

**Public Joint Stock  
Company Novorossiysk  
Commercial Sea Port and  
Subsidiaries**

**Interim Condensed Consolidated  
Financial Statements**  
For the Three Months Ended 31 March 2011

# **PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

## **TABLE OF CONTENTS**

---

	<b>Page</b>
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2011:	
Interim condensed consolidated statement of comprehensive income	1
Interim condensed consolidated statement of financial position	2
Interim condensed consolidated statement of changes in equity	3
Interim condensed consolidated statement of cash flows	4
Selected notes to the interim condensed consolidated financial statements	5-23

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS 31 MARCH 2011  
(in thousands of US Dollars, except earnings per share)**

	Notes	Three months ended 31 March 2011	Three months ended 31 March 2010
REVENUE	5	233,056	175,515
COST OF SERVICES	6	(117,300)	(59,250)
<b>GROSS PROFIT</b>		<b>115,756</b>	<b>116,265</b>
Selling, general and administrative expenses	7	(19,881)	(11,929)
Gain on disposal of property, plant and equipment		46	132
<b>OPERATING PROFIT</b>		<b>95,921</b>	<b>104,468</b>
Interest income on deposits		1,729	4,925
Finance costs	8	(32,407)	(6,776)
Foreign exchange gain, net		113,077	1,874
Other income, net		1,305	244
<b>PROFIT BEFORE INCOME TAX</b>		<b>179,625</b>	<b>104,735</b>
Current tax expense		(35,736)	(20,521)
Deferred tax loss		(237)	(273)
<b>PROFIT FOR THE PERIOD</b>		<b>143,652</b>	<b>83,941</b>
OTHER COMPREHENSIVE INCOME			
Effect of translation to presentation currency		71,765	26,000
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>215,417</b>	<b>109,941</b>
Profit for the period attributable to:			
Equity shareholders of the parent company		143,357	82,436
Non-controlling interests		295	1,505
		<b>143,652</b>	<b>83,941</b>
Total comprehensive income attributable to:			
Equity shareholders of the parent company		213,389	107,858
Non-controlling interests		2,028	2,083
		<b>215,417</b>	<b>109,941</b>
Weighted average number of ordinary shares outstanding	14	19,087,586,568	19,259,815,400
<b>BASIC AND DILUTED EARNINGS PER SHARE (US Dollars)</b>		<b>0.0075</b>	<b>0.0043</b>



*[Signature]*  
Chief Executive Officer

*[Signature]*

G.I. Kachan  
Chief Accountant

The files on pages 5 to 23 are an integral part of these consolidated financial statements.

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2011  
(in thousands of US Dollars)**

	Notes	31 March* 2011	31 December 2010
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	2,207,984	563,839
Goodwill		1,693,633	391,618
Mooring rights		9,515	9,024
Investments in securities and other financial assets	10	30,975	22,219
Investment in joint venture	11	17,783	15,578
Non-current VAT recoverable		10,615	858
Spare parts		5,561	4,862
Deferred tax assets		3,152	1,156
Other intangible assets		1,505	1,286
		<u>3,980,723</u>	<u>1,010,440</u>
CURRENT ASSETS:			
Inventories		11,090	8,991
Advances to suppliers		3,563	2,608
Trade and other receivables	12	80,637	29,866
VAT recoverable and other taxes receivable		26,353	12,683
Income tax receivable		2,290	6,183
Investments in securities and other financial assets	10	9,100	46,919
Cash and cash equivalents	13	44,787	265,017
		<u>177,820</u>	<u>372,267</u>
<b>TOTAL ASSETS</b>		<b><u>4,158,543</u></b>	<b><u>1,382,707</u></b>
<b>EQUITY AND LIABILITIES</b>			
EQUITY:			
Share capital	14	10,471	10,471
Share premium		-	9,255
Treasury shares		(281)	-
Foreign currency translation reserve		19,347	(50,685)
Retained earnings		1,062,599	996,330
Equity attributable to shareholders of the parent company		<u>1,092,136</u>	<u>965,371</u>
Non-controlling interests		25,955	23,927
<b>TOTAL EQUITY</b>		1,118,091	989,298
NON-CURRENT LIABILITIES:			
Long-term debt	15	2,510,036	305,412
Defined benefit obligation	16	7,558	6,906
Deferred tax liabilities		318,623	30,937
		<u>2,836,217</u>	<u>343,255</u>
CURRENT LIABILITIES:			
Current portion of long-term debt	15	122,262	15,900
Trade and other payables		31,109	10,898
Advances received from customers		4,974	6,432
Taxes payable		7,338	4,812
Income tax payable		13,962	579
Accrued expenses		24,590	11,533
		<u>204,235</u>	<u>50,154</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>4,158,543</u></b>	<b><u>1,382,707</u></b>

\*As a part of assets and liabilities included provisional values of acquired assets and liabilities of LLC PTP (Note 17).  
The notes on pages 5 to 23 are an integral part of these consolidated financial statements.

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED 31 MARCH 2011  
(in thousands of US Dollars)**

Notes	Attributable to shareholders of the parent company						Non-controlling interests	Total
	Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total		
<b>At 1 January 2010</b>	<b>10,471</b>	-	<b>9,255</b>	<b>(43,959)</b>	<b>823,035</b>	<b>798,802</b>	<b>18,170</b>	<b>816,972</b>
Profit for the period	-	-	-	-	82,436	<b>82,436</b>	1,505	<b>83,941</b>
Effect of translation to presentation currency	-	-	-	25,422	-	<b>25,422</b>	578	<b>26,000</b>
Total comprehensive income for the period	-	-	-	25,422	82,436	<b>107,858</b>	2,083	<b>109,941</b>
<b>At 31 March 2010</b>	<b>10,471</b>	-	<b>9,255</b>	<b>(18,537)</b>	<b>905,471</b>	<b>906,660</b>	<b>20,253</b>	<b>926,913</b>
<b>At 1 January 2011</b>	<b>10,471</b>	-	<b>9,255</b>	<b>(50,685)</b>	<b>996,330</b>	<b>965,371</b>	<b>23,927</b>	<b>989,298</b>
Profit for the period	-	-	-	-	143,357	<b>143,357</b>	295	<b>143,652</b>
Effect of translation to presentation currency	-	-	-	70,032	-	<b>70,032</b>	1,733	<b>71,765</b>
Total comprehensive income for the period	-	-	-	70,032	143,357	<b>213,389</b>	2,028	<b>215,417</b>
Buy-back of shares	-	(281)	(9,255)	-	(77,088)	<b>(86,624)</b>	-	<b>(86,624)</b>
<b>At 31 March 2011</b>	<b>10,471</b>	<b>(281)</b>	-	<b>19,347</b>	<b>1,062,599</b>	<b>1,092,136</b>	<b>25,955</b>	<b>1,118,091</b>

The notes on pages 5 to 23 are an integral part of these consolidated financial statements.

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011  
(in thousands of US Dollars)**

	Notes	Three months ended 31 March 2011	Three months ended 31 March 2010
<b>Cash flows from operating activities</b>			
Cash from operations		80,283	114,692
Income tax paid		(17,246)	(12,623)
Interest paid		(23,754)	(2,273)
		<u>39,283</u>	<u>99,796</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		81	174
Purchases of property, plant and equipment		(20,749)	(10,804)
Proceeds from maturity of securities and other financial assets		64,753	21,441
Purchases of securities and other financial assets		(32,305)	(124,537)
Net cash outflow on acquisition of subsidiaries	17	(2,146,859)	-
Interest received		2,617	1,523
Purchases of other intangible assets		(244)	(14)
		<u>(2,132,706)</u>	<u>(112,217)</u>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(27,600)	(4,504)
Proceeds from borrowings	15	1,981,006	-
Dividends paid		(348)	(29)
Buy-back of ordinary shares		(86,497)	-
Payment buy-back of ordinary shares		(127)	-
		<u>1,866,434</u>	<u>(4,533)</u>
<b>Net decrease in cash and cash equivalents</b>			
		<u>(226,989)</u>	<u>(16,954)</u>
Cash and cash equivalents at the beginning of the period	13	265,017	159,075
Effect of translation into presentation currency on cash and cash equivalents		6,759	2,983
		<u>44,787</u>	<u>145,104</u>
<b>Cash and cash equivalents at the end of the period</b>			

The notes on pages 5 to 23 are an integral part of these consolidated financial statements.

# PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2011

*(in thousands of US Dollars)*

---

### 1. GENERAL INFORMATION

#### Organisation

Public Joint Stock Company ("PJSC") Novorossiysk Commercial Sea Port ("NCSP") was founded in 1845. NCSP was transformed from a state-owned enterprise to a PJSC in December 1992. NCSP's principal activities include stevedoring, additional port services, and sea vessel services. NCSP and its subsidiaries (the "Group") primarily operate in the Russian Federation. The principal activities and significant entities of the Group as at 31 March 2011 were as follows:

<u>Subsidiaries</u>	<u>Nature of business</u>
Open Joint Stock Company ("OJSC") IPP	Stevedoring and additional port services
PJSC Fleet Novorossiysk Commercial Sea Port	Tug and towing services and bunkering
OJSC Novorossiysk Shipyard	Stevedoring and marine vessels repair services
OJSC Novoroslesexport	Stevedoring and additional port services
PJSC Novorossiysk Grain Terminal	Stevedoring and additional port services
LLC Baltic Stevedore company	Stevedoring and additional port services
LLC Primorsk trade port	Stevedoring and additional port services
CJSC Sovfrakht-Primorsk	Tug and towing services

The main subsidiaries of the Group are located in the Eastern sector of the Black Sea in Tsemesskaya Bay and in Kaliningrad and Leningrad District.

NCSP is the largest stevedore of the Group and the holding company. It has the main cargo-loading district, the Sheskhari oil terminal, the technical support base and the passenger terminal in Novorossiysk. NCSP has eight significant subsidiaries, the primary activities of which are as follows:

#### *OJSC IPP ("IPP")*

IPP is a liquid-cargo processing enterprise, and also provides bunkering services.

#### *PJSC Fleet NCSP ("Fleet")*

Fleet is a maritime tug and towing company. It provides most of the tug and towing, mooring and bunkering services for ships and other maritime vessels at and around the Novorossiysk Port (the "Port"). In addition, it carries out emergency services such as transferring vessels to shelter zones during emergencies, cleaning and containment services for oil or other liquid spills in and around the Port and hazardous material response and waste management services pursuant to its agreement on water use with Kubanskoye Basin Department of the Krasnodar District under the Russian Ministry of Natural Resources.

#### *OJSC Novorossiysk Shipyard ("Shipyard")*

Shipyard is the largest ship-repair enterprise in the south of Russia that has a major universal port at its disposal. The cargo specialization of Shipyard is the transshipment of ferrous metals. It also handles loose goods in soft containers and big bags, construction cargo, oversize cargo, food and perishable cargo, and roll-on roll-off cargo at its own ferry berth.

#### *OJSC Novoroslesexport ("Novoroslesexport")*

Novoroslesexport provides stevedoring and storage services for the export of timber, containerised cargo, ferrous and nonferrous metals. It is engaged in all year-round cargo operations.

#### *PJSC Novorossiysk Grain Terminal ("Grain Terminal")*

Grain Terminal manages grain storage and a shipment terminal in the western part of the Tsemesskaya Bay.

#### *LLC Baltic Stevedore Company ("BSC")*

# **PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

## **SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

---

BSC is a stevedoring company operating the container, car-ferry, cargo and passenger terminal of the Baltiysk port in the Kaliningrad District.

*LLC Primorsk trade port ("PTP")*

PTP's activity is transshipment of oil and oil products in the port of Primorsk, Leningrad District.

*CJSC Sovfrakht-Primorsk ("Sovfrakht-Primorsk")*

Sovfrakht-Primorsk is the subsidiary of PTP. Sovfrakht-Primorsk is operator of towing, pilotage and tying down services in the port of Primorsk, Leningrad District.

### **Golden Share**

According to decree No.1343-r dated 12 August 2010, which was issued by the Government of the Russian Federation, the Government has the right to obtain a golden share in companies. This golden share provides it with special rights in comparison with other shareholders, and allows the state to block a decision made by shareholders for amendments to the charter, as well as decisions on liquidation, corporate restructuring and significant transactions. During 2010, the Government enacted this right to hold a golden share in the Group so that it may exercise significant influence over the Group without the actual need to hold a significant ownership.

### **Statement of compliance**

These interim condensed consolidated financial statements of the Group have been prepared using accounting policies as set forth in the consolidated financial statements as of and for the year ended 31 December 2010 and in compliance with the requirements of International Accounting Standard ("IAS") 34 "Interim Financial Reporting". These financial statements do not include all of the information required for disclosure in annual financial statements and should be read in conjunction with the last issued audited consolidated financial statements as of and for the year ended 31 December 2010. These financial statements reflect all adjustments which are, in the opinion of Group management, necessary to fairly state the results of interim periods. Interim results are not necessarily indicative of results to be expected for the full year.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

Accounting policies applied in the interim condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended 31 December 2010.

### **Functional and presentation currency**

The functional currency of NCSP and each of its subsidiaries is the Russian Rouble ("RUR"), except for Longbranch and Henford Logistics Ltd. which use the Euro ("EUR") and US Dollar ("USD"), respectively, as their functional currencies. The consolidated financial statements are presented in US Dollars as Management considers the USD to be a more relevant presentational currency for international users of the consolidated financial statements of the Group.

### **Exchange rates**

The Group used the following exchange rates in the preparation of the consolidated financial statements:



**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

	<u>31 March 2011</u>	<u>31 December 2010</u>
<b>Period-end rates</b>		
RUR / 1 USD	28.4290	30.4769
RUR / 1 EUR	40.0223	40.3331
	<u>Three months ended 31 March 2011</u>	<u>Three months ended 31 March 2010</u>
<b>Average for the period</b>		
RUR / 1 USD	29.2698	29.8903
RUR / 1 EUR	40.0340	41.4132

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The critical accounting judgments, estimates and assumptions made by management of the Group and applied in the accompanying interim condensed consolidated financial statements for the three months ended 31 March 2011 are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2010.

**4. SEGMENT INFORMATION**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segment and to assess its performance.

***Services of reportable segments***

The Group includes nine companies, capable to generate income.

Name of the company	Types of services	Region of activity
PJSC NCSP	Stevedoring and additional port services, other	Novorossiysk
OJSC Novoroslesexport	Stevedoring and additional port services, other	Novorossiysk
OJSC Novorossiysk Shipyard	Stevedoring and additional port services, ship repair, others	Novorossiysk
PJSC Novorossiysk Grain Terminal	Stevedoring and additional port services, other	Novorossiysk
OJSC IPP	Stevedoring and additional port services, others	Novorossiysk
PJSC Fleet NCSP	Stevedoring (bunkering and resale of fuel), fleet services, other	Novorossiysk
LLC BSC	Stevedoring and additional port services, other	Baltiysk
LLC PTP	Stevedoring and additional port services, other	Primorsk
CJSC Sovfrakht-Primorsk	Fleet services, other	Primorsk

Information reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance is focussed on the types of services provided by the Group. Therefore, the Group's reportable segments under IFRS 8 are as follows:

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

- Stevedoring services and additional port services;
- Fleet services;
- Ship repair services, and
- Other services mainly comprised of rent and resale of energy and utilities to external customers. Neither of these services constitutes a separate reportable segment.

Segment results are evaluated based on operating profit or loss, whose value is determined on the Russian statutory accounting standards with the inclusion of certain adjustments to reconcile to IFRS. Control over financial income and expenses, resulting from disposal of fixed assets, foreign exchange rates and other unallocated income / expense in profit before tax implemented at the Group's level as a whole.

**Revenue and segment results**

The segment information for the three months ended 31 March 2011 and 31 March 2010:

	<u>Segment revenue</u>		<u>Inter-segments sales</u>		<u>Segment profit</u>	
	<u>Three months ended</u>		<u>Three months ended</u>		<u>Three months ended</u>	
	<u>31 March 2011</u>	<u>31 March 2010</u>	<u>31 March 2011</u>	<u>31 March 2010</u>	<u>31 March 2011</u>	<u>31 March 2010</u>
Stevedoring and additional services	206,142	160,692	1,714	1,232	76,624	97,134
Fleet services	23,210	12,242	1,229	571	10,306	5,856
Ship repair services	72	3	-	-	(277)	(288)
Other services	3,632	2,578	3,880	2,945	2,524	3,202
<b>Total reportable segments</b>	<u>233,056</u>	<u>175,515</u>	<u>6,823</u>	<u>4,748</u>	<u>89,177</u>	<u>105,904</u>
Adjustments and eliminations	-	-	(6,823)	(4,748)	90,448	(1,169)
<b>Consolidated</b>	<u>233,056</u>	<u>175,515</u>	<u>-</u>	<u>-</u>	<u>179,625</u>	<u>104,735</u>

The segment profit is corrected on the following components for comparison to profit of the Group before income tax:

	<u>Three months ended 31 March 2011</u>	<u>Three months ended 31 March 2010</u>
<b>Total segment profit</b>	89,177	105,904
Unallocated amounts:		
Foreign exchange gain, net	113,077	1,874
Interest income on deposits	1,729	4,925
Gain on disposal of property, plant and equipment	46	132
Other income, net	1,305	244
Finance costs	(32,407)	(6,776)
Other unallocated items included in profit before income tax	6,698	(1,568)
<b>Profit before income tax</b>	<u>179,625</u>	<u>104,735</u>

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

During three months ended 31 March 2011, revenue from PORATH SERVICES LIMITED of 43,204 represents more than 10% of segment revenue. The management of the Group believes that it adequately deals with the corresponding credit risk related to the above customer. No other customer accounted for more than 10% of the total revenues during the period ended 31 March 2011, and no single customer accounted for more than 10% of the total segment revenues during the period ended 31 March 2010.

***Other segment information***

	<u>Depreciation and amortisation charge</u>		<u>Capital expenditures</u>		<u>Contribution to joint venture</u>	
	<u>Three months ended</u>		<u>Three months ended</u>		<u>Three months ended</u>	
	<u>31 March 2011</u>	<u>31 March 2010</u>	<u>31 March 2011</u>	<u>31 March 2010</u>	<u>31 March 2011</u>	<u>31 March 2010</u>
Stevedoring and additional services	15,316	13,954	20,792	10,404	-	1,051
Fleet services	1,009	281	1,049	-	-	-
Ship repair services	201	312	-	-	-	-
Other services	2,186	1,079	96	-	-	-
<b>Total reportable segments</b>	<b>18,712</b>	<b>15,626</b>	<b>21,937</b>	<b>10,404</b>	<b>-</b>	<b>1,051</b>
Adjustments and eliminations	1,703	1,046	266	30	-	-
<b>Consolidated</b>	<b>20,415</b>	<b>16,672</b>	<b>22,203</b>	<b>10,434</b>	<b>-</b>	<b>1,051</b>

Capital expenditures consist of additions of property, plant and equipment, which include construction in progress and the related advances paid in the period (Note 9).

**Geographical information**

The Group's entities operate in different geographical regions. The following geographical segments were allocated: Novorossiysk, Primorsk, Baltiysk (including the anticipated growth in this segment) to estimate financial results and economic conditions of activities of the Company by users of financial statements.

The Group's revenue from external customers (location of the external customers) by geographical location is detailed below:

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011  
(in thousands of US Dollars)**

	<b>Three months ended 31 March 2011</b>	<b>Three months ended 31 March 2010</b>
<b>Revenue</b>		
Novorossiysk	165,282	173,863
Primorsk	63,764	-
Baltiysk	3,400	1,652
Other	610	-
<b>Total</b>	<b>233,056</b>	<b>175,515</b>

**5. REVENUE**

	<b>Three months ended 31 March 2011</b>	<b>Three months ended 31 March 2010</b>
Stevedoring services	186,550	138,766
Additional port services	19,592	21,926
Fleet services	23,210	12,242
Ship repair services	72	3
Other services	3,632	2,578
<b>Total</b>	<b>233,056</b>	<b>175,515</b>

**6. COST OF SERVICES**

	<b>Three months ended 31 March 2011</b>	<b>Three months ended 31 March 2010</b>
Fuel	45,770	17,165
Depreciation and amortisation	19,317	15,721
Rent	17,398	2,392
Payroll	15,773	11,857
Subcontractors	5,230	1,370
Taxes directly attributable to salaries	4,847	3,081
Repairs and maintenance	2,881	2,708
Energy and utilities	2,772	1,824
Raw materials	1,478	2,126
Defined benefit obligation charge	271	536
Insurance	177	121
Other	1,386	349
<b>Total</b>	<b>117,300</b>	<b>59,250</b>

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

**7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Three months ended 31 March 2011</b>	<b>Three months ended 31 March 2010</b>
Personnel expenses	7,097	4,909
Taxes other than income tax	2,489	2,205
Taxes directly attributable to salaries	1,705	1,000
Security services	1,180	996
Depreciation and amortisation	1,098	951
Marketing	605	
Bank charges	497	530
Charity	405	352
Travel and representation expenses	398	260
Repairs and maintenance	242	177
Raw materials	206	163
Rent	195	364
Advertising	169	197
Other	3,595	(175)
<b>Total</b>	<b>19,881</b>	<b>11,929</b>

**8. FINANCE COSTS**

	<b>Three months ended 31 March 2011</b>	<b>Three months ended 31 March 2010</b>
Interest on borrowings	32,407	7,860
Net gain on interest rate swap	-	(1,084)
<b>Total</b>	<b>32,407</b>	<b>6,776</b>

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011  
(in thousands of US Dollars)**

**9. PROPERTY, PLANT AND EQUIPMENT**

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Machinery and equipment</u>	<u>Marine vessels</u>	<u>Vehicles</u>	<u>Office and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost</b>								
<b>As at 1 January 2010 <sup>(1)</sup></b>	<b>18,904</b>	<b>312,452</b>	<b>270,672</b>	<b>64,397</b>	<b>16,567</b>	<b>68,894</b>	<b>57,950</b>	<b>809,836</b>
Additions	-	2,312	917	1,575	152	288	5,190	10,434
Transfer	-	107	6	-	-	451	(564)	-
Disposals	-	(27)	(309)	(334)	(169)	(59)	(2)	(900)
Effect of translation into presentation currency	567	9,560	8,165	2,031	495	2,120	2,109	25,047
<b>As at 31 March 2010</b>	<b>19,471</b>	<b>324,404</b>	<b>279,451</b>	<b>67,669</b>	<b>17,045</b>	<b>71,694</b>	<b>64,683</b>	<b>844,417</b>
<b>Accumulated depreciation</b>								
<b>As at 1 January 2010</b>	-	<b>(59,386)</b>	<b>(130,644)</b>	<b>(23,810)</b>	<b>(8,759)</b>	<b>(28,500)</b>	<b>(8,870)</b>	<b>(259,969)</b>
Charge for the period	-	(4,998)	(6,431)	(905)	(516)	(2,550)	-	(15,400)
Disposals	-	4	300	334	168	55	-	861
Effect of translation into presentation currency	-	(2,182)	(4,410)	(760)	(291)	(1,054)	(266)	(8,963)
<b>As at 31 March 2010</b>	-	<b>(66,562)</b>	<b>(141,185)</b>	<b>(25,141)</b>	<b>(9,398)</b>	<b>(32,049)</b>	<b>(9,136)</b>	<b>(283,471)</b>
<b>Carrying value</b>								
<b>As at 1 January 2010 <sup>(1)</sup></b>	<b>18,904</b>	<b>253,066</b>	<b>140,028</b>	<b>40,587</b>	<b>7,808</b>	<b>40,394</b>	<b>49,080</b>	<b>549,867</b>
<b>As at 31 March 2010</b>	<b>19,471</b>	<b>257,842</b>	<b>138,266</b>	<b>42,528</b>	<b>7,647</b>	<b>39,645</b>	<b>55,547</b>	<b>560,946</b>

<sup>(1)</sup> The 1 January 2010 balances of the property, plant and equipment have been reclassified between groups versus balances presented as at 31 December 2009 due to identified misclassifications by management.

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011  
(in thousands of US Dollars)**

	Land	Buildings and constructions	Machinery and equipment	Marine vessels	Vehicles	Office and other equipment	Construction in progress	Total
<b>Cost</b>								
<b>As at 1 January 2011</b>	<b>18,991</b>	<b>315,764</b>	<b>284,816</b>	<b>88,639</b>	<b>16,736</b>	<b>69,016</b>	<b>77,003</b>	<b>870,965</b>
Additions	-	778	519	1,741	462	47	18,656	22,203
Acquired on acquisition of subsidiaries*	1,302,862	121,681	21,487	56,331	957	286	52,726	1,556,330
Transfers	-	-	6,725	-	88	22	(6,835)	-
Disposals	-	(4)	(861)	-	(104)	(153)	(12)	(1,134)
Effect of translation into presentation currency	39,901	26,368	21,341	6,678	1,247	4,978	7,456	107,969
<b>As at 31 March 2011</b>	<b>1,361,754</b>	<b>464,587</b>	<b>334,027</b>	<b>153,389</b>	<b>19,386</b>	<b>74,196</b>	<b>148,994</b>	<b>2,556,333</b>
<b>Accumulated depreciation</b>								
<b>As at 1 January 2011</b>	-	<b>(80,171)</b>	<b>(157,159)</b>	<b>(26,740)</b>	<b>(9,599)</b>	<b>(33,457)</b>	-	<b>(307,126)</b>
Charge for the period	-	(10,683)	(5,607)	(2,567)	(166)	(1,032)	-	(20,055)
Disposals	-	4	853	-	98	143	-	1,098
Effect of translation into presentation currency	-	(6,091)	(11,462)	(1,583)	(694)	(2,436)	-	(22,266)
<b>As at 31 March 2011</b>	-	<b>(96,941)</b>	<b>(173,375)</b>	<b>(30,890)</b>	<b>(10,361)</b>	<b>(36,782)</b>	-	<b>(348,349)</b>
<b>Carrying value</b>								
<b>As at 1 January 2011</b>	<b>18,991</b>	<b>235,593</b>	<b>127,657</b>	<b>61,899</b>	<b>7,137</b>	<b>35,559</b>	<b>77,003</b>	<b>563,839</b>
<b>As at 31 March 2011</b>	<b>1,361,754</b>	<b>367,646</b>	<b>160,652</b>	<b>122,499</b>	<b>9,025</b>	<b>37,414</b>	<b>148,994</b>	<b>2,207,984</b>

\*Provisional value of property, plant and equipment (Note 17).

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

As at 31 March 2011 construction in progress included 101,222 (31 December 2010: 44,194) of advances paid for property, plant and equipment.

The total amount of capitalised interest expenses for the three months ended 31 March 2011 amounted to 286. During the year ended 31 December 2010 no interest expenses were capitalised.

**10. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS**

	<u>31 March 2011</u>	<u>31 December 2010</u>
<b>Current</b>		
<b>Financial assets carried at amortised cost</b>		
Deposits	2,876	46,323
Loans issued	6,011	596
Promissory notes	213	-
<b>Total current</b>	<u><b>9,100</b></u>	<u><b>46,919</b></u>
<b>Non-current</b>		
<b>Financial assets carried at amortised cost</b>		
Loans issued and other financial assets	30,975	22,219
<b>Total non-current</b>	<u><b>30,975</b></u>	<u><b>22,219</b></u>

Short-term deposits denominated in RUR are placed in the Russian Agricultural Bank with interest rates varying from 4.60% to 7.60% per annum.

Current loans issued include short-term loans given to employees of the Group and short-term loans to related parties. The loans are denominated in RUR with interest rates varying from 5% to 12% per annum. Current loans issued in USD include short-term loan to LLC Novorossiysk Fuel Oil Terminal (LLC NFT) in the amount of 5,000 with an interest rate of 7% per annum.

Non-current loans issued and other financial assets consist of long-term loans to third parties and other related parties, including two long-term loans in USD to LLC NFT, a joint venture created in 2009 (Note 11), in the amount of 14,600 with maturity in August 2012 and an interest rate of 7% per annum, and in the amount of 13,300 with maturity in December 2019 and an interest rate of 7% per annum to be paid on the last day of the granted period. Long-term loans are denominated in USD with interest rates varying from 5% to 7% per annum and in RUR with interest rates varying from 3% to 12% per annum.

**11. INVESTMENT IN JOINT VENTURE**

LLC NFT, created in May 2009, is a fuel oil terminal with expected capacity of 4 million tons per year. The LLC NFT is in the start up stage consisting of construction of storage facilities and reconstruction and modernization of liquid cargo berths in order to facilitate loading of oil products from the terminal to tanker ships. The financial result of the joint venture for the period ended 31 March 2011 was insignificant.



**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

	<b>Ownership % held</b>	
	<b>31 March 2011</b>	<b>31 December 2010</b>
<b>Joint venture</b>		
LLC NFT	50.00%	50.00%

Summarised financial information LLC NFT is represented below:

	<b>31 March 2011</b>	<b>31 December 2010</b>
Total assets	127,811	89,657
Total liabilities	(92,246)	(58,501)
<b>Net assets</b>	<b>35,565</b>	<b>31,156</b>
<b>Group's share of net assets of joint venture</b>	<b>17,783</b>	<b>15,578</b>
<b>Carrying value of investment</b>	<b>17,783</b>	<b>15,578</b>

**12. TRADE AND OTHER RECEIVABLES, NET**

	<b>31 March 2011</b>	<b>31 December 2010</b>
Trade accounts receivable (USD)	33,778	15,557
Trade accounts receivable (RUR)	30,944	10,152
Trade accounts receivable (EUR)	63	59
Other receivables and prepayments	20,580	4,514
Interest receivables	1,081	2,425
Less: Allowance for doubtful receivables	(5,809)	(2,841)
<b>Total</b>	<b>80,637</b>	<b>29,866</b>

**13. CASH AND CASH EQUIVALENTS**

	<b>31 March 2011</b>	<b>31 December 2010</b>
Bank deposits in USD	10,689	226,740
Bank deposits in RUR	21,868	23,029
Bank deposits in EUR	2,462	5,323
Current accounts in RUR	8,376	6,867
Current accounts in USD	908	2,250
Current accounts in EUR	457	787
Cash in hand	27	21
<b>Total</b>	<b>44,787</b>	<b>265,017</b>

Bank deposits at 31 March 2011 mainly represent deposits with Sberbank with an original maturity of three months or less.

**14. SHARE CAPITAL**

The share capital of the Group consists of 19,259,815,400 ordinary shares authorised, issued, fully paid and outstanding with a par value of 0.054 US cents per share. Authorised share capital at par is 10,471 (2010:10,471). Each ordinary share has equal voting rights.

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

During the period from 24 February to 1 March 2011, NCSP repurchased 516,686,496 own shares for RUR 4.9 per share from shareholders of the NSCP for a total of RUR 2,531,763 thousand. The obligatory purchase was performed in accordance with the Federal Law on Joint Stock Companies and the resulting decisions of the NCSP's Board of Directors dated 4 February 2011, which approved the NCSP shares obligatory purchase from shareholders who voted against or did not participate in a vote to approve a major transaction to acquire 100% of the PTP share capital through a loan for 1,950,000 from Sberbank. The Group has recorded them in the capital on a separate account before making a decision.

**15. DEBT**

	<b>Interest rate</b>	<b>Maturity date</b>	<b>31 March 2011</b>	<b>31 December 2010</b>
<b><i>Unsecured bank loans(USD)</i></b>				
Loan Participation Notes	7%	May 2012	306,712	301,312
Raiffeisenbank	4.5%	June 2012	16,095	20,000
<b><i>Unsecured bank loans(RUR)</i></b>				
Sberbank*	8.5%	November 2014	355,228	-
Sberbank*	8.5%	November 2014	13,210	-
<b>Total unsecured bank loans</b>			<b>691,245</b>	<b>321,312</b>
<b><i>Secured bank loans(USD)</i></b>				
Sberbank	LIBOR 3M + 4.85%	January 2018	1,941,053	-
<b>Total debt</b>			<b>2,632,298</b>	<b>321,312</b>
Current portion of long-term loans			(122,262)	(15,900)
<b>Total non-current debt</b>			<b>2,510,036</b>	<b>305,412</b>

\* Liabilities of PTP on loans borrowed prior to the date of acquisition.

**Sberbank**

January 21, 2011, NCSP received a loan in the amount of 1,950,000 from Sberbank pursuant to a contract dated 19 January 2011 relating to a new credit line to be used for the acquisition of PTP. The loan was provided with the following conditions:

- The term of the facility is 7 years;
- Floating interest rate of LIBOR 3M + 4.85% per annum is applied during the first 3 years of the loan;
- Fixed interest rate of 7.48% is applied during the remaining 4 years of the loan;
- A lump sum commission in amount of 11,700 (or 0.6%) was payable for the provision of the loan;
- No principal is due for the first 36 calendar months from the date of the loan agreement ("the grace period"), after which the principal amount of the loan is to be paid by equal quarterly installments after the grace period expires; and
- The loan is secured by a pledge over 50.1% of NCSP shares and surety of PTP.

In November 2010, PTP entered a two loan agreement with Sberbank pursuant to a contract relating to a new credit line to be used for the acquisition of Sovfrakht-Primorsk and for financing and refinancing costs, associated with the construction of bunkering complex with an interest rates of

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

8.5% per annum. The loans principal is to be repaid in equal installments on a quarterly basis beginning 31 March 2011. The term of the facility is 4 years. Loans interest is calculated and payable on monthly basis.

The total amount of capitalised interest expenses for the three months ended 31 March 2011 amounted to 286. During the year ended 31 December 2010 no interest expenses were capitalised.

**Loan Participation Notes**

May 17, 2007, the Group, through a newly formed special purpose entity, Novorossiysk Port Capital S.A., issued 7% loan participation notes due May 2012 (the "Loan Participation Notes") in an aggregate principal amount of 300,000. The Group applied the proceeds of the Loan Participation Notes to repay a portion of the outstanding principal amount of the Sberbank loans.

Interest on the Loan Participation Notes is payable semi-annually on 17 November and 17 May of each year. The Loan Participation Notes are subject to provisions, including representations and warranties, covenants, undertakings and events of default, including change of control, negative pledge and cross-default provisions. Violation of an agreement can result in the Group being required to repay the Loan Participation Notes at 101% of par value.

**Raiffeisenbank**

In December 2010, the Group entered a loan agreement with Raiffeisenbank for 20,000 with an interest rate of 4.5% per annum. The loan was granted to repay the loan from Sberbank. The loan principal is to be repaid in equal instalments of 3,333 on a quarterly basis beginning 31 March 2011. The maturity date is 14 June 2012. Loan interest is calculated and payable on monthly basis.

As at 31 March 2011, the average effective borrowing rate relating to the Group's debt was 5.82 % per annum (31 December 2010: 6.84% per annum).

The Group borrowings as of 31 March 2011 are repayable as follows:

	<b>Capital element</b>	<b>Contractual interest liability</b>
Due within three months	38,684	41,583
Due from three to six months	27,859	31,512
Due from six months to twelve months	55,719	73,267
	<b>122,262</b>	<b>146,362</b>
Between 1 and 2 years	400,333	134,916
Between 2 and 5 years	171,682	330,134
Over 5 years	1,938,021	167,700
<b>Total</b>	<b>2,632,298</b>	<b>779,112</b>

**16. EMPLOYEE BENEFITS**

**Unfunded defined benefit plan**

The Group has defined benefit plans for employees of NCSP and some of its subsidiaries. Under the plans, the employees are entitled to one-time retirement benefits of 10% of the employee's final salary for every year worked for the eligible companies of the Group on attainment of a retirement age of 55 for women and 65 for men. Also, post-retirement benefits are provided to these employees ranging from RUR 200 (USD 0.007) to RUR 500 (USD 0.02) per month depending on each employee's years of service and qualifications.

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

The most recent actuarial valuation of the defined benefit obligation was carried out as at 31 December 2010.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	31 March 2011	31 March 2010
Discount rate	8%	9%
Employees turnover per annum	5%	7%
Expected annual rate of salary increase	10%	10%
Expected annual rate of post retirement benefits increase	0%	4%
Average residual period of work	7 years	7 years

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Three months ended 31 March 2011	Three months ended 31 March 2010
Interest on obligation	153	225
Current service cost	56	77
Past service cost	62	61
Actuarial losses recognised during the year	-	173
<b>Total</b>	<b>271</b>	<b>536</b>

The defined benefit obligation impact for the respective period has been included in cost of services.

The amount included in the interim condensed consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	31 March 2011	31 December 2010
Present value of unfunded benefit obligation	8,005	7,382
Past service cost not yet recognised	(447)	(476)
<b>Net liability arising from defined benefit obligation</b>	<b>7,558</b>	<b>6,906</b>

Movements in the present value of the defined benefit obligations in the current period were as follows:

	Three months ended 31 March 2011	Three months ended 31 March 2010
<b>Opening defined benefit obligation</b>	<b>7,382</b>	<b>10,451</b>
Actuarial losses recognised during the year	-	173
Interest cost	153	225
Current service cost	56	77
Benefits paid	(121)	(115)
Effect of translation to presentation currency	535	319
<b>Closing defined benefit obligation</b>	<b>8,005</b>	<b>11,130</b>

**Defined contribution plans**

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

Taxes directly attributable to salaries paid to the Russian Federation State Pension Fund amounted to 5,182 and 2,665 for the three months ended 31 March 2011 and 31 March 2010, respectively.

**17. ACQUISITION OF SUBSIDIARIES**

On 21 January 2011, NCSP acquired 100% of the shares in PTP, an operator of transshipments of oil and oil products at the port of Primorsk, Leningrad District, for cash consideration of 2,153,000 from OMIRICO Limited Company ("OMIRICO LIMITED").

Due to the recent completion of the acquisition, the Group has not finalized its accounting for the acquisition. As at the date these financial statements are authorized for issuance, the Group has determined the following provisional fair values of the assets and liabilities acquired as at the date of the acquisition:

**Provisional fair values of assets acquired and liabilities recognised at the date of acquisition**

	<b>21 January 2011 (unaudited)</b>
<b>Current assets</b>	
Cash and cash equivalents	52,423
Trade and other receivables	12,928
Other current assets	1,715
<b>Non-current assets</b>	
Property, plant and equipment	1,532,035
Other non-current assets	1,980
<b>Current liabilities</b>	
Trade and other payables	18,774
Current portion of long-term debt	93,232
<b>Non-current liabilities</b>	
Deferred tax liabilities	269,450
Long-term debt	279,695
<b>Net assets</b>	<b>939,930</b>
	<b>21 January 2011 (unaudited)</b>
<b>Goodwill arising on acquisition</b>	
Consideration transferred	2,153,000
Less: fair value of identifiable net assets acquired	939,930
<b>Goodwill</b>	<b>1,213,070</b>

Goodwill arose in the acquisition of PTP because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of PTP. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

**18. RELATED PARTY TRANSACTIONS**

Transactions between NCSP and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The related party receivables and payables resulting from operating activities are settled in the normal course of business. Details of transactions with related parties are disclosed below.

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

Given that the Federal Agency of the Russian Federation owns a 20% interest in NCSP, significant balances and transactions with state-controlled entities are considered to be transactions with related parties. In 2011 and 2010, the Group operates with Sberbank, Russian Agricultural Bank, Rosneft, various military divisions, Russian Railways, etc.

**Transactions with state-controlled entities:**

	<b>Three months ended 31 March 2011</b>	<b>Three months ended 31 March 2010</b>
<b>Sales and income received from related parties</b>		
Sales and income received from related parties	13,025	22,508
Interest income	1,144	3,118
<b>Purchases from related parties</b>		
Non-capital expenditures	1,722	1,488
Interest expense	26,416	847

**Balances with state-controlled entities:**

	<b>31 March 2011</b>	<b>31 December 2010</b>
<b>Cash in related party bank</b>		
Cash and cash equivalents in related party bank	33,893	258,069
Deposits with related party bank	-	46,323
<b>Receivables from related parties</b>		
Trade and other receivables	7,286	2,417
Advances to suppliers	607	375
<b>Payables to related parties</b>		
Trade and other payables	99	112
Advances received from customers	1,623	3,074
<b>Financial debt to related parties</b>		
Long-term debt	2,207,807	-
Current portion of long-term debt	101,684	-

Other related parties are considered to include the ultimate controlling parties, affiliates and entities under common ownership and control with the Group.

In conjunction with the Group's acquisition of PTP, OMIRICO LIMITED sold PTP and acquired 100% of NOVOPORT HOLDING LTD, shares from Kadina, and therefore obtained control over the Group. OMIRICO LIMITED is registered under the legislation of the Republic of Cyprus. OMIRICO LIMITED is jointly controlled by OJSC Transneft and Z. Magomedov. The owner of 100% of OJSC Transneft ordinary shares is the Russian Federation represented by the Federal Agency for the Management of Federal Property, preferential shares are owned by legal entities and private individuals and are traded at the secondary stock market.

NCSP and its subsidiaries in the ordinary course of business enter into various sales, purchases and service transactions with related parties, including LLC NFT (Note 11), OJSC Transneft and its subsidiaries, etc.

Details of transactions between the Group and other related parties are disclosed below:

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011  
(in thousands of US Dollars)**

Transactions with other related parties:

	<b>Three months ended 31 March 2011</b>	<b>Three months ended 31 March 2010</b>
<b>Sales and income received from related parties</b>		
Sales and income received from related parties	21,731	-
Interest income	452	86
<b>Purchases from related parties</b>		
Services rendered	16,194	328

Balances with other related parties:

	<b>31 March 2011</b>	<b>31 December 2010</b>
<b>Receivables from related parties</b>		
Trade and other receivables	4,249	358
Advances to suppliers	674	-
Short-term loans to related parties	7,143	1,522
Long-term loans to related parties	28,465	22,207
<b>Payables to related parties</b>		
Trade and other payables	16,290	120
Advances received from customers	82	-

**Compensation of key management personnel**

For the three months ended 31 March 2011 and 31 March 2010, the remuneration of the directors and other members of key management was 2,216 and 1,508, respectively, which represented short-term employee benefits.

The remuneration of directors and key executives is determined by the Board of Directors with regard to the performance of individuals and market trends.

**19. COMMITMENTS AND CONTINGENCIES**

**Proceedings**

The Group is involved in various claims and legal proceedings arising in the ordinary course of business. These claims relate to, but are not limited to, its business practices and tax matters. The Group believes that they will not have a material adverse effect on its consolidated financial statements based on information currently available.

However, litigation is inherently unpredictable, and, although the Group believes that it has valid defences in these matters, unfavourable resolutions could occur, which could have a material adverse effect on the Group's consolidated financial statements in future reporting periods.

**Taxation contingencies in the Russian Federation**

The government of the Russian Federation has commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and overall tax burden on businesses and simplify tax legislation. However, these new tax laws continue

**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

---

to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with the practical implications of new legislation are unclear and complicate the Group's tax planning and related business decisions.

In terms of Russian tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and prior legislation, the risk remains that the tax authorities in the Russian Federation could take differing positions with regard to interpretative issues. In connection with this fact the Group has a risk of additional taxation, fines and penalties that could be significant.

**Environmental matters**

The Group is subject to extensive federal and local environmental controls and regulations. The Group's management believes that the Group operations are in compliance with all current existing environmental legislation in the Russian Federation. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change, or the cost thereby.

**Russian Federation risk**

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. Tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

**Insurance**

As at 31 March 2011, the Group has business interruption insurance and third party liability insurance in respect of environmental damage, and also Group has insurance coverage in respect of potential damage of its major facilities. Upon acquisition by the Group of insurance coverage exceeding the book value of property, plant and equipment, risk that the loss or destruction of certain assets will have no a material adverse effect on Group's operations and financial position.

**Operating lease arrangements**

Operating lease arrangements relate to the lease of land, mooring installation and vessels from the Russian State. These arrangements have lease terms between 5 and 49 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the land and mooring installations at the expiry of the lease period.

Non-cancellable operating leases with initial terms in excess of one year are as follows:

	<b>31 March 2011</b>
2011	60,056
2012	78,361
2013	73,692
2014	71,188
2015	70,089
Thereafter	1,138,121
<b>Total</b>	<b>1,491,507</b>



**PUBLIC JOINT STOCK COMPANY  
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

*(in thousands of US Dollars)*

---

The increase in operating lease arrangements associated with the liabilities arising from the acquisition of PTP (Note 17).

**20. CAPITAL COMMITMENTS**

At 31 March 2011, the Group had the following commitments for the acquisition of property, plant and equipment and construction works at:

	<b>31 March 2011</b>	<b>31 December 2010</b>
NCSP	43,883	49,241
BSC	10,901	12,074
Novoroslesexport	2,017	2,028
IPP	442	809
PTP	29	-
Shipyard	4	4
Grain Terminal	-	7
<b>Total</b>	<b>57,276</b>	<b>64,163</b>

The above commitments were entered into in order to enhance the Groups' transshipment capacities during the following 3-10 years.

**21. EVENTS AFTER THE BALANCE SHEET DATE**

April 4, 2011 was a meeting Board of Directors of NCSP at which Chairman of the Board of Directors was elected Magomedov Ziyaudin.

May 12, 2011 Moody's Investors Service has downgraded to Ba3/Aa3.ru from Ba1/Aa1.ru the corporate family rating (CFR) and probability of default rating (PDR) of NCSP. Moody's has also downgraded the USD300 million worth of 7% loan participation notes due in 2012 issued by Novorossiysk Port Capital S.A. to B1/Loss Given Default assessment of LGD4 from Ba1/LGD4. The rating outlook is stable.

May 28, 2011 Russian Prime-minister announced that Russia would lift the ban on export of grain starting 1 July, 2011.