OJSC Russian Sea Group

Interim Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2011

OJSC RUSSIAN SEA GROUP

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OJSC RUSSIAN SEA GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

Management is responsible for the preparation and fair presentation of the unaudited interim condensed consolidated statement of financial position of OJSC Russian Sea Group and its subsidiaries (the "Group") as at 30 June 2011 and the related unaudited interim condensed consolidated statements of comprehensive income, cash flows and changes in equity for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the unaudited interim condensed consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's interim condensed consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the financial statements of the Group, and which enable them to ensure that the financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

On behalf of the Group's management, the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2011 were authorised for issue on 15 September 2011 by:

D. Dangauer
Chief Executive Officer

A. Goderich
Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of OJSC Russian Sea Group:

We have reviewed the accompanying interim condensed consolidated statement of financial position of OJSC Russian Sea Group and its subsidiaries (collectively – the "Group") as of 30 June 2011 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim 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 interim 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 accompanying interim financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

DELOITTE & TOUCHE, CIS

15 September 2011

OJSC RUSSIAN SEA GROUP

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011
(in thousands of Russian Roubles)

	Notes	30 June 2011 (Unaudited)	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment		1,323,005	1,336,145
Intangible assets		51,457	47,839
Long-term financial assets		21,980	11,980
Deferred tax asset		141,913	137,627
		1,538,355	**1,533,591**
Current assets			
Inventory	8	1,898,727	2,439,078
Trade and other receivables	9	1,308,009	1,952,847
VAT recoverable		155,665	157,192
Advances paid to suppliers	10	466,885	228,971
Short-term financial assets		4,800	6,542
Income tax receivable		141,876	143,195
Restricted cash	6	45,299	-
Cash and cash equivalents	7	453,736	303,574
		4,474,997	**5,231,399**
Total assets		**6,013,352**	**6,764,990**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		7,953,765	7,953,765
Share premium		654,035	654,035
Effect from reorganization of the Group under common control		(7,230,687)	(7,230,687)
(Accumulated deficit)/Retained earnings		(374,355)	68,329
		1,002,758	**1,445,442**
Current liabilities			
Short-term borrowings	12	2,900,000	2,900,000
Bonds payable	13	675,342	902,342
Trade payables	11	1,229,931	1,339,530
Other payables		104,696	61,319
Advances received		43,705	58,280
VAT payables		34,795	48,712
Taxes payable other than income tax		22,125	9,365
		5,010,594	**5,319,548**
Total equity and liabilities		**6,013,352**	**6,764,990**

D. Dangauer
Chief Executive Officer

15 September 2011

A. Goderich
Chief Financial Officer

OJSC RUSSIAN SEA GROUP

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

(in thousands of Russian Roubles)

	Notes	For the six months ended 30 June 2011 (Unaudited)	For the six months ended 30 June 2010 (Unaudited)
Revenue	4	8,623,230	7,051,433
Cost of sales	14	(7,703,734)	(6,332,103)
Gross margin		**919,496**	**719,330**
Selling and distribution costs	15	(940,822)	(883,054)
General and administrative expenses	16	(293,729)	(288,386)
Other operating income		11,940	48,968
Other operating expenses		(27,322)	(15,904)
Interest income		620	21,567
Interest expense		(165,174)	(296,484)
Exchange gain		76,384	109,040
Loss before income tax		**(418,607)**	**(584,923)**
Income tax (expense)/benefit	17	(24,077)	111,998
Net loss for the period, being total comprehensive loss for the period attributable to equity holders of the parent		**(442,684)**	**(472,925)**
Basic and diluted loss per share (Russian Roubles)	18	**(5.57)**	**(6.40)**

OJSC RUSSIAN SEA GROUP

UNAUDITED INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

(in thousands of Russian Roubles)

	Notes	For the six months ended 30 June 2011 (Unaudited)	For the six months ended 30 June 2010 (Unaudited)
Cash flows from operating activities:			
Loss for the period before income tax		(418,607)	(584,923)
Adjustments to reconcile loss before tax to cash generated from operating activities:			
Depreciation and amortization	14, 16	64,962	51,225
Interest income		(620)	(21,567)
Interest expense		165,174	296,484
Gain from disposal of plant and equipment		(982)	(367)
Reversal of allowance for doubtful accounts receivable	9, 15	(27,477)	(12,773)
Impairment of advances paid	10, 15	10,051	43,758
Increase in provision for inventory obsolescense	8, 15	29,263	127,322
Inventory write-offs as a result of stock take	15	28,280	-
Write-downs of inventory to net realisable value	14	55,486	-
Income from subsequent bond issue		-	(20,229)
Exchange gain		(76,384)	(9,080)
		(170,854)	**(130,150)**
Working capital changes:			
Decrease/(increase) in inventory	8	427,322	(90,674)
Decrease in trade and other receivables	9	666,415	519,287
Decrease/(increase) in VAT recoverable		1,527	(35,878)
(Increase)/decrease in advances paid to suppliers	10	(247,965)	51,752
Decrease in trade payables	11	(26,827)	(485,976)
Increase/(decrease) in other payables		39,614	(19,634)
(Decrease)/increase in advances received		(14,575)	62,168
Decrease in VAT payable		(13,917)	-
Increase in taxes payable other than income tax		12,760	5,621
Cash generated from/(used in) operations		**673,500**	**(123,484)**
Income tax paid		(27,044)	(11,964)
Interest received		4,779	7,300
Interest paid		(165,089)	(308,707)
Net cash generated from/(used in) operating activities		**486,146**	**(436,855)**
Cash flows from investing activities:			
Payments for property, plant and equipment		(56,165)	(31,818)
Proceeds from sale of property, plant and equipment		5,772	3,187
Payments for intangible assets		(4,065)	(5,658)
Proceeds from repayments of loans receivable		1,742	70,151
Loans given to third and related parties		(10,000)	-
Net cash (used in)/ generated by investing activities		**(62,716)**	**35,862**
Cash flows from financing activities:			
(Repayments)/proceeds from bonds issuance	13	(227,000)	922,250
Repayments of long-term loans, net		-	(1,950,000)
Proceeds from short-term loans, net		-	977,000
Proceeds from the additional issue of shares		-	723,078
Proceeds from public listing		-	905,300
Net cash (used in)/generated by financing activities		**(227,000)**	**1,577,628**
Net increase in cash and cash equivalents		**196,430**	**1,176,635**
Effect of exchange rate fluctuations on cash and cash equivalents		(969)	-
Cash and cash equivalents at 1 January		**303,574**	**103,036**
Cash and cash equivalents at 30 June		**499,035**	**1,279,671**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2011

(in thousands of Russian Roubles)

	Equity attributable to equity holders of the parent						
	Share capital	Share premium	Treasury shares	Effect from reorganization of the Group under common control	Retained earnings/ (accumulated deficit)	Non-controlling interest	Total equity
Balance at 1 January 2010 (Unaudited)	**7,230,687**	**-**	**(361,525)**	**(7,230,687)**	**904,513**	**321**	**543,309**
Additional issue and listing of shares in connection with IPO	723,078	654,035	361,525	-	-	-	1,738,638
Total comprehensive loss for the period	-	-	-	-	(472,925)	-	(472,925)
Disposal of non-controlling interest	-	-	-	-	-	(321)	(321)
Balance at 30 June 2010 (Unaudited)	**7,953,765**	**654,035**	**-**	**(7,230,687)**	**431,588**	**-**	**1,808,701**
Balance at 1 January 2011 (Audited)	**7,953,765**	**654,035**	**-**	**(7,230,687)**	**68,329**	**-**	**1,445,442**
Total comprehensive loss for the period	-	-	-	-	(442,684)	-	(442,684)
Balance at 30 June 2011 (Unaudited)	**7,953,765**	**654,035**	**-**	**(7,230,687)**	**(374,355)**	**-**	**1,002,758**

(All amounts in thousands of Russian Rouble, if not otherwise indicated)

1. CORPORATE INFORMATION

These unaudited interim condensed consolidated financial statements are prepared by Open Joint Stock Company Russian Sea Group. The principal activities of OJSC Russian Sea Group ("the Company") and its subsidiaries (jointly referred to as "the Group") are production and distribution of fish and seafood products. The production and selling companies of the Group are located in Russia. The Company is registered under the laws of Russia in St. Petersburg at 65 Dnepropetrovskaya Street. The Company's headquarter address is in Moscow at 10 Letnikovskaya Street., Building 5.

As of 30 June 2009, the sole shareholder of the Company was Corsico Ltd. registered under the laws of Cyprus. The Group's ultimate controlling party was Maxim Vorobiev, a Russian citizen who controlled a 99% interest in Corsico Ltd. On 16 April 2010, the Group placed 15 mln. shares in an IPO and obtained listings on the Russian Stock Exchange (RTS) and Moscow Interbank Currency Exchange (MICEX). As of 30 June 2011, Corsico Ltd. owned 61% of total share capital, 20% of shares were owned by individuals and 19% of shares were in free float.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors of the Company on 15 September 2011.

The principal activities and the entities of the Group as of 30 June 2011 and 31 December 2010 were as follows:

		Equity interest , %	
Name	**Principal activity**	**30 June 2011**	**31 December 2010**
OJSC Russian Sea Group	Holding/managing company	n/a	n/a
CJSC Russian Fish Company	Distribution	100	100
LLC Russian Sea Delivery	Distribution	100	100
LLC Russian Sea – Kaliningrad	Fish and seafood processing	100	100
CJSC Russian Sea	Fish and seafood processing	100	100
LLC Trout Farm Segozerskoye	Fish farming	100	100
LLC Russian Sea Aquaculture	Fish farming	100	100
RSEA CYPRUS LIMITED	No activity	100	-

All subsidiaries are registered in Russia except for RSEA CYPRUS LIMITED, which is registered in Cyprus. RSEA CYPRUS LIMITED was incorporated in March 2011 for the purposes of development of new markets and relationship with new suppliers. The activity of the new entity has no material effect on the unaudited interim condensed consolidated financial statements of the Group.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The annual consolidated financial statements of OJSC Russian Sea Group are prepared in accordance with International Financial Reporting Standards ("IFRS"). These unaudited interim condensed consolidated financial statements for the half year ended 30 June 2011 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Accordingly, they do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") in the annual financial statements.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Group's annual IFRS consolidated financial statements as of 31 December 2010, considering the effect of adoption of new Standards and Interpretations, which is described below.

The Company and its subsidiaries maintain their accounting records in accordance with regulations applicable in the Russian Federation. These unaudited interim condensed consolidated financial statements are based on those accounting books and records, as adjusted and reclassified to comply with IAS 34.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results can differ significantly from such estimates.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

Other than the effect of adoption of new Standards and Interpretations, as described below, the Group followed the same accounting policies and methods of computation as compared with those applied in the financial statements at 31 December 2010.

These unaudited interim condensed consolidated financial statements unless expressly indicated otherwise are presented in the national currency of the Russian Federation, Russian Rouble (RR), which is the functional currency of the Company and its subsidiaries.

Seasonality of operations

Due to the seasonal nature of the Group's operations, higher revenues in both operating segments (Note 3) are usually expected in the fourth quarter of each calendar year due to very high customer demand for fish and seafood during the Christmas and New Year period.

Given the seasonality of operations, the Group's operating results for the six-month period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011.

Going concern

The business situation of the Group for the six-month period ended 30 June 2011 has improved as compared with the six-month period ended 30 June 2010. However the purchase prices for salmon and trout during the first six months of 2011 were still high.

Consolidated revenue for the first six months of 2011 increased by 24% compared to the first six months of 2010, gross margin increased from 10% in the first six months of 2010 to 13% in the first six months of 2011. The increase in gross margin is comparatively lower than the increase in revenue due to high purchase prices for salmon in the first four months of 2011. Strong price competition in order to keep market share and price sensitivity of end consumers did not allow for an increase in sales price; accordingly, gross margin declined as compared to revenue growth.

The accompanying unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and the settlement of liabilities in the normal course of business.

Net current liabilities equal 535,597 as of 30 June 2011, while net current liabilities amounted to 88,149 as of 31 December 2010.

Net debt to equity ratio has deteriorated from 2.42 as of 31 December 2010 to 3.07 as of 30 June 2011.

Cash flow from operations improved significantly – from cash outflow 123,484 for the six-months ended 30 June 2010 to cash inflow of 673,500 for the six-month period ended 30 June 2011.

The Group's ability to continue as a going concern is dependent in the short-term on an increase of profitability in both segments, sufficiency of liquid funds to finance operating activities and timely repayment of debt as it falls due. In order to increase margin, maintain liquidity and guarantee settlement of all obligations on a timely basis, management has introduced the following measures:

- In February, March of 2011, all loan agreements with VTB and Sberbank totaling approximately 2,900,000 were signed at a lower variable interest rate (Note 12);
- In June 2011, a new production unit of crabmeat sticks was started in St. Petersburg;
- In July 2011, a new production unit of fish processing was started in Karelia. This unit will lead to final product cost reduction and better control over product quality;
- At the end of March 2011, Russian Sea has moved its warehouse from Moscow to Noginsk, a location near the main production plant. This measure will make possible reductions in logistics costs, and allow for better control over the transfer and shipping process as well as improved security at the warehouse;
- Contracts with new suppliers in Norway were signed under more favorable terms;
- In June 2011, the Group announced plans for a subdivision of the investment fund Volga Resources to acquire an interest in the Group.

(All amounts in thousands of Russian Rouble, if not otherwise indicated)

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current environment.

Management has evaluated the Group's ability to continue as a going concern and believes that the Group will continue to trade as a going concern for the foreseeable future. In addition, management believes that should circumstances require, it will be able to draw down on facilities which are currently uncommitted.

Changes in accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the following new or revised standards and interpretations issued by the IASB and IFRIC effective for financial years beginning on or after 1 January 2011:

Standards and Interpretations	Effective for accounting periods beginning on or after
Amendments to IFRS 7 "*Financial Instruments: Disclosures*" as part of AIP	1 January 2011
Amendment to IAS 1 "*Presentation of Financial Statements*" as part of AIP	1 January 2011
Amendments to IAS 24 "*Related Party Disclosures*"	1 January 2011
Amendments to IAS 27 "*Separate Financial Statements*"	1 January 2011
Amendment to IAS 32 "*Financial Instruments*"	1 January 2011
Amendment to IAS 34 "*Interim Financial Reporting*"	1 January 2011
Amendment to IFRIC 13 – "*Customer Loyalty Programmes as part of AIP*"	1 January 2011
Amendment to IFRIC 14 – "*Prepayments of a Minimum Funding Requirement*"	1 January 2011

IFRSs and IFRIC interpretations not yet effective

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the period since 1 July 2009 and have not been early adopted:

- IFRS 9 Financial instruments issued in December 2009. The standard introduces new requirements for classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption;
- IFRS 10 Consolidated Financial Statements – effective for annual periods beginning on or after 1 January 2013;
- IFRS 11 Joint Arrangements – effective for annual periods beginning on or after 1 January 2013;
- IFRS 12 Disclosure of Interests in Other Entities – effective for annual periods beginning on or after 1 January 2013;
- IFRS 13 Fair Value Measurement – effective for annual periods beginning on or after 1 January 2013;
- IAS 12 Deferred taxes: Recovery of Underlying Assets (Amendment) – effective for annual periods beginning on or after 1 January 2012;
- IAS 19 Employee Benefits (Amendment) – effective for annual periods beginning on or after 1 January 2013;
- IAS 1 Presentation of Financial Statements (Amendment) – effective for annual periods beginning on or after 1 July 2012.

(All amounts in thousands of Russian Rouble, if not otherwise indicated)

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRSs and IFRIC interpretations not yet effective (continued)

The impact of the adoption of these standards and interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by the Group's management and it is anticipated that the adoption of these standards and interpretations will have no material effect in the period of initial application. The Group will adopt the pronouncements listed above in the period starting on or after the date when they become effective.

Reclassifications

The Group has conducted a detailed analysis of its expenditure with a view to improve classification of such expenditures between selling and distribution costs and general and administrative expenses based on specifics of the selling process. As a result of such analysis it was concluded that general and administrative expenses (payroll) in the amount of 61,993 represent selling and distribution costs. Therefore certain comparative information, presented in the unaudited condensed statement of comprehensive income for the six months ended 30 June 2010, has been reclassified in order to achieve comparability with the presentation used in the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2011.

The effect of the reclassifications is summarized below:

	30 June 2010 (As previously reported)	Reclassifications	30 June 2010 (Revised)
Interim Condensed Consolidated Statement of Comprehensive Income			
Selling and distribution costs	(821,061)	(61,993)	(883,054)
General and administrative expenses	(350,379)	61,993	(288,386)

3. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the fish retail market, higher revenues and operating profits are usually expected in the second half of the year as compared to the first six months. In the financial year ended 31 December 2010, 37% of revenues accumulated in the first half of the year, with 63% accumulating in the second half.

4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and has three reportable operating segments: (1) chilled and frozen fish distribution, (2) ready-to-eat fish and seafood products and (3) fish farming operating activities conducted by LLC Trout Farm Segozerskoye and LLC Russian Sea Aquaculture. In earlier periods, the fish farming business was included in the Chilled and frozen fish distribution operating segment, as its result was not material to be reported as a separate operating segment. Beginning with the previous annual period, management has begun showing the fish farming business separately as the segment is expected to grow in future periods. Previous six month balances and financial results have been recast in order to achieve comparability with the presentation used in the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2011. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit. Segment profit is segment revenue less segment expense. Segment expense consists of cost of sales and selling and distribution costs.

The segments are determined based on the internal reporting to the chief operating decision makers – senior management headed by the CEO and CFO of OJSC Russian Sea Group.

(All amounts in thousands of Russian Rouble, if not otherwise indicated)

4. SEGMENT INFORMATION

The following table presents revenue, profit, assets and liabilities information regarding the Group's operating segments:

Six months ended 30 June 2011 (Unaudited)	**Chilled and frozen fish distribution**	**Ready-to-eat fish and seafood products[1]**	**Fish farming**	**Eliminations**	**Group**
Sales to external customers	6,694,260	1,925,086	3,884	-	8,623,230
Inter-segment sales	614,104	-	6,900	(621,004)	-
Total revenue	**7,308,364**	**1,925,086**	**10,784**	**(621,004)**	**8,623,230**
Segment profit[2]	**251,055**	**(260,229)**	**(11,450)**	**(702)**	**(21,326)**
General and administrative expenses					(293,729)
Other operating income					11,940
Other operating expenses					(27,322)
Interest income					620
Interest expense					(165,174)
Exchange gain					76,384
Loss before income tax					**(418,607)**
Segment assets	2,357,158	3,095,835	321,534	-	5,774,527
Unallocated assets					238,825
Total assets					**6,013,352**
Segment liabilities	3,852,129	1,132,940	18,805	-	5,003,874
Unallocated liabilities					6,720
Total liabilities					**5,010,594**

Six months ended 30 June 2010 (Unaudited)	**Chilled and frozen fish distribution**	**Ready-to-eat fish and seafood products[1]**	**Fish farming**	**Eliminations**	**Group**
Sales to external customers	5,518,463	1,532,970	-	-	7,051,433
Inter-segment sales	916,235	84,093	4,142	(1,004,470)	-
Total revenue	**6,434,698**	**1,617,063**	**4,142**	**(1,004,470)**	**7,051,433**
Segment profit[2]	**254,947**	**(422,711)**	**250**	**-**	**(163,724)**
General and administrative expenses					(288,386)
Other operating income					48,968
Other operating expenses					(15,904)
Interest income					21,567
Interest expense					(296,484)
Exchange gain					109,040
Loss before income tax					**(584,923)**
Segment assets	2,760,390	3,522,756	258,475	-	6,541,621
Unallocated assets					223,368
Total assets					**6,764,989**
Segment liabilities	2,569,456	2,740,767	2,243	-	5,312,466
Unallocated liabilities					7,081
Total liabilities					**5,319,547**

[1] Including primary processing of salmon
[2] Inter-segment sales are based on about 3,11% mark-up for the six month ended 30 June 2011 (2010: 1,75%)

(All amounts in thousands of Russian Rouble, if not otherwise indicated)

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, and entities over which the Group has significant influence.

The nature of the related party relationships for those related parties with whom the Group entered into transactions for the six month period ended 30 June 2011 and 2010 or had balances outstanding at 30 June 2011 and 31 December 2010 are detailed below.

Balances with Related Parties:

	Loans receivable from related parties	Interest and other receivable	Cash and cash equivalents	Advances paid to related parties
30 June 2011 (Unaudited)				
Entities under common control (A)	-	-	4,664	-
Key management personnel (B)	11,980	1,444	-	-
Entities under common control (D)	-	3,395	-	2,000
Key management personnel (G)	-	970	-	-
Entities under common control (H)	-	173	-	-
Entities under common control (E)	-	21	-	-
31 December 2010				
Entities under common control (A)	-	-	8,802	-
Entities under common control (D)	-	-	-	1,703
Key management personnel (B)	11,980	1,048	-	-
Key management personnel (G)	-	970	-	-

Transactions with Related Parties:

		Six months ended 30 June	
Description	**Relationship**	**2011 (Unaudited)**	**2010 (Unaudited)**
Loans provided to related parties	Parent entity (C)	-	16,000
Loans repaid by related parties	Parent entity (C)	-	16,000
Bond reissued	Entities under common control (F)	-	577,000
Payment received from transaction with bonds	Entities under common control (F)	-	599,550
Purchases	Entity under common control (D)	592	8,989
	Parent entity	200	194
Interest income	Entity under common control (C)	-	83
	Entity under common control (A)	2	4,389
	Key management personnel	-	1,389
Interest accrued	Entities under common control (F)	-	10,242
Other operating income	Entities under common control (H)	356	12,309
Other operating income	Entity under common control (E)	-	240

(A) Cash and cash equivalents represent current bank accounts and deposits, interest income related to interest accrued for cash deposits at interest rate 2-5% in US dollars.

(B) Long-term unsecured loan denominated in Russian Roubles provided to related party with maturity date in 2015 and an interest rate of 6.67% p.a.

(C) Short-term unsecured loans provided to related parties was denominated in US dollars with an interest rate of 11.5% p.a. (2010:11,5-14% p.a).

(D) Purchases from entities under common control represented consulting services.

(E) Other operating income represented rent of office.

(F) Transaction related to repurchase of bonds by the related party in amount of 577,000 units.

(G) Transaction related to disposal of LLC Royal Fish.

(H) Ready-to-eat production sales.

(All amounts in thousands of Russian Rouble, if not otherwise indicated)

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Compensation to Key Management Personnel

Key management personnel comprised 13 persons as at 30 June 2011 (as at 31 December 2010: 15 persons). Total compensation to key management personnel, all of which represented by short-term employee benefits (monthly payroll and bonuses), included in general and administrative expenses in the statement of comprehensive income amounted to 39,448 for the six months ended 30 June 2011 (47,529 for the six months ended 30 June 2010).

Shareholders of the Group

As of 30 June 2011 and 31 December 2010 the registered shareholders of OJSC Russian Sea Group and their respective ownership and voting rights were as follows:

	30 June 2011 (Unaudited)	31 December 2010
Corsico Ltd.	61%	61%
Individuals	20%	20%
Free float	19%	19%
	100%	**100%**

All shares hold equal voting rights.

6. RESTRICTED CASH

Restricted cash in the amount of 45,299 is represented by cash on customs cards. The Group is unable to use any amount for any purposes except payments for import duties and bank commissions.

7. CASH AND CASH EQUIVALENTS

	30 June 2011 (Unaudited)	31 December 2010
Russian Rouble denominated cash in banks and on hand	75,672	168,001
Foreign currency denominated cash in banks	2,269	64,922
Cash equivalents	375,795	70,651
	453,736	**303,574**

Cash equivalents include short-term, redeemable on demand deposits in the amount of 375,000 as of 30 June 2011 (70,000 as of 31 December 2010).

8. INVENTORY

	30 June 2011 (Unaudited)	31 December 2010
Goods for resale	1,327,417	1,489,766
Finished goods	320,810	497,433
Raw materials	200,212	362,989
Work in progress	50,288	88,890
	1,898,727	**2,439,078**

The cost of inventories recognized includes 55,486 (2010: nil) in respect of write -downs of such inventories to net realizable value, and 11,716 was written-down and recognised as expenses of the current period (2010: 28,152).

(All amounts in thousands of Russian Rouble, if not otherwise indicated)

9. TRADE AND OTHER RECEIVABLES

	30 June 2011 (Unaudited)	31 December 2010
Trade receivables	1,302,871	1,833,25
Other receivables	95,797	237,72
Allowance for doubtful accounts receivable	(90,659)	(118,13
	1,308,009	**1,952,84**

Trade receivables are non-interest bearing and are normally settled within 90-120 days.

10. ADVANCES PAID TO SUPPLIERS

	30 June 2011 (Unaudited)	31 December 2010
Advances paid for raw fish and seafood	265,509	111,026
Advances paid for packaging materials	25,148	4,173
Other	270,622	198,115
Less: Impairment for advances paid	(94,394)	(84,343
	466,885	**228,971**

11. TRADE PAYABLES

	30 June 2011 (Unaudited)	31 December 2010
Trade payables for raw fish and seafood	970,980	1,123,330
Trade payables for operational services	252,110	202,906
Trade payables for packaging materials	6,841	13,294
	1,229,931	**1,339,530**

12. SHORT-TERM BORROWINGS

Short term borrowings as at 30 June 2011 consisted of the following:

Bank	Outstanding balance as of 30 June 2011 (Unaudited)	Borrowing currency	Interest rate	Maturity date	Credit facility limit
VTB					
Agreement N2441 dd. December 2009 as amended by additional agreement dd. April 2011	1,400,000	RUR	MosPrime3M + 4,5%	January 2012	1,400,000
Sberbank					
Agreement N1/78 dd. February 2011	300,000	RUR	MosPrime3M + 3,9%	August 2012	300,000
Agreement N2/78 dd. February 2011	300,000	RUR	MosPrime3M + 3,9%	July 2012	300,000
Agreement N3/78 dd. March 2011	250,000	RUR	MosPrime3M + 3,9%	July 2012	250,000
Agreement N784 dd. March 2011	290,000	RUR	MosPrime3M + 3,9%	July 2012	290,000
Agreement N785 dd. March 2011	360,000	RUR	MosPrime3M + 3,9%	July 2012	360,000
Total	**2,900,000**				

(All amounts in thousands of Russian Rouble, if not otherwise indicated)

12. SHORT-TERM BORROWINGS (CONTINUED)

Short term borrowings as at 31 December 2010 consisted of the following:

Bank	Outstanding balance as at 31 December 2010	Borrowing currency	Interest rate	Maturity date	Credit facility limit
VTB					
Agreement N2441 dd. December 2009 as amended by additional agreement dd. April 2010	1,400,000	RUR	MosPrime3M + 4.5%	June 2011	1,400,000
Sberbank					
Agreement N6/1 dd. February 2010	300,000	RUR	MosPrime3M + 3.25%	February 2011	300,000
Agreement N6/2 dd. February 2010	300,000	RUR	MosPrime3M + 3.25%	February 2011	300,000
Agreement N6/3 dd. February 2010	250,000	RUR	MosPrime3M + 3.25%	February 2011	250,000
Agreement N6/4 dd. March 2010	300,000	RUR	MosPrime3M + 3.25%	March 2011	300,000
Agreement N6/5 dd. March 2010	350,000	RUR	MosPrime3M + 3.25%	March 2011	350,000
Total	**2,900,000**				

The VTB credit facility was secured by a pledge of 595,320 shares of CJSC Russian Sea and 892,858 shares of CJSC Russian Fish Company (as at 31 December 2010: 404,818 and 607,144, respectively). As at 30 June 2011, the Sberbank short-term credit facility was secured by a pledge of inventory (raw fish) in the amount of 640,699 (as at 31 December 2010: 770,126), by a pledge of production equipment in the amount of 405,503 (as at 31 December 2010: 254,270) and pledge of rights of land rent in the amount of 4,340 (as at 31 December 2010: nil).

Certain credit facility agreements also establish a minimal monthly credit turnover requirement for the Group's accounts with the creditor bank.

The loan agreements with VTB and Sberbank establish certain financial covenants which should be maintained by the Group. As of 30 June 2011 the Group did not comply with several covenants stipulated in loan agreements with VTB and Sberbank. Such non-compliance with the covenants gives VTB the right to increase the current interest rate by 2%. As a result of such non-compliance, the Group was charged penalties in the amount of 14,000 in March 2011.

13. BONDS PAYABLE

In January 2010 the Group re-issued 1,181,000 non-convertible bonds, which were previously redeemed by the Group in June 2009, for 1,206,597 with realization of amortised premium in the amount of 25,597. The bonds are due on 14 June 2012, and bondholders have a put option exercisable every June during the period of circulation. Therefore the bonds are classified as current liabilities.

In June 2010, the Group pre-maturely redeemed 1,180,979 non-convertible bonds, at par for 1,180,979 and re-issued again 902,000 non-convertible bonds for 896,804 with the resulting amortised discount in the amount of 5,196. In June 2011, 227,000 bonds were repaid to bondholders in the amount of 227,230, from which 230 was the related coupon payment.

Interest on bonds is payable on a quarterly basis.

The outstanding balances, coupon rates on the bonds payable and maturity dates are summarised below:

	Outstanding balance	Coupon rate	Maturity Date
As at 30 June 2011	675,342	12%	14 June 2012
As at 31 December 2010	902,342	10-18%	14 June 2012

(All amounts in thousands of Russian Rouble, if not otherwise indicated)

14. COST OF SALES

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Cost of trade goods sold	5,909,755	4,849,598
Materials and components used in production	1,434,901	1,205,245
Direct labour costs	147,541	143,738
Production overheads	115,149	102,145
Write-downs of inventory to net realisable value	55,486	-
Depreciation	40,902	31,377
	7,703,734	**6,332,103**

15. SELLING AND DISTRIBUTION COSTS

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Transport	404,018	288,411
Payroll	199,936	181,381
Warehouse rent	109,225	80,987
Advertising	93,293	54,086
Provision for obsolete stock	29,263	127,322
Inventory write-offs as a result of stock take	28,280	64,813
Certification	12,979	13,791
Impairment of advances paid	10,051	43,758
Commission fees	9,942	6,689
Insurance of goods in transit	125	1,525
Other	71,187	33,064
Reversal of allowance for doubtful accounts receivable	(27,477)	(12,773)
	940,822	**883,054**

16. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Payroll	135,865	148,270
Rent and maintenance of buildings	39,472	27,783
Depreciation and amortization	24,060	19,848
Bank charges	22,210	25,346
Taxes other than income tax	15,106	8,365
Audit and consulting	9,651	15,494
Travel	9,458	9,682
Security	9,234	5,876
Communication	4,881	7,154
Other	23,792	20,568
	293,729	**288,386**

(All amounts in thousands of Russian Rouble, if not otherwise indicated)

17. INCOME TAX

The major components of income tax expense (benefit) are as follows:

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Current income tax expense	28,363	37,32
Income tax recognized in equity	-	(16,89
Deferred income tax benefit	(4,286)	(132,43
Total income tax expense/(benefit)	**24,077**	**(111,99**

The Group has tax losses that are available indefinitely for offset against future taxable profits of the companies in which they arose. Deferred tax assets have been recognized in respect of these losses as they have arisen in subsidiaries that are expected to be profitable in future periods.

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Loss before income tax expense	(418,607)	(584,923
Theoretical income tax benefit at statutory rate of 20%	(83,721)	(116,985
Adjustments due to:		
Non-deductible expenses	31,968	17,252
Non-taxable income	-	(15,617
Write-off of deferred tax asset	-	3,352
Effect of unrecognized revaluation of trade marks	76,200	-
Other expenses	(370)	-
Income tax expense/(benefit)	**24,077**	**(111,998)**

18. LOSS PER SHARE

Loss per share is calculated as follows:

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Weighted average number of ordinary shares outstanding	79,537,651	73,924,887
Loss for the period attributable to equity holders of the parent	(442,684)	(472,925)
Basic and diluted loss per share, Russian Roubles	**(5.57)**	**(6.40)**

19. DIVIDENDS

No dividends were declared or paid during six months ended 30 June 2011 and subsequent to 30 June 2011 up to the date of authorization of these unaudited interim condensed consolidated financial statements for issue.

20. COMMITMENTS AND CONTINGENCIES

Operating environment

The global financial turmoil that has negatively affected Russian financial and capital markets in 2008 and 2009 has receded and the Russian economy returned to growth in 2010. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or from decline in the oil and g prices could slow or disrupt the Russian economy, adversely affect the Group's access to capital a cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Taxation and regulatory environment

Laws and regulations affecting businesses in the Russian Federation continue to change. Those changes are characterized by different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation c the legislation and assessments as a result, it is possible that the transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authoritie in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However the relevant authorities may have differing interpretations, and the effects could be significant. Management's estimate of the amount of possible liabilities, including fines that could be incurred in the event that the tax authorities disagree with the Group's position on certain tax matters and certain tax practices used by the Group is nil at 30 June 2011 (as at 30 December 2010: 13,167). Should the Russian tax authorities decide to issue a claim and prove successful in court, they would be entitled to recover the amount claimed, together with fines amounting to 20% of such amount and interest at a rate of 1/300 of the Central Bank of Russia rate for each day of delay for late payment of such amount. Management believes that it is not probable that the ultimate outcome of such matters would result in additional liabilities. Therefore, no provision for these contingencies was recorded in these unaudited interim condensed consolidated financial statements.

Environmental matters

The Group's management believes that it is in compliance with applicable legislation and is not aware of any potential environmental claims. Therefore, no liabilities associated with such costs are recorded as of 30 June 2011.

21. SUBSEQUENT EVENTS

In June 2011 Russian Sea Group announced that it has been notified of a change in the ownership of its major shareholder. Owner of Corsico Limited, the Group's major shareholder, has formed a strategic partnership with the Luxembourg-based investment fund, Volga Resources, to invest into Russia Sea Group. As part of these plans Corsico Ltd. has transferred 60,936 % of its shares to RSEA Holding Ltd, a company established in July 2011 for the purpose of this transaction. At the date of issue of these unaudited interim condensed consolidated financial statements the transaction was not finalized and the ultimate controlling party of RSEA Holding Ltd was Maxim Vorobiev.