	4,048	16,937	52,759	73,744
Additions on acquisition of subsidiary (Note15)	-	84	118	202
Transfer	3,273	1,318	(4,491)	-
Disposals during the period	(16)	(2,192)	-	(2,208)
Disposals on sale of subsidiary	-	(242)	(318)	(560)
Translation difference	5,490	2,485	3,815	11,790
At 30 June 2008	161,935	201,350	113,844	477,129
Depreciation			-	
At 1 January 2007	21,681	39,005		60,686
Charge for the period	1,302	4,438	-	5,740
Eliminated on disposal	(7,434)	(771)	-	(8,205)
Transferred as contribution to share capital	(36)	(292)	-	(328)
Translation difference	18	215	-	233
At 30 June 2007	15,531	42,595	-	58,126
Charge for the period	2,283	8,162	-	10,445
Additions on acquisition of subsidiary (Note15)	87	1,392	-	1,479
Eliminated on disposal	(2)	(2,631)	-	(2,633)
Eliminated on disposal of subsidiary	(120)	(51)	-	(171)
Translation difference	76	2,609	-	2,685
At 31 December 2007	17,855	52,076	-	69,931
Charge for the period	2,540	8,924	-	11,464
Additions on acquisition of subsidiary (Note15)	-	44	-	44
Eliminated on disposal	(1)	(1,281)	-	(1,282)
Eliminated on disposal of subsidiary	-	(38)	-	(38)
Translation difference	222	(2,136)	-	(1,914)
	20,616	57,589	-	78,205
Net Book Value				
At 30 June 2008	141,319	143,761	113,844	398,924
At 31 December 2007	131,285	130,884	62,061	324,230

Other fixed assets held under finance leases include containers with a net book value of USD 26 million (at 31 December 2007 – USD 15 million).

Fixed assets with a net book value of USD 33 million (31 December 2007 – USD 40 million) and assets under construction of USD 9 million (31 December 2007 – none) are pledged to secure loans and borrowings granted to the Group (note 6).

6. Loans Payable and Other Obligations

Loans and other obligations comprise:

	30 June 2008	31 December 2007
	USD'000s	
Secured loans		
Loans from ING Bank N.V .	311,021	329,504
Loans from Raiffeisenbank	46,438	54,328
Loans from Vneshtorgbank	129,718	122,307
Loans from Unicreditbank	71,678	29,451
Loans from Citibank	87,017	15,544
Other bank loans	134,797	149,700
Loans from other entities	2,775	4,284
	783,444	705,118
Unsecured loans		
Overdraft	38,895	3,582
Loans from Raiffeisenbank	13,518	-
Loans from Vneshtorgbank	10,526	-
Other bank loans	35,128	11,978
Loans from related parties (note 13)	4,254	5,944
Loans from other entities	8,156	4,415
	110,477	25,919
Other financial liabilities		
Obligations under finance leases (Note 7)	95,895	71,173
Interest payable	3,755	5,963
Fair value of interest rate swap contracts	2,045	1,835
	995,616	810,008
Repayable within the next twelve months	431,813	169,135
Long term balance	563,803	640,873
	995,616	810,008

For currency and maturity analysis of loans and other obligations see Note 18.

Of the above loans USD 379 million (31 December 2007– USD 117 million) is at fixed interest rates with a weighted average interest rate of 8.17% (31 December 2007 – 9.49%). USD 513 million (31 December 2007 – USD 611 million) is at floating ratings ranging from 0.925% to 6.00% (31 December 2007 – from 0.925% to 3.8%) above LIBOR / EURIBOR / MOSPRIME. USD 2 million is interest free (31 December 2007 – USD 2 million).

Security provided includes mortgages over fleet with a carrying value of USD 636 million (note 3) (31 December 2007 – USD 620 million), rolling stock of USD 122 million (note 4) (31 December 2007 – USD 115 million), other fixed assets of USD 33 million (note 5) (31 December 2007 – USD 40 million), assets under construction of USD 9 million (note 5) (31 December 2007 – none) and by 8,000 shares of First Container Terminal (25% of the total issued share capital) (31 December 2007 – 8,000 shares).

7. Obligations under Finance Leases

The Group partially finances the purchase of wagons and containers through leasing and sale-leaseback transactions with leasing companies. All the lease agreements provide for ownership transfer of assets to the Group at the end of the lease terms for nominal consideration. In 2008 the Group entered into leasing contracts with ZAO "RG Leasing", TAL International Container Corporation and Triton Container International Limited for financing of the purchase of containers and railroad platforms. The average effective interest rate on the wagon lease liability is 15.05% (2007: 15.05%) and on the container lease liability it is 8.5% (2007: 6%). Minimum lease payments and future interest element are estimated based on the rates applicable to each individual lease contract.

7. Obligations under Finance Leases (continued)

Lease payments as at 30 June are scheduled as follows:

	30 June 2008		31 December 2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	USD'000s		USD'000s	
Within one year	26,595	15,333	22,513	14,072
Two to five years	63,959	39,538	49,816	34,331
Over five years	53,578	41,024	30,899	22,770
	144,132	95,895	103,228	71,173
Less: future finance charges	(48,237)		(32,055)	
Present value of lease obligations	95,895		71,173	
Less amount due for settlement within 12 months		(15,333)		(14,072)
Amount due for settlement after 12 months		80,562		52,101

8. Share Capital

	31 June 2008	31 December 2007
	USD'000s	
Authorised number of shares (1 Rouble per share)	3,643,593,000	3,643,593,000
Issued number of shares	2,361,000,000	2,361,000,000
Share capital (USD'000)	32,044	32,044

As at 30 June 2008 the Group held 84,571,838 of its own shares which were purchased for USD 59 million, being approximately 4% of the shares in issue (at 31 December 2007 – 84,572,838 shares for USD 59 million, being 4% of the shares in issue).

	31 June 2008	31 December 2007
	Number of shares	
Treasury shares held by:		
FESCO	392,198	393,198
Shonstar Limited	82,179,640	82,179,640
Neteller Holdings Limited	2,000,000	2,000,000
	84,571,838	84,572,838

The shares held by Shonstar Limited are held in order to fund the Group's obligations under the share option scheme more fully described in note 10.

9. Other Reserves

	Fleet Revaluation Reserve	Translation reserve	Cash flow hedge	Total
	USD'000s			
Balance at 1 January 2007	104,484	4,965	-	109,449
Revaluation of fleet	97,939	-	-	97,939
Deferred tax release arising on revaluation of fleet	(6,584)	-	-	(6,584)
Release from revaluation reserve – annual release	(30,029)	-	-	(30,029)
Release from revaluation reserve – on disposal	(5,254)	-	-	(5,254)
Decrease in hedge fair value	-	-	(1,835)	(1,835)
Translation difference	-	15,886	-	15,886
Balance at 31 December 2007	160,556	20,851	(1,835)	179,572
Revaluation of fleet	19,130	-	-	19,130
Deferred tax release arising on revaluation of fleet	(3,644)	-	-	(3,644)
Release from revaluation reserve – annual release	(25,149)	-	-	(25,149)
Increase in hedge fair value	-	-	(210)	(210)
Translation difference	-	34,874	-	34,874
Balance at 30 June 2008	150,893	55,725	(2,045)	204,573

10. Share – based Payments

In order to provide an incentive to key members of management, the Group introduced a share option scheme during 2007.

Selected employees of the Group were granted options to acquire a specified number of shares at a price ranging from USD 0.33 to USD 1.08 per share at the expiry of four or six years.

The Group's obligation 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.

At 30 June 2008 the Group has recognised USD 13.3 million in respect of grants under this share option scheme (note 13) (30 June 2007 - nil). The accumulated liability from recognised grants amounts to USD 23.7 million (31 December 2007 – USD 10.4 million).

The movement in options to subscribe for shares under the Group's share option scheme is shown in the table below.

	30 June 2008		30 June 2007	
	Number of share option	Weighted average exercise price, USD	Number of share option	Weighted average exercise price, USD'000
Outstanding at 1 January	82,179,640	0.4513	-	-
Granted during the period	1,643,593	1.08	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at 30 June	83,823,233	0.4636	-	-
Exercisable at 30 June	-	-	-	-

Options granted to seven directors and senior executives were outstanding at 30 June 2008. The scheme is partially funded by shares held by a Group company (note 8).

11. Business Segmental Analysis

For management purposes, the Group is organised into four major operating divisions – shipping, intermodal and liner, railway services and container terminals. The Group also includes certain companies that can not 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, line operation and the 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.
Intermodal and Liner	The linear and logistic division 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.
Container Terminals	The container terminals division owns and operates container terminals in Russia and Ukraine and provides cargo handling, stevedoring, container storage and rental and related port services and facilities.

Segmental revenue

	External sales		Inter-segment		Total	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	USD'000s					
Shipping	98,057	97,249	51,574	42,542	149,631	139,791
Intermodal and liner	283,520	151,074	32,927	26,249	316,447	177,323
Railway services	122,222	68,964	7,407	1,258	129,629	70,222
Container terminals	110,460	59,158	2,745	2,479	113,205	61,637
Total for all segments					708,912	448,973
Eliminations					(94,653)	(72,528)
Consolidated revenue					614,259	376,445

Segmental result

	2008	2007
	USD'000	
Shipping	28,909	31,653
Intermodal and liner	73,317	49,766
Railway services	48,707	27,656
Container terminals	71,611	43,607
	222,544	152,682
Depreciation	(66,047)	(39,581)
Interest and other investment income	3,101	1,437
Interest expense	(33,681)	(31,718)
Administrative expenses	(65,025)	(33,533)
Share of profits of associates	7,500	963
Other income and expenses	12,657	(4,195)
Goodwill not recognised	(1,781)	-
Excess of net assets acquired over consideration	-	3,939
Profit before tax	79,268	49,994
Income tax expenses	(21,250)	(4,183)
Profit for the period	58,018	45,811

11. Business Segmental Analysis (continued)

Segmental assets and liabilities

	Assets		Liabilities	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
	USD'000s			
Shipping	1,049,573	918,429	484,803	352,218
Intermodal and liner	174,109	135,964	58,101	65,997
Railway services	563,112	488,505	348,437	302,682
Container terminals	445,425	364,504	150,998	121,403
Total of all segments	2,232,219	1,907,401	1,042,339	842,300
Goodwill	417,168	405,138	-	-
Other items not attributable to a specific segment	12,567	18,525	223,650	199,746
Consolidated	2,661,954	2,331,064	1,265,989	1,042,046

Other segmental information

	Acquisition of segment assets		Depreciation and amortisation of segment assets	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	USD'000s			
Shipping	151,505	22,550	43,947	27,601
Intermodal and liner	2,167	2,178	1,054	2,961
Railway services	106,177	154,479	14,715	6,276
Container terminals	56,601	93,294	6,192	3,006
	316,450	272,501	65,908	39,844

12. Earnings 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 year, excluding those held by Group Companies (including the Share Option Scheme - Note 10). 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 where the exercise price is less than the average market price of the Company's ordinary shares during the year.

	30 June 2008	30 June 2007
	USD	
Profit for the period	58,018,000	45,791,000
Weighted average number of shares in issue (note 8)	2,276,408,345	1,917,193,409
Basic earnings per share	0.025	0.024

Share options issued do not result in a dilution as a result no diluted earnings per share figure is presented.

13. Related Party Transactions

For the purposes of this interim condensed financial information, 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. A holding of 5% or more by one party in another is considered by management to be one of the possible indicators that the parties are related. Holding a key position in management is another indicator of significant influence. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During the period eleven individuals were considered to be the Group's key management and directors (2007 – twelve individuals). Their remuneration during the period was as follows:

	30 June 2008	30 June 2007
	USD'000s	
Salaries	1,405	1,215
Bonuses	-	81
Share options (Note 10)	13,268	-
	14,673	1,296

Balance sheet	30 June 2008	31 December 2007	Nature of transactions
	USD'000s		
Non consolidated subsidiaries	6,627	1,761	Trade debt
Associates	(1,501)	3,676	Agency and other service
Related through common shareholder	(4,254)	(5,944)	Loans payable
Related through common shareholder	-	4	Advances received
Joint Venture Company	5,806	5,701	Finance lease receivables

Income Statement	30 June 2008	30 June 2007	Nature of transactions
	USD'000s		
Non consolidated subsidiary	(4,736)	(1,866)	Agency Services expenses
Associates purchases	(725)	(591)	Security and rent expenses
Associates sales	20	903	Agency services income
Related through common shareholder	8	3	Interest income on promissory notes and rent income
Joint Venture Company	379	404	Finance lease income

14. Joint Venture Companies

The following amounts represent the Group's share in the assets and liabilities, and sales and results of joint ventures in which it participates. The amounts are included within the relevant items in the income statement and the balance sheet.

	30 June 2008				
	Russkaya Troyka	NCC Group	Ealingwood Group	Fesco Wallem	M-Port, Ltd
	USD'000s				
Current assets	28,341	42,490	18,285	1,044	22,017
Long-term assets	31,320	338,815	46,536	55	87,803
Current liabilities	(5,918)	(30,449)	(4,801)	(48)	(6,394)
Long-term liabilities	(16,746)	(90,782)	(3,752)	(18)	(16,325)
Net assets	36,997	260,074	56,268	1,033	87,101
Income	7,160	71,829	20,396	26	30,157
Expenses	(4,720)	(53,328)	(15,237)	(637)	(22,960)
Net result	2,440	18,501	5,159	(611)	7,197

	30 June 2007				
	Russkaya Troyka	NCC Group	Ealingwood Group	Fesco Wallem	Universal TransGroup
	USD'000s				
Current assets	17,475	29,994	12,955	704	5,352
Long-term assets	13,960	309,236	36,140	16	23,230
Current liabilities	(2,560)	(29,091)	(31,257)	(673)	(11,409)
Long-term liabilities	(8,032)	(245,967)	(830)	-	(11,272)
Net assets	20,843	64,172	17,008	47	5,901
Income	5,331	60,245	8,947	611	9,392
Expenses	(3,498)	(27,379)	(6,463)	(582)	(7,787)
Net result	1,833	32,866	2,484	29	1,605

The Group's share of commitments of joint venture operations are as follows:

Capital Commitments

NCC Group

The Group entered into a number of contracts in connection with the construction of a container terminal and the expansion of existing facilities during the year. Outstanding commitments in respect of these contracts amounted to USD 51 million at 30 June 2008 (at 31 December 2007 – USD 34 million).

OAO Far-Eastern Shipping Company
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Information – 30 June 2008 (continued)

14. Joint Venture Companies (continued)

Operating leases

Total minimum lease payments under non-cancellable operating leases:

	30 June 2008			31 December 2007		
	NCC Group	Ealingwood group	Total	NCC Group	Transgarant group	Total
	Land and Buildings			Land and Buildings	Rolling stock	
	USD'000s				USD'000s	
Within one year	633	460	1,093	289	445	734
In two to five years	2,264	1,711	3,975	210	1,744	1,954
After more than five years	7,659	1,306	8,965	1,822	1,420	3,242
Total	10,556	3,477	14,033	2,321	3,609	5,930

15. Acquisitions

The Group increased its holding in Butler Group Limited, an entity which in turn owns 100% of OOO Incotec Trans Service from 40% to 100% through an acquisition in January 2008 for cash consideration of USD 3 million. Cash paid for the previous acquisition of 40% of Butler Group Limited in 2006 was USD 1.8 million.

The assets and liabilities of Butler Group Limited on the date of acquisition were as follows:

	Net Book Value	Adjustment to fair value	Fair value
		USD'000s	
Cash	691	-	691
Property, plant and equipment	23,940	4,596	28,536
Accounts receivable	2,235	-	2,235
Accounts payable	(1,841)	-	(1,841)
Deferred tax	118	(1,103)	(985)
Credit facility	(4,988)	-	(4,988)
Finance lease obligations	(21,239)	-	(21,239)
Net assets	(1,084)	3,493	2,409
Result attributable to the Group when investment was equity accounted			690
Net assets attributable to the Group			3,099
Cash consideration:			4,880
Goodwill arising on acquisition (not recognised)			1,781

The loss of Butler Group Limited included on consolidation amounts to USD 1.9 million.

16. Disposals

Profit on disposals in the year and associated cash flows are as follows:

	Profit / (loss) on disposal	Cash consideration received	Cash of disposed subsidiaries
		USD'000s	
a) ZAO UniversalTransGroup	(3,562)	9,315	807
b) OOO Central Fruit Terminal	1,856	1	-
	(1,706)	9,316	807

a) ZAO UniversalTransGroup

On 7 March 2008 the Group disposed of its 50% shareholding in OAO ZAO UniversalTransGroup to a related party. The assets and liabilities disposed of and disposal consideration is as follows:

	USD'000s
Cash	807
Property, plant and equipment	41,334
Inventory	419
Loans issued	1,611
Accounts receivable	4,823
Accounts payable	(2,685)
Loans received	(33,432)
Total carrying amount of net assets disposed	12,877
Total cash consideration received:	9,315
Loss on disposal of joint venture	(3,562)

b) OOO Central Fruit Terminal

On 23 June 2008 the Group disposed of its 50% shareholding in OOO Central Fruit Terminal.

The assets and liabilities disposed of and disposal consideration is as follows:

	USD'000s
Accounts receivable	1
Borrowings	(1,850)
Tax payable	(8)
Total carrying amount of net assets disposed	(1,857)
Total cash consideration received:	1
Allowance for doubtful loan issued by the Group to OOO Central Fruit Terminal	1,850
Profit on disposal of Joint Venture	6

17. Contingencies and Commitments

a) Capital commitments

The Group's commitments in respect of new buildings fall due as follows:

	30 June 2008	31 December 2007
	USD'000s	
In one year	237,434	167,411
In two to five years	79,248	227,848
Total outstanding commitment	316,682	395,259

As a part of M-Port acquisition agreement, the Group has a commitment to purchase the remaining 50% interest in M-Port by July 2010 for a minimum purchase price of USD 90 million, the amount may be increased based on the performance of the port.

b) Operating lease commitments – where a Group company is the lessee

The Group leases under operating lease terms rolling stock from a number of third parties. All lease contracts are cancellable and are for periods of 12 months with renewal options. Lease receipts are collected monthly, one month in advance.

At 30 June 2008, the Group had the following outstanding commitments under cancellable operating leases.

	30 June 2008	31 December 2007
	USD'000s	
Within one year	27,934	26,142
In two to five years	21,193	25,135
After more than five years	-	-
	49,127	51,277

Operating lease expenses included in operating expenses are USD 18 million (6 m 2007 – USD 8 million).

c) Operating lease commitments – where a Group company is the lessor

Operating lease payments to be received by the Group under a non-cancellable operating lease contract for the supply of the Fesco Sakhalin are as follows:

	30 June 2008	31 December 2007
	USD'000s	
Within one year	16,491	16,499
In two to five years	19,440	27,320
After more than five years	256	-
Total minimum lease payments	36,187	43,819

17. Contingencies and Commitments (continued)

d) Taxation contingencies

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. 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 relevant authorities may have differing interpretations and the effect of these could be significant.

The Group currently disputes a claim with the tax authorities amounting to USD 35 million in taxes and penalties. The Group is vigorously contesting this claim and assess the probability of a material charge crystallising as extremely remote. The Group expects the final court decision to be reached in early 2009. Based on the above, the Group believes it is appropriate to recognise payments made to the tax authorities as current accounts receivable.

18. Financial Risk Management Objectives and Policies

Capital Risk Management

The Group manages its capital to ensure that the entities within in it can continue to operate and expand their operations while at the same time maximising returns to shareholders through the optimisation of the debt-equity balance. This strategy remains unchanged from 2007.

The Group is financed by a combination of borrowing and equity attributable to shareholders. Borrowing comprises long and short term loans (as disclosed in notes 6 and 7) and is monitored net of bank and cash balances. Equity attributable to shareholders comprises issued share capital, share premium, retained earnings and other reserves less treasury shares held (as disclosed in notes 8 and 9).

The Group is not subject to externally imposed capital requirements other than those included, from time to time, in the financial covenants associated with bank borrowing.

The Board of Directors monitors the capital structure of the Group on an informal basis taking into account the costs and risks associated with each category of capital. The Group's net debt to equity ratio is the primary tool used in the monitoring process. No formal targets have been set but the Board intends to maintain a net debt to equity ratio of less than 70% in the period to 31 December 2008.

The Group's net debt to equity ratio at the year end was as follows: -

	30 June 2008	31 December 2007
	USD'000s	
Net Debt		
Long term borrowing	563,803	640,873
Short term borrowing	431,813	169,135
Less bank and cash balances	(119,597)	(113,839)
	876,019	696,169
Equity	1,376,325	1,270,123
Net debt to equity ratio	64%	55%

18. Financial Risk Management Objectives and Policies (continued)

Major categories of financial instruments.

The Group's principal financial liabilities comprise borrowings, finance leases, trade payables and other payables, provisions and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and other receivables, loans given, cash and cash equivalents.

The main risks arising from the Group's financial instruments are market risk that includes foreign currency and interest rate risk, credit and liquidity risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group Audit Committee is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which the customer operates, has less of an influence on credit risk.

Each company within the Group establishes its own credit policy taking into account the specifics of the sector and the company's customer base.

The majority of the Group's customers have been transacting with Group companies for many years and losses arising from this category of customers are infrequent.

Policies established by Group companies for new customers will generally involve some form of credit check based on the available information. Where a customer is not deemed creditworthy the company will generally only offer services on a prepayment basis.

The Group has provided fully for all receivables over one year because historical experience is such that receivables that are past due beyond one year are generally not recoverable. Other receivables are provided for based on individual assessment of significant balances.

18. Financial Risk Management Objectives and Policies (continued)

(a) Credit risk (continued)

The Group's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. At the balance sheet date, there was no significant concentration of credit risk to the Group. The ageing profile of trade receivables was:

	30 June 2008		31 December 2007	
	USD'000			
	Total book value	Allowance for impairment	Total book value	Allowance for impairment
Current	114,699	-	76,139	-
Overdue 90 days	14,388	-	31,838	-
Overdue 91 days to one year	4,686	31	5,416	1,035
Overdue more than one year	22,051	22,051	19,498	19,498
	155,824	22,082	132,891	20,533

During the period, the Group had the following movement on allowance for irrecoverable trade receivables:

	30 June 2008	31 December 2007
	USD'000	
Balance as at 1 January	20,533	13,697
Bad debt charge	1,549	6,836
Balance as at 30 June/ 31 December	22,082	20,533

In view of past experience the Group considered that there was no need for an impairment allowance on current and 90 days overdue trade receivables. About 80% of these trade receivables are attributable to customers who have previously proved reliable. The remaining impairment allowance is mainly attributable to VAT receivable from tax authorities. Historically, it has not always been possible to obtain the supporting documents required to recover these amounts.

Other financial assets of the Group with exposure to credit risk include cash. Cash is placed with reputable banks. As such, management does not expect any counterparty to fail to meet their commitments.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

The Group is exposed to currency risk on sales, purchases, finance lease and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the USD.

Interest on borrowings is generally denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD, this provides an economic hedge.

Where appropriate foreign currency forward contracts are used by the Group to manage the foreign currency exposure arising from newbuilding and loan obligations denominated in foreign currencies. The Group is not currently involved in any currency forward contracts. It is not the Group's policy to trade in derivative contracts.

18. Financial Risk Management Objectives and Policies (continued)

(b) Market risk (continued)

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

At 30 June 2008, the Group had the following positions in USD, RUR and other currencies:

	USD	RUR	Other currencies
		USD 000's	
Assets			
Equity accounted and long term investments	4,966	24,007	-
Other non-current assets	5,666	8,884	-
Accounts receivable	149,618	132,653	19,757
Loans issued	1,066	809	-
Bank and cash balances	51,737	62,070	8,371
	213,053	228,423	28,128
Liabilities			
Accounts payable	67,789	59,623	22,908
Loans and other obligations	828,071	145,733	45,515
	895,860	205,356	68,423
	(682,807)	23,067	(40,295)

At 31 December 2007, the Group had the following positions in USD, RUR and other currencies:

	USD	RUR	Other currencies
		USD 000's	
Assets			
Equity accounted and long term investments	3,242	25,795	-
Other non-current assets	5,452	17,132	-
Accounts receivable	112,900	113,565	17,483
Loans issued	1,313	3,409	-
Bank and cash balances	58,558	44,041	11,240
	181,465	203,942	28,723
Liabilities			
Accounts payable	58,517	57,207	12,855
Loans and other obligations	684,104	107,788	28,551
	742,621	164,995	41,406
	(561,156)	38,947	(12,683)

The Group's primary currency exposure is to the RUR. The Group has net monetary assets denominated in RUR equivalent to USD 23 million (2007 - USD 39 million of net assets) making it vulnerable at the period end to a strengthening of the USD against the RUR (2007 – strengthening).

18. Financial Risk Management Objectives and Policies (continued)

(b) Market risk (continued)

Foreign currency sensitivity analysis

The table below details the Group's sensitivity to strengthening/weakening of USD against the RUR by 15% which represents management's assessment of the maximum possible change in foreign currency exchange rates. The analysis was applied to monetary items at the balance sheet dates denominated in RUR.

	RUR impact	
	30 June 2008	30 June 2008
	RUR/USD +15%	RUR/USD -15%
	USD'000	USD'000
Profit or loss	(22,229)	22,229
Other equity components	-	-

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest risk mainly arises from its debt obligations in particular non-current borrowings. Borrowing at variable rates exposes the Group to cash flow interest rate risk. Lending at fixed rates or the purchase of debt instruments at fixed rates expose the Group to fair value interest rate risk.

The Group constantly reviews its debt portfolio and monitors the changes in the interest rate environment to ensure that interest payments are within acceptable levels. Information relating to interest rates on the Group's borrowings is disclosed in Note 7.

As the Group has an excess of floating rate liabilities over floating rate assets it is vulnerable to rises in interest rates. As part of interest rate management the Group maintains interest rate swaps that convert floating rate borrowings into fixed rates of interest. Under the terms of the swap the Group pays a fixed rate of 4.77 per cent on a USD 84 million loan facility. The fair value of the interest swap contract as at 30 June 2008 recognised directly in equity was USD 0.2 million (31 December 2007 – USD 1.8 million).

The Group's surplus funds are placed with reputable banks as fixed deposits which generate interest income for the Group.

Structure of interest rate risk.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2008	2007
	USD'000	
Fixed rate instruments		
Financial assets	11,656	10,955
Financial liabilities	(474,781)	(117,461)
	(463,125)	(106,506)
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(513,115)	(682,548)
	(513,115)	(682,548)

18. Financial Risk Management Objectives and Policies (continued)

(b) Market risk (continued)

Interest rate sensitivity analysis

The table below details the Group's sensitivity to increase or decrease of floating interest rates by 1%. The analysis was applied to loans and borrowings (financial liabilities) based on the assumption that the amount of liability outstanding as at the balance sheet date was outstanding for the whole year.

	LIBOR impact		EURIBOR impact		MOSPRIME impact	
	30.06.2008	30.06.2008	30.06.2008	30.06.2008	30.06.2008	30.06.2008
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Profit/ (loss)	(1,781)	1,781	(177)	177	(357)	357
Other equity components	(258)	258	-	-	(60)	60

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted and the assumption that all interest rates move in an identical fashion.

This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation of other factors that also affect Group's financial position and results.

Management believe that fair value of the loans, borrowings and finance lease obligations approximates their carrying amounts as the majority of obligations bear interest rates approximating market rates at 30 June 2008.

(c) Liquidity risk.

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations. Moreover the Group maintains different lines of credit for replenishment of working capital needs. Longer term cash needs are managed by negotiating and or renegotiating bank lending.

OAO Far-Eastern Shipping Company
and its subsidiaries

Notes to the Consolidated Interim Condensed Financial Information – 30 June 2008 (continued)

18. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

Summaries of the maturity profile of the Group's financial liabilities as at 30 June 2008 and 31 December 2007 based on contractual payments are presented below.

Loans, Borrowings and Finance Lease

	Carrying value	Minimum Future payment	Less than 3 month	3-6 month	6-12 month	1-5 years	Later than 5 years
				USD'000			
As at 30 June 2008							
Loans	855,026	855,026	58,262	41,815	272,689	357,900	124,360
Interest payable	3,755	83,377	6,658	5,690	10,737	44,428	15,864
Bank Overdraft	38,895	38,895	38,895	-	-	-	-
Finance Leases	95,895	144,132	6,674	6,829	13,091	63,959	53,579
Total	993,571	1,121,430	110,489	54,334	296,517	466,287	193,803
As at 31 December 2007							
Loans	727,455	727,455	40,353	23,851	80,203	510,925	72,123
Interest payable	7,798	117,202	12,750	11,793	20,667	57,334	14,658
Bank Overdraft	3,582	3,582	1,060	2,522	-	-	-
Finance Leases	71,173	103,228	8,482	5,671	8,359	49,816	30,900
Total	810,008	951,467	62,645	43,837	109,229	618,075	117,681

Trade and other payables

Management estimate that the average credit period on purchases is 90 days. No interest is incurred on the outstanding balance for trade and other payables. The table below summarises the maturity profile of the Group's trade and other payables as at 30 June 2008 and 31 December 2007 based on contractual undiscounted payments:

	1-3 months	3-6 months	6-12 months	More then 1 year	Total
			USD'000		
As at 30 June 2008					
Trade payables	70,809	5,478	6,855	-	83,142
Accrued expenses and other payables	24,328	74	6,976	-	31,378
	95,137	5,552	13,831	-	114,520
As at 31 December 2007					
Trade payables	74,127	8,902	3,245	-	86,274
Accrued expenses and other payables	19,476	2,632	6,396	-	28,504
	93,603	11,534	9,641	-	114,778

19. Post balance sheet events

On 3 July 2008 FESCO announced it had reached agreement for the acquisition of a 100% shareholding in National Container Company LLC, an entity which in turn owns 50% of Vostochniy Container Terminal LLC. The company was acquired for total cash consideration of USD 200 million.

On 21 July 2008 FESCO completed the placement of 590,250,000 new shares, a number equal to 25% of the existing capital. Existing shareholders subscribed for approximately 262 million new shares, and the remaining 328 million shares were placed through open subscription. FESCO raised USD 640 million from the share issue. These proceeds will be used to finance FESCO's ongoing investment program.

Fesco Vitim, a 1, 730 TEU Container vessel, was delivered to the Group on 23 August 2008.

In September 2008 the Group agreed to complete the acquisition of the remaining 50% interest in M-Port (note 17) by 31 December 2008, with the purchase price not to exceed USD 180 million.

On 6 October 2008 Transgarant, one of the main Group's subsidiaries, obtained syndicated funding in the amount of USD 90 million for a period of five years. The Arranger of the Facility is Sumitomo Mitsui Banking Corporation Europe Ltd. ING Wholesale Banking and HSH Nordbank AG participated in the facility. The facility is secured by a guarantee from FESCO and pledge over rolling stock. Funding is to be used to finance acquisition of rolling stock and to refinance short term financial obligation raised to acquire rolling stock.

In November 2008 scrap values have fallen to USD 235 per LWT. If this scrap value had been used in preparation of the consolidated interim condensed financial information, the depreciation charge for the period would have been USD 14 million higher.

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in Russia, notwithstanding any potential economic stabilisation measures that may be put in place by the Russian government and the Central Bank of Russian Federation, there exist as at the date this interim condensed financial information is authorised for issue economic uncertainties surrounding the continuing availability, and cost, of credit both for the Group and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that the assets may not be recovered at their currying amount in the ordinary course of business, and a corresponding impact on the Group's profitability. The economic crisis has also led to significant reductions in demand for transportation services and freight rates. It is not yet certain how sustained this downturn will prove to be.

The Group's financial statements include USD 417 million of goodwill arising largely on the acquisition of companies involved in the operation of ports. The last annual impairment review of the carrying value of goodwill was carried out as at 31 December 2007 at which time management concluded that no impairment adjustment was required. Management believes that the same conclusion would have been reached had a similar review been carried out as at 30 June 2008 and no adjustment to goodwill has been made in these financial statements. The general deterioration in the maritime transport sector since that date has been marked. Management has not yet completed the process of reassessing the anticipated future cash flows of the Cash Generating Unites concerned in the light of current market conditions. However it is possible that such this reassessment once completed will result in a significant reduction or the complete elimination of goodwill.