FAR-EASTERN SHIPPING COMPANY PLC.
AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2013

CONTENTS

KPMG

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and the Board of Directors

FAR-EASTERN SHIPPING COMPANY PLC.

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Open Joint Stock Company FAR-EASTERN SHIPPING COMPANY PLC (the "Company") and its subsidiaries (the "Group") as at 31 March 2013, and the related consolidated interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the three - month period then ended, and notes to the interim financial information (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 31 March 2013 and for the three - month period then ended are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other matter

The corresponding figures for the three-month period ended 31 March 2012 have not been reviewed or audited.

Akylbek Y.A.

Director, power of attorney dated 1 October 2010 No. 75/10

ZAO KPMG

11 June 2013

Moscow, Russian Federation

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Financial Position
As at 31 March 2013

USD mln	Note	31 March 2013	31 December 2012
ASSETS			
Non-current assets			
Fleet	8	89	87
Rolling stock	9	485	498
Other tangible fixed assets	10	394	409
Goodwill	7	273	280
Other intangible assets		3	3
Investments in associates and joint ventures	11	359	359
Other equity investments		2	2
Other non-current assets	12	580	565
Total non-current assets		2,185	2,203
Current assets			
Inventories		25	26
Accounts receivable	13	211	190
Current tax assets		11	14
Assets held for sale		6	12
Other current assets		11	3
Cash and cash equivalents	14	208	232
Total current assets		472	477
Total Assets		2,657	2,680
EQUITY AND LIABILITIES			
Shareholders' equity	18		
Share capital		57	57
Share premium		777	777
Retained earnings		840	814
Reserves		(156)	(125)
Equity attributable to owners of the Company		1,518	1,523
Non-controlling interests		8	9
Total equity		1,526	1,532
Non-current liabilities			
Long-term loans and finance lease obligations	16	638	701
Deferred tax liability	17	53	57
Other long-term liabilities		15	16
Total non-current liabilities		706	774
Current Liabilities			
Accounts payable	15	158	147
Current tax liabilities		2	2
Liabilities held for sale		4	6
Short-term loans and finance lease obligations	16	261	219
Total current liabilities		425	374
Total liabilities		1,131	1,148
Total equity and liabilities		2,657	2,680

R.S. Alikhanov, President________ Alikhanov   A.A. Sugrey, Deputy CFO________ Сугрей
Date: 11 June 2013

The accompanying notes on pages 12 to 27 form an integral part of these consolidated interim condensed financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Profit and Loss
For the three-month period ended 31 March 2013

USD mln	Note	For the three- month period ended 31 March 2013	2012
Revenue	21	275	263
Operating expenses	22	(193)	(179)
Gross profit before depreciation and amortization		82	84
Depreciation and amortisation	8,9,10	(22)	(22)
Administrative expenses	23	(36)	(36)
Other income and expenses, net		3	3
Profit from operating activity		27	29
Interest expense		(20)	(15)
Foreign exchange loss		(1)	-
Other finance income	24	13	5
Share of profit of equity accounted investees	11	9	10
Profit before income tax		28	29
Income tax expense	17	(7)	(8)
Profit for the period		21	21
Attributable to:			
Owners of the Company		21	18
Non-controlling interests		-	3
Basic and diluted earnings per share	25	USD 0.007	USD 0.007

The accompanying notes on pages 12 to 27 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 three-month period ended 31 March 2013

USD mln	For the three-month period ended 31 March 2013		2012	
Profit for the period	21			21
Other comprehensive (loss) /income:				
Effect of foreign currency translation	(32)		67	
Net change in fair value of available-for-sale financial assets	-		20	
Other comprehensive (loss)/ income for the period		(32)		87
Total comprehensive (loss)/ income for the period		(11)		108
Total comprehensive (loss)/ income attributable to:				
Ordinary shareholders of the Company		(10)		105
Non-controlling interests		(1)		3

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FAR-EASTERN SHIPPING COMPANY PLC.
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Consolidated Interim Condensed Statement of Changes in Equity
For the three-month period ended 31 March 2013

USD mln	Share capital (Note 18)	Share premium (Note 18)	Treasury shares (Note 18)	Retained earnings	Revaluation reserve	Investment fair value reserve	Translation reserve	Cash flow hedge	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Company										
Balance at 1 January 2012	57	999	(336)	889	30	(49)	(166)	3	1,427	14	1,441
Profit for the period	-	-	-	18	-	-	-	-	18	3	21
Other comprehensive income/(loss)											
Effect of foreign currency translation	-	-	-	-	-	-	67	-	67	-	67
Release from revaluation reserve	-	-	-	6	(6)	-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	20	-	-	20	-	20
Disposal of available-for-sale financial assets	-	-	-	(29)	-	29	-	-	-	-	-
Total other comprehensive income/(loss)	-	-	-	(23)	(6)	49	67	-	87	-	87
Total comprehensive income for the period	-	-	-	(5)	(6)	49	67	-	105	3	108
Transactions with owners, recorded directly in equity											
Acquisition of non-controlling interests without a change in control	-	-	-	(40)	-	-	-	-	(40)	(17)	(57)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	9	9
Total transaction with owners	-	-	-	(40)	-	-	-	-	(40)	(8)	(48)
Balance at 31 March 2012	57	999	(336)	844	24	-	(99)	3	1,492	9	1,501

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FAR-EASTERN SHIPPING COMPANY PLC.
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Consolidated Interim Condensed Statement of Changes in Equity
For the three-month period ended 31 March 2013
(Continued)

	Attributable to equity holders of the Company							
USD mln	**Share capital (Note 18)**	**Share premium (Note 18)**	**Retained earnings**	**Revaluation reserve**	**Translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2013	57	777	814	13	(138)	1,523	9	1,532
Profit for the period	-	-	21	-	-	21	-	21
Other comprehensive income/(loss)								
Effect of foreign currency translation	-	-	-	-	(31)	(31)	(1)	(32)
Total other comprehensive income/(loss)	-	-		-	(31)	(31)	(1)	(32)
Total comprehensive income/(loss) for the period	-	-	21	-	(31)	(10)	(1)	(11)
Transactions with owners, recorded directly in equity								
Acquisition of non-controlling interests without a change in control	-	-	(1)	-	-	(1)	-	(1)
Correction of the cost of tangible fixed assets, net of deferred tax (Note 9)	-	-	6	-	-	6	-	6
Total transaction with owners	-	-	5	-	-	5	-	5
Balance at 31 March 2013	57	777	840	13	(169)	1,518	8	1,526

The accompanying notes on pages 12 to 27 form an integral part of these consolidated interim condensed financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
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Consolidated Interim Condensed Statement of Cash Flows
For the three-month period ended 31 March 2013

		For the three-month period ended 31 March	
USD mln	**Note**	**2013**	**2012**
Cash flows from operating activities			
Profit for the period		21	21
Adjustments for:			
Depreciation and amortisation		22	22
Profit on disposal of tangible fixed assets		(1)	-
Foreign exchange differences		1	-
Net finance costs		7	11
Share of profit of equity accounted investees		(9)	(10)
Income tax expense		7	8
Cash from operating activities before changes in working capital and provisions		48	52
Change in inventories		1	-
Change in trade and other receivables		(21)	(44)
Change in trade and other payables		11	41
Cash flows from operations before income taxes paid		39	49
Income tax paid		(7)	(13)
Cash flows from operating activities		32	36

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FAR-EASTERN SHIPPING COMPANY PLC.
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Consolidated Interim Condensed Statement of Cash Flows
For the three-month period ended 31 March 2013
(Continued)

		For the three-month period ended 31 March	
USD mln	**Note**	**2013**	**2012**
Cash flows from investing activities			
Expenditure on vessels under construction	8	-	(4)
Vessels acquired	8	(5)	-
Expenditure on other fixed assets	10	(5)	(29)
Expenditure on drydocking	8	-	(1)
Proceeds on disposal of fleet		6	-
Proceeds on disposal of other fixed assets		-	22
Other investments acquired		-	(1)
Acquisition of subsidiaries, net of cash acquired		-	18
Loans received		15	7
Loans issued		(14)	
Finance lease received		1	1
Interest received		4	4
Net cash generated from investing activities		2	17
Cash flows from financing activities			
Proceeds from borrowings		9	20
Repayment of borrowings		(23)	(66)
Finance charges		(20)	(16)
Restricted deposits		(16)	-
Financial instruments liability paid		-	(2)
Net cash used in financing activities		(50)	(64)
Effect of exchange rate fluctuations on cash and cash equivalents		(8)	14
Net (decrease)/ increase in cash and cash equivalents		(8)	3
Cash and cash equivalents at the beginning of the period		232	232
Cash and cash equivalents at the end of the period		208	235

The accompanying notes on pages 12 to 27 form an integral part of these consolidated interim condensed financial statements.

1. Organisation and Trading Activities

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

The Company's immediate parent entity is Maple Ridge Limited and Mr Ziaudin Magomedov is considered to be the Company's ultimate controlling party.

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

2. Statement of Compliance

These consolidated interim condensed financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Significant Accounting Policies

A number of a new and amended IFRS become effective on 01 January 2013. Management consider that impacts of this pronouncement are not material or applicable to the Group's consolidated interim condensed Financial Statements. As a result the accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

4. Estimates

The preparation of consolidated interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the consolidated financial statements as at and for the year ended 31 December 2012.

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 2012.

6. Seasonality of Operations

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

7. Goodwill

	Gross amount	Accumulated impairment loss	Carrying amount
		USD mln	
At 1 January 2012	244	(30)	214
Additions	55	-	55
Translation difference	24	(3)	21
At 31 March 2012	323	(33)	290
At 1 January 2013	312	(32)	280
Translation difference	(8)	1	(7)
At 31 March 2013	304	(31)	273

8. Fleet

	Carrying value	
	31 March 2013	31 December 2012
	USD mln	
(a) Fleet	83	80
(b) Deferred dry docking expenses	6	7
	89	87
Total deadweight tonnage	286	283

(a)

	Valuation	Depreciation	Net Book Value
		USD mln	
At 1 January 2012	313	-	313
Depreciation charge for the period	-	(3)	(3)
Transfers from vessels under construction	29	-	29
At 31 March 2012	342	(3)	339
At 1 January 2013	80	-	80
Depreciation charge for the period	-	-	-
Additions	5	-	5
Disposals	(2)	-	(2)
At 31 March 2013	83	-	83

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.

13 vessels with a net book value of USD 39 million are pledged as a security to guarantee the Group’s obligations under ING Bank N.V and Raiffeisenbank loans (Note 16).

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

	Cost	**Depreciation**	**Net Book Value**
		USD mln	
At 1 January 2012	43	(22)	21
Additions	2	-	2
Charge for the period	-	(2)	(2)
Amortised dry dock write off	(2)	2	-
At 31 March 2012	43	(22)	21
At 1 January 2013	19	(12)	7
Charge for the period	-	(1)	(1)
Amortised dry dock write off	(3)	3	-
At 30 31 March 2013	16	(10)	6

Movements during the period on vessels under construction were:

	31 March 2013	**31 March 2012**
	USD mln	
At the beginning of the period	-	48
Expenditure incurred during the period	-	5
Transferred to fleet during the period	-	(29)
At the end of the period	-	24

9. Rolling Stock

	Cost	**Depreciation**	**Net Book Value**
		USD mln	
At 1 January 2012	639	(134)	505
Additions in the period	28	-	28
Depreciation charge for the period	-	(11)	(11)
Disposals	(1)	-	(1)
Transfers to assets held-for-sale	(38)	16	(22)
Translation difference	51	(11)	40
At 31 March 2012	679	(140)	539
At 1 January 2013	681	(183)	498
Correction of cost of tangible fixed assets	6	-	6
Additions in the period	3	-	3
Depreciation charge for the period	-	(12)	(12)
Disposals	(3)	2	(1)
Translation difference	(14)	5	(9)
At 31 March 2013	673	(188)	485

Rolling stock includes assets held under finance leases with a net book value of USD 132 million (31 December 2012 – USD 147 million).

At 31 March 2013 rolling stock with a carrying amount of USD 120 million (31 December 2012 – USD 127 million) are subject to registered debenture to secure bank loans (Note 16).

10. Other Tangible Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD mln			
Cost				
At 1 January 2012	79	161	25	265
Acquisition through a business combination	154	88	7	249
Additions	-	8	2	10
Transfer	-	4	(4)	-
Translation difference	5	7	2	14
At 31 March 2012	238	268	32	538
At 1 January 2013	235	280	28	543
Additions	-	7	1	8
Disposals	-	(13)	-	(13)
Translation difference	(4)	(4)	(1)	(9)
At 31 March 2013	231	270	28	529
Depreciation				
At 1 January 2012	24	80	-	104
Depreciation charge	1	5	-	6
Translation difference	1	1	-	2
At 31 March 2012	26	86	-	112
At 1 January 2013	31	103	-	134
Depreciation charge	2	7		9
Eliminated on disposal	-	(8)	-	(8)
At 31 March 2013	33	102	-	135
Net Book Value				
At 1 January 2012	55	81	25	161
At 31 March 2012	212	182	32	426
At 1 January 2013	204	177	28	409
At 31 March 2013	198	168	28	394

Plant, machinery and other fixed assets include containers held under finance lease with a net book value of USD 11 million (at 31 December 2012– USD 15 million) and plant and machinery with a net book value of USD 3.4 million (at 31 December 2012 – 2.8 million).

At 31 March 2013 fixed assets with a carrying amount of USD 45 million (31 December 2012 – USD 66 million) are pledged as a security to guarantee the Group’s loan obligations (Note 16).

11. Investments in Associates and Joint Ventures

Equity accounted investments represent investments in joint ventures and associates.

Name	Country of incorporation	Percentage Holding	Activity
Transcontainer	Russia	23.67%	Intermodal Container Operations
"Russkaya Troyka"	Russia	50%	Intermodal Container Operations
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
FESCO BLG Automobile Logistics Russia Limited	Cyprus	50%	Agency stevedoring services

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

	31 March 2013	31 March 2012
	USD mln	
At the beginning of the period	359	105
Share of results of equity accounted investees	9	10
Consolidation of VMTP	-	(90)
Additions	-	263
Translation differences	(9)	16
At the end of the period	359	304

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)
As at 31 March 2013/ For three-month period ended 31 March 2013									
	USD mln								
31 March	369	1,662	2,031	214	480	694	310	274	36

Reporting date	Current assets	Non-current assets	Total assets	Current liabilities	Non – current liabilities	Total liabilities	Income	Expenses	Profit/ (loss)
As at 31 March 2012/ For three-month period ended 31 March 2012									
	USD mln								
31 December	339	1,706	2,045	394	312	706	246	211	35

Goodwill in amount of USD 27 million related to TransContainer and FESCO BLG is included into the investments in associates and joint ventures.

The fair value of OJSC TransContainer shares and GDR's held by the Group, based on the quotations in MICEX and LSE, at 31 March 2013 is USD 386 million.

12. Other Non-Current Assets

	31 March 2013	31 December 2012
	USD mln	
Long term loan to related party, at amortized cost	535	542
Interest receivable from related party, at cost	10	-
Lease right	10	10
Restricted deposits	13	-
Non-current portion of finance lease receivable, at amortized cost	4	5
Prepayments for fixed assets, at cost	4	2
Other non-current assets	4	4
Prepayment for investment, at cost	-	2
	580	565

Loan to related party in the amount of USD 525 million represents loans to intermediate shareholder. The loan with the aggregated amount of USD 125 million is repayable in 2014. The other loan with the aggregate amount of USD 400 million is repayable, together with accrued interest in the amount of USD 10 million, on 31 December 2019.

Prepayments for fixed assets represent prepayments for equipment.

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

13. Accounts Receivable

	31 March 2013	31 December 2012
	USD mln	
Trade debtors	91	77
VAT receivable	38	36
Prepayments to OJSC “Russian Railways”	15	17
Amounts due from associates and joint ventures	6	2
Other debtors and prepayments	88	86
Allowance for impairment	(27)	(28)
	211	190

14. Cash and Cash Equivalents

	31 March 2013	31 December 2012
	USD mln	
Bank accounts and cash in hand	208	232
	208	232

15. Accounts Payable

	31 March 2013	31 December 2012
	USD mln	
Trade creditors	80	57
Taxes payable, other than income tax	13	12
Interest payable	3	3
Amounts due to associates and joint ventures	1	-
Short term share based payments (Note 19)	1	2
Other creditors and accruals	60	73
	158	147

16. Loans Payable and Finance Leases Obligations

(a) Loans payable

	31 March 2013	31 December 2012
	USD mln	
Loans and other obligations comprise:		
Secured loans		
At fixed rate 5% - 10%	189	198
At variable rates 0.25%-5% above Libor/Euribor /Mosprime	53	52
At variable rates 5%-9.5% above Libor/Euribor /Mosprime	540	540
	782	790
Unsecured loans		
At fixed rate 1.5%-5%	1	1
	1	1
Obligations under finance leases at fixed rate 6%	15	22
Obligations under finance leases at fixed rate 7.7% - 18.3%	101	107
	116	129
	899	920
Repayable within the next twelve months	261	219
Long term balance	638	701
	899	920

Fixed assets pledged as a security for loans are disclosed in Notes 8,9,10.

The Group was in compliance with covenants as at 31 March 2013.

17. 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.

	Three-month period ended 31 March 2013	2012
	USD mln	
Current tax expense		
Current period	11	11
	11	11
Deferred tax expense		
Origination and reversal of temporary differences	(4)	(3)
	(4)	(3)
Total income tax expense	7	8

Reconciliation of effective tax rate:

	Three-month period ended 31 March 2013		2012	
	USD mln	%	USD mln	%
Profit before income tax	28	100	29	100
Income tax at applicable tax rate of 20% (2012: 20%)	6	20	6	20
Income tax on dividends			1	3
Non-deductible expenses/non taxable income, net	1	4	1	3
	7	24	8	26

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

18. Shareholders' Equity

	31 March 2013	31 December 2012
	USD mln	
Authorised number of shares (1 Rouble per share)	3,643,593,000	3,643,593,000
Issued number of shares	2,951,250,000	2,951,250,000
Share capital (USD mln)	57	57

19. Share – Based Payments

The Group has share option programme for management.

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 1 million (31 December 2012 – USD 2.8 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:

	31 March 2013	**31 December 2012**
Stock price, USD	0.28	0.31
Exercise price, USD	0.32	0.32
Risk – free rate	0.11%-0.14%	0.16%-0.21%
Volatility	35.35%-47.76%	51.16%-67.52%
Time to expiration	0.8-1.3 years	0.11-1.5 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 0.8 to 1.5 years. The method corresponds to level 3 of the hierarchy of determination of the fair values.

20. 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 31 March 2013 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Corporate	Investment in TransContainer	Eliminations/ Adjustments	Total
					USD mln			
External sales	11	158	72	34	-	-	-	275
Inter-segment sales	6	-	3	12	-	-	(21)	-
Segment revenue	17	158	75	46	-	-	(21)	275
Segment expenses (*)	(19)	(150)	(47)	(30)	(9)	-	26	(229)
Segment result	(2)	8	28	16	(9)	-	5	46
Segment non-cash items:								
Depreciation and amortization	(2)	(3)	(12)	(5)	-	-	-	(22)
Other material items of income/expense:								
Other income and expenses	1	2	1	-	2	-	(3)	3
Interest expense	-	(1)	(8)	(9)	(5)	-	3	(20)
Share of profit of equity accounted investees	-	-	1	-	-	8	-	9
Income tax expense	(1)	(3)	(1)	(4)	-	-	-	(7)

Segment information for the main reportable segments of the Group for the period ended 31 March 2012 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Corporate	Investment in TransContainer	Eliminations/ Adjustments	Total
					USD mln			
External sales	32	128	92	11	-	-	-	263
Inter-segment sales	11	-	1	9	-	-	(21)	-
Segment revenue	43	128	93	20	-	-	(21)	263
Segment expenses (*)	(39)	(130)	(49)	(10)	(9)	-	23	(214)
Segment result	4	(2)	44	10	(9)	-	2	49
Segment non-cash items:								
Depreciation and amortization	(6)	(4)	(11)	(1)	-	-	-	(22)
Other material items of income/expense:								
Other income and expenses	2	1	(1)	-	1	-	-	3
Interest expense	(3)	(1)	(13)	-	(2)	-	2	(15)
Share of profit of equity accounted investees	-	-	1	4	-	5	-	10
Income tax (expense) / benefit	1	(1)	(6)	(2)	-	-	-	(8)

Segmental assets and liabilities

	Assets		Liabilities	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
	USD mln			
Shipping (Global)	164	189	30	66
Liner and logistics (Global)	243	218	114	113
Railway services (Russia)	621	619	300	306
Stevedoring services (Russia)	813	818	513	517
Total of all segments	1,841	1,844	957	1,002
Goodwill	273	280	-	-
Other items not attributed to a specific segment	543	556	174	146
Consolidated	2,657	2,680	1,131	1,148

Other segmental information

	Acquisition of segment assets		Investments in equity accounted investees	
	31 March 2013	31 March 2012	31 March 2013	31 December 2012
	USD mln			
Shipping (Global)	5	7	1	1
Liner and logistics (Global)	6	7	8	8
Railway services (Russia)	3	28	23	23
Stevedoring services (Russia)	1	2	-	-
Investment in TransContainer	-	-	327	327
	15	44	359	359

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

21. Revenue

	Three-month period ended 31 March	
	2013	2012
	USD mln	
Transportation services (operators' business)	217	204
Port and stevedoring services	34	11
Revenue from rentals	12	14
Hire and freight	11	32
Agency fees	1	2
	275	263

22. Operating Expenses

	Three-month period ended 31 March	
	2013	**2012**
	USD mln	
Railway infrastructure tariff and transportation services	145	121
Payroll expenses	25	17
Voyage and vessel running cost	8	28
Stevedoring services	7	4
Operating lease	6	7
Non-profit based taxes	2	2
	193	179

23. Administrative Expenses

	Three-month period ended 31 March	
	2013	**2012**
	USD mln	
Salary and other staff related costs	22	20
Professional fees	4	5
Office rent	2	2
Other administrative expenses	8	9
	36	36

Salary and other staff related costs include share based payment release in amount of USD 2 million (2012: USD 0.3 million release).

24. Other Finance Income

	Three-month period ended 31 March	
	2013	**2012**
	USD mln	
Interest income	13	3
Changes in fair value of financial instruments	-	2
	13	5

25. 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 . 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.

	31 March 2013	**31 March 2012**
	USD	
Profit for the period	21,281,000	18,380,000
Weighted average number of shares in issue (note 20)	2,951,250,000	2,557,544,193
Basic profit per share	0.007	0.007

	31 March 2013	31 March 2012
	USD	
Profit for the period, adjusted for stock option expense	19,574,000	18,109,924
Weighted average number of shares in issue, adjusted for potentially dilutive shares (note 19)	2,943,739,158	2,571,708,540
Diluted profit per share	0.007	0.007

Since the exercise of the share option and the put option on Company's shares would have an anti-dilutive effect, the basic earnings per share equal to the diluted.

26. Contingencies and Commitments

(a) Guarantees issued to related parties

To finance the acquisition of Fesco in December 2012, the new shareholders obtained a bank loan in the aggregate amount of USD 400 million. Some of the Group's subsidiaries act as guarantors for such bank loans.

(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 of Russian tax legislation related to VAT treatment of transportation and related services (in particular, application of the 0% VAT rate) came into force. The VAT law was further changed with effect from 1 October 2011. However, certain ambiguity as to VAT treatment of some transportation and related services still remain and the new rules have not yet been tested in courts. Therefore, the interpretations of the new law by the Russian tax authorities and by the customers of the Group transportation companies could differ from that taken by the Group and the effect on these consolidated financial statements if the resulting disputes are not resolved in favour of the company could be material.

The taxation system in the Russian Federation continues to evolve 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. The tax authorities are increasingly taking a more assertive position in their interpretation and enforcement of tax legislation.

In particular, on 1 January 2012 a law came into force that completely replaced the existing Russian transfer pricing rules with new ones making Russian transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances. For instance, when determining controllable types of transactions which are not limited to sales of goods, work and services, but may include other types of transactions as well.

The new transfer pricing rules introduce an obligation of taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe a new basis and mechanisms for assessing additional taxes in case prices in the controlled transactions differ from the market level. For example, the new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transaction on or prior to 31 December 2011.

The new transfer pricing rules primarily apply to cross-border transactions between related parties as well as certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB3 billion in 2012, RUB2 billion in 2013, and RUB1 billion in 2014 and thereafter).
Penalty for underpayment of tax arising from non-compliance with the new transfer pricing rules will apply from 2014 (inclusive) with increase of the penalty rate from 20% in 2014 to 40% of underpaid tax starting from 2017.

It is difficult to predict how such rules will be interpreted by the Russian tax authorities, but it is generally expected that the Russian tax authorities will be able to enforce the new transfer pricing rules more effectively than the previous ones.

Taking into account that there is no practice of applying the new transfer pricing rules by the tax authorities and courts, that the rules are themselves vague and contain gaps and that practically all large Group companies in Russia are engaged in transactions that may be subject to control under the new rules, there is a risk that the Russian tax authorities could attempt to assess additional taxes and late payment interest on Russian Group companies on the basis of such new rules. Should the Russian taxation authorities be successful in that challenge, the impact on these financial statements could be significant.

The above circumstances 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 (including new Russian transfer pricing rules). 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.

(c) Business environment

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

27. 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 seven individuals were considered to be the Group's key management and directors (2011 – seven individuals). Their remuneration during the period was as follows:

	Three-month period ended 31 March 2013	2012
	USD mln	
Salaries	1	1
Bonuses	2	-
	3	1

During the period the share option liability decreased resulting in a gain of USD 2 million.

Guarantees issued to shareholders amount to USD 400 million at 31 December 2012 (2012 – USD 400 million).

Statement of financial position	31 March 2013	31 December 2012	Nature of balances
	USD mln		
Associates	4	2	Trade receivables
Associates	(1)	-	Trade payables
Joint Venture Company	1	1	Trade receivables
Joint Venture Company	1	1	Loan issued
Joint Venture Company	1	-	Interest receivable
Related through common shareholder	539	541	Loan issued
Related through common shareholder	10	2	Interest receivable
Related through common shareholder	9	4	Payables on behalf of related party
Related through common shareholder	3	-	Other receivables
Joint Venture Company	6	7	Finance lease receivable
Non-consolidated subsidiaries	(1)	(1)	Loan payable

Income Statement	31 March 2013	31 March 2012	Nature of transactions
	USD mln		
Associates sales	1	-	Agency services, rent and other services
Associates purchases	(2)	-	Agency services, rent and other expenses
Joint Venture Company purchases	(1)	(3)	Agency ,transportation and stevedoring services
Joint Venture Company sales	-	1	Transportation services
Joint Venture Company			Finance lease and interest income
Related through common shareholder	10	1	Interest income
Related through common shareholder	2	-	Other related services

28. Events Subsequent to the Reporting Date

In April and May 2013 the Group issued Eurobonds denominated in US dollars for a total amount of USD 875 million. USD 550 million will be repaid in 2018 and subject to interest at 8.00%. USD 325 million will be repaid in 2020 and subject to interest at 8.75%.

In May 2013 the Group issued Russian rouble denominated exchange-traded, non-convertible bonds for a total amount of RUR 5 billion (approximately USD 161 million). The three-year bonds pay coupon rate of 10.25% p.a. for the period to maturity. The bonds have a call option in 1.5 years from the placement date at a price of 102.00% from the nominal value.

The notes will be guaranteed on a senior secured basis by certain subsidiaries and parent companies of the Group. Net proceeds were used to repay outstanding debt of the Group and debt incurred in connection with the acquisition of FESCO in December 2012.