Public Joint Stock Company Novorossiysk Commercial Sea Port and Subsidiaries

Interim Condensed Consolidated Financial Statements
For the Three Months Ended 31 March 2012

PUBLIC JOINT STOCK COMPANY
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

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NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2012
(in thousands of US Dollars, except earnings per share)

	Notes	Three months ended 31 March 2012	Three months ended 31 March 2011
REVENUE	5	274,678	233,056
COST OF SERVICES	6	(108,223)	(115,129)
GROSS PROFIT		**166,455**	**117,927**
Selling, general and administrative expenses	7	(18,321)	(22,052)
(Loss)/gain on disposal of property, plant and equipment		(7)	46
OPERATING PROFIT		**148,127**	**95,921**
Interest income		2,082	1,729
Finance costs		(36,802)	(32,407)
Share of profits in joint venture	11	3,681	1,051
Foreign exchange gain, net		197,301	113,077
Other income, net		194	254
PROFIT BEFORE INCOME TAX		**314,583**	**179,625**
Current tax expense		(42,054)	(35,736)
Deferred tax loss		(19,681)	(237)
PROFIT FOR THE PERIOD		**252,848**	**143,652**
OTHER COMPREHENSIVE INCOME			
Effect of translation to presentation currency		100,741	71,765
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**353,589**	**215,417**
Profit for the period attributable to:			
Equity shareholders of the parent company		251,826	143,357
Non-controlling interests		1,022	295
		252,848	**143,652**
Total comprehensive income attributable to:			
Equity shareholders of the parent company		350,030	213,389
Non-controlling interests		3,559	2,028
		353,589	**215,417**
Weighted average number of ordinary shares outstanding	14	18,743,128,904	19,087,586,568
BASIC AND DILUTED EARNINGS PER SHARE (US Dollars)		0.0134	0.0075

R. Antolovic
Acting as Chief Executive Officer

G.I. Kachan
Chief Accountant

19 June 2012

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 FINANCIAL POSITION
AS AT 31 MARCH 2012
(in thousands of US Dollars)

	Notes	31 March 2012	31 December 2011
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	2,143,777	1,967,938
Goodwill	9	1,636,876	1,491,070
Mooring rights		8,607	7,980
Investments in securities and other financial assets	10	34,627	34,842
Investment in joint venture	11	13,856	9,425
Spare parts		6,124	5,007
Deferred tax assets		1,253	7,318
Other intangible assets		1,573	1,593
Other non-current assets		15,585	13,971
		3,862,278	3,539,144
CURRENT ASSETS:			
Inventories		11,169	11,258
Advances to suppliers		5,506	2,991
Trade and other receivables, net	12	49,442	47,796
VAT recoverable and other taxes receivable		26,811	41,132
Income tax receivable		5,123	41,209
Investments in securities and other financial assets	10	35,040	21,833
Cash and cash equivalents	13	232,730	127,522
		365,821	293,741
TOTAL ASSETS		**4,228,099**	**3,832,885**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	14	10,471	10,471
Treasury shares		(281)	(281)
Foreign currency translation reserve		(5,437)	(103,641)
Retained earnings		1,283,870	1,032,044
Equity attributable to shareholders of the parent company		**1,288,623**	**938,593**
Non-controlling interests		29,139	25,582
TOTAL EQUITY		**1,317,762**	**964,175**
NON-CURRENT LIABILITIES:			
Long-term debt	15	2,106,515	2,113,843
Defined benefit obligation		8,084	7,286
Deferred tax liabilities		306,534	266,907
Other non-current liabilities		2,185	2,864
		2,423,318	2,390,900
CURRENT LIABILITIES:			
Current portion of long-term debt	15	406,275	392,413
Trade and other payables		20,715	18,251
Advances received from customers		33,635	47,442
Taxes payable		6,730	4,292
Income tax payable		6,535	4,034
Accrued expenses		13,129	11,378
		487,019	477,810
TOTAL EQUITY AND LIABILITIES		**4,228,099**	**3,832,885**

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 2012
(in thousands of US Dollars)

	Notes	Attributable to shareholders of the parent company							
		Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 January 2011		**10,471**	**-**	**9,255**	**(50,685)**	**996,330**	**965,371**	**23,927**	**989,298**
Profit for the period		-	-	-	-	143,357	**143,357**	295	**143,652**
Effect of translation to presentation currency		-	-	-	70,032	-	**70,032**	1,733	**71,765**
Total comprehensive income for the period		-	-	-	70,032	143,357	**213,389**	2,028	**215,417**
Buy-back of shares		-	(281)	(9,255)	-	(77,088)	**(86,624)**	-	**(86,624)**
At 31 March 2011		**10,471**	**(281)**	**-**	**19,347**	**1,062,599**	**1,092,136**	**25,955**	**1,118,091**
At 1 January 2012		**10,471**	**(281)**	**-**	**(103,641)**	**1,032,044**	**938,593**	**25,582**	**964,175**
Profit for the period		-	-	-	-	251,826	**251,826**	1,022	**252,848**
Effect of translation to presentation currency		-	-	-	98,204	-	**98,204**	2,537	**100,741**
Total comprehensive income for the period		-	-	-	98,204	251,826	**350,030**	3,559	**353,589**
Dividends		-	-	-	-	-	**-**	(2)	**(2)**
At 31 March 2012		**10,471**	**(281)**	**-**	**(5,437)**	**1,283,870**	**1,288,623**	**29,139**	**1,317,762**

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 2012
(in thousands of US Dollars)

	Notes	Three months ended 31 March 2012	Three months ended 31 March 2011
Cash flows from operating activities			
Cash from operations		174,418	80,283
Income tax paid		(702)	(17,246)
Interest paid		(30,857)	(23,754)
Net cash generated by operating activities		**142,859**	**39,283**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		397	81
Purchases of property, plant and equipment		(9,408)	(20,749)
Proceeds from investments in securities and other financial assets		15,663	64,753
Purchases of investments in securities and other financial assets		(28,100)	(32,305)
Acquisition of subsidiaries, net of cash acquired	16	-	(2,100,577)
Interest received		1,604	2,617
Purchases of other intangible assets		(53)	(244)
Net cash used in investing activities		**(19,897)**	**(2,086,424)**
Cash flows from financing activities			
Repayments of loans and borrowings		(23,039)	(27,600)
Proceeds from loans and borrowings	15	-	1,938,300
Dividends paid		(10)	(60)
Payment for buy-back of shares		-	(86,497)
Payment for shares buy-back costs		-	(127)
Net cash (used in)/generated by financing activities		**(23,049)**	**1,824,016**
Net increase/(decrease) in cash and cash equivalents		**99,913**	**(223,125)**
Cash and cash equivalents at the beginning of the period	13	127,522	265,017
Effect of translation into presentation currency on cash and cash equivalents		5,295	2,895
Cash and cash equivalents at the end of the period		**232,730**	**44,787**

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

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 2012 were as follows:

Significant Subsidiaries	Nature of business
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
JSC SFP	Tug and towing services

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

NCSP is the largest stevedore of the Group and the holding company. It has the main cargo-loading district, the Sheskharis 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 Novorossiysky 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 transhipment 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")

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 is involved in the transhipment of oil and oil products in the port of Primorsk, Leningrad District. The Group acquired 100% of the shares in PTP, in order to materially increase the scale of its operations and to become a market leader in port management in Russia's two key regions, the North-Western and Southern basins (Note 16).

JSC SFP ("SFP")

SFP is the subsidiary of PTP (according to the decision of the shareholder's meeting on 25 April 2012 CJSC «Sovfracht-Primorsk» was renamed to the Joint-Stock Company "SoyuzFlot Port"). SFP is the operator of towing, pilotage and tug and towing services in the Port of Primorsk in the 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.

Going concern assumption

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared assuming that the Group will continue as a going concern, which presumes that the Group will, for the foreseeable future, be able to realise its assets and discharge its liabilities in the normal course of business.

At 31 March 2012, current liabilities of the Group exceeded its current assets by 121,198. The Group is however profitable (three month ended 31 March 2012: 252,848; three month ended 31 March 2011: 143,652) and also historically has generated positive cash flow from operating activities (three month ended 31 March 2012: 142,859; three month ended 31 March 2011: 39,283).

Management has plans to raise additional funds through the sale of its treasury shares held, and if required, attract additional financing in order to settle a substantial portion of its current liabilities and improve working capital ratios. Management has prepared a detailed forecast of cash flows for 2012 and 2013 and believes that future cash flows from operating and financing activities will be sufficient for the Group to meet its obligations as they become due.

Based on the measures described above, management believes that it continues to be appropriate for the Group to prepare its consolidated financial statements on a going concern basis.

Statement of compliance

These unaudited 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 2011 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 2011. These financial statements reflect all adjustments which are, in the opinion of

(in thousands of US Dollars)

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 unaudited interim condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended 31 December 2011.

Functional and presentation currency

The functional currency of NCSP and each of its subsidiaries is the Russian Rouble ("RUR"), except for Henford Logistics Ltd. for which the US Dollar ("USD") is the functional currency. The unaudited interim condenced 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 unaudited interim condenced consolidated financial statements of the Group.

Exchange rates

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

	31 March 2012	31 December 2011
Period-end rates		
RUR / 1 USD	29.3282	32.1961
RUR / 1 EUR	39.1707	41.6714

	Three months ended 31 March 2012	Three months ended 31 March 2011
Average for the period		
RUR / 1 USD	30.2642	29.2698
RUR / 1 EUR	39.6784	40.0340

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 unaudited interim condensed consolidated financial statements for the three months ended 31 March 2012 are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2011.

4. SEGMENT INFORMATION

As at 1 January, 2011, management changed the structure of its internal organisation such that the Group's operations are now managed under three reportable segments by type of service: stevedoring services and additional port services; fleet services; and other services mainly comprised of rent and resale of energy and utilities to external customers (which individually do not constitute separate reportable segments). Substantially all of the Group's operations are located within the Russian Federation. All segments have different segment managers responsible for each segment's operations. The chief operating decision maker (the Board of Directors) is responsible for allocating resources to and assessing the performance of each segment of the business.

Segment results are evaluated based on segment profit/(loss) in management accounts, as determined under Russian statutory accounting standards. Items and adjustments to reconcile segment profit/(loss) to profit before income tax include the following: unallocated operating income and expense, differences between Russian statutory accounting standards and IFRS, interest income, finance costs, share of loss in joint venture, foreign exchange gains/(losses), and other income, net.

(in thousands of US Dollars)

In 2011, in addition to the change in segments, the Group's management revised the presentation of segment profit/(loss) in management accounts. As such, certain comparative information, presented for the three months ended 31 March 2011 has been reclassified in order to achieve comparability with the presentation used for the three months ended 31 March 2012.

Segment revenue and segment results

The segment revenue and results for the three months ended 31 March 2012 and 31 March 2011 are as follows:

	Segment revenue		Inter-segments sales		Segment profit	
	Three months ended		Three months ended		Three months ended	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Stevedoring and additional services	244,508	206,214	1,456	1,714	135,191	81,109
Fleet services	26,342	23,210	1,320	1,229	14,482	10,110
Other services	3,828	3,632	3,641	3,880	4,794	3,144
Total reportable segments	**274,678**	**233,056**	**6,417**	**6,823**	**154,467**	**94,363**
Adjustments and eliminations (see following table)					160,116	85,262
Consolidated profit before income tax					**314,583**	**179,625**

During the three months ended 31 March 2012 and 31 March 2011, revenue from BIG PORT SERVICE DMCC of 33,877 and PORATH SERVICES LIMITED of 43,204, respectively, represents more than 10% of revenue included in stevedoring and additional services segment. Management of the Group believes that it adequately manages the corresponding possible credit risk.

Total reportable segment profit reconciles to the Group consolidated profit before tax through the following adjustments and eliminations:

	Three months ended 31 March 2012	Three months ended 31 March 2011
Total segment profit	**154,467**	**94,363**
Unallocated amounts:		
(Loss)/gain on disposal of property, plant and equipment	(7)	46
Defined benefit obligation expense	(82)	(150)
Differences between Russian statutory accounts and IFRS:		
Bank commission	(412)	11,635
Depreciation and amortisation	(6,504)	(6,058)
Other	665	(3,915)
Operating profit	**148,127**	**95,921**
Interest income	2,082	1,729
Finance costs	(36,802)	(32,407)
Share of profits in joint venture	3,681	1,051

(in thousands of US Dollars)

Foreign exchange gain, net	197,301	113,077
Other income, net	194	254
Profit before income tax	**314,583**	**179,625**

Other segment information

	Depreciation and amortisation charge		**Capital expenditures**	
	Three months ended		**Three months ended**	
	31 March 2012	**31 March 2011**	**31 March 2012**	**31 March 2011**
Stevedoring and additional services	17,463	15,517	7,003	20,792
Fleet services	1,687	1,009	65	1,049
Other services	1,471	2,186	59	96
Total reportable segments	**20,621**	**18,712**	**7,127**	**21,937**
Adjustments and eliminations	1,488	1,703	206	266
Consolidated	**22,109**	**20,415**	**7,333**	**22,203**

Capital expenditures consist of additions of property, plant and equipment, which include construction in progress and the related advances paid in the period (Note 8).

Geographical information

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

The Group's revenue from external customers by geographical location (area where services rendered) is as follows:

	Three months ended 31 March 2012	**Three months ended 31 March 2011**
Revenue		
Novorossiysk	202,007	165,282
Primorsk	68,831	63,764
Baltiysk	3,232	3,400
Other	608	610
Total	**274,678**	**233,056**

5. REVENUE

	Three months ended 31 March 2012	**Three months ended 31 March 2011**
Stevedoring services	219,020	186,550
Additional port services	25,488	19,664
Fleet services	26,342	23,210
Other	3,828	3,632
Total	**274,678**	**233,056**

(in thousands of US Dollars)

6. COST OF SERVICES

	Three months ended 31 March 2012	Three months ended 31 March 2011
Fuel	36,340	45,770
Depreciation and amortisation	21,091	19,317
Personnel expenses	17,422	15,773
Rent	16,852	17,398
Taxes directly attributable to salaries	4,696	4,847
Repairs and maintenance	3,674	2,881
Energy and utilities	2,649	2,772
Raw materials	2,355	1,478
Subcontractors	2,202	3,060
Insurance	226	177
Defined benefit obligation expense	224	271
Other	492	1,385
Total	**108,223**	**115,129**

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March 2012	Three months ended 31 March 2011
Personnel expenses	8,601	7,097
Taxes other than income tax	2,215	4,659
Taxes directly attributable to salaries	1,823	1,705
Security services	1,099	1,180
Depreciation and amortisation	1,018	1,098
Charitable donations	483	405
Rent	370	195
Change in allowance for doubtful receivables	369	2,697
Professional services	366	791
Travel and representation expenses	346	398
Bank charges	321	497
Raw materials	242	206
Repairs and maintenance	235	242
Other	833	882
Total	**18,321**	**22,052**

(in thousands of US Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Marine vessels	Vehicles	Office and other equipment	Construction in progress	Total
Cost								
As at 1 January 2011	**18,991**	**315,764**	**284,816**	**88,639**	**16,736**	**69,016**	**77,003**	**870,965**
Additions	-	778	519	1,741	462	47	18,656	22,203
Acquisitions through business combinations (Note 16)	1,274,775	121,508	21,023	55,116	937	280	48,277	1,521,916
Transfers	-	-	6,725	-	88	22	(6,835)	-
Disposals	-	(4)	(861)	-	(104)	(153)	(12)	(1,134)
Effect of translation into presentation currency	67,988	29,118	21,805	7,893	1,267	4,984	9,328	142,383
As at 31 March 2011	**1,361,754**	**467,164**	**334,027**	**153,389**	**19,386**	**74,196**	**146,417**	**2,556,333**
Accumulated depreciation								
As at 1 January 2011	**-**	**(80,171)**	**(157,159)**	**(26,740)**	**(9,599)**	**(33,457)**	**-**	**(307,126)**
Depreciation expense	-	(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)
As at 31 March 2011	**-**	**(96,941)**	**(173,375)**	**(30,890)**	**(10,361)**	**(36,782)**	**-**	**(348,349)**
Carrying value								
As at 1 January 2011	**18,991**	**235,593**	**127,657**	**61,899**	**7,137**	**35,559**	**77,003**	**563,839**
As at 31 March 2011	**1,361,754**	**370,223**	**160,652**	**122,499**	**9,025**	**37,414**	**146,417**	**2,207,984**

(in thousands of US Dollars)

	Land	Buildings and constructions	Machinery and equipment	Marine vessels	Vehicles	Office and other equipment	Construction in progress	Total
Cost								
As at 1 January 2012	**1,202,559**	**484,809**	**338,515**	**137,623**	**17,642**	**67,417**	**73,931**	**2,322,496**
Additions	-	250	2,333	65	1,110	615	2,960	7,333
Transfers	-	667	2,641	-	-	12	(3,320)	-
Disposals	-	(21)	(65)	-	(1,013)	(214)	(1)	(1,314)
Effect of translation into presentation currency	117,594	47,436	33,258	12,028	1,730	6,605	7,218	225,869
As at 31 March 2012	**1,320,153**	**533,141**	**376,682**	**149,716**	**19,469**	**74,435**	**80,788**	**2,554,384**
Accumulated depreciation								
As at 1 January 2012	**-**	**(99,974)**	**(171,550)**	**(33,433)**	**(10,456)**	**(39,145)**	**-**	**(354,558)**
Depreciation expense	-	(7,466)	(10,377)	(2,230)	(417)	(1,246)	-	(21,736)
Disposals	-	15	62	-	622	211	-	910
Effect of translation into presentation currency	-	(10,014)	(17,104)	(3,228)	(1,016)	(3,861)	-	(35,223)
As at 31 March 2012	**-**	**(117,439)**	**(198,969)**	**(38,891)**	**(11,267)**	**(44,041)**	**-**	**(410,607)**
Carrying value								
As at 1 January 2012	**1,202,559**	**384,835**	**166,965**	**104,190**	**7,186**	**28,272**	**73,931**	**1,967,938**
As at 31 March 2012	**1,320,153**	**415,702**	**177,713**	**110,825**	**8,202**	**30,394**	**80,788**	**2,143,777**

(in thousands of US Dollars)

As at 31 March 2012 construction in progress included 18,257 (31 December 2011: 14,883) of advances paid for property, plant and equipment.

During the three months ended 31 March 2012 no interest expenses were capitalised. The total amount of capitalised interest expenses for the year ended 31 December 2011 amounted to 1,003.

9. GOODWILL

	31 March 2012	31 December 2011
Cost	1,640,088	1,493,996
Accumulated impairment loss	(3,212)	(2,926)
Carrying amount	**1,636,876**	**1,491,070**

	31 March 2012	31 December 2011
Cost		
Balance at the beginning of the period	1,493,996	394,710
Acquired through business combinations (Note 16)	-	1,205,806
Effect of translation into presentation currency	146,092	(106,520)
Balance at the end of the period	**1,640,088**	**1,493,996**
Accumulated impairment loss		
Balance at the beginning of the period	(2,926)	(3,092)
Effect of translation into presentation currency	(286)	166
Balance at the end of the period	**(3,212)**	**(2,926)**

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows:

	Carrying amount	
	31 March 2012	31 December 2011
Stevedoring and additional services segment:		
PTP	837,096	762,531
Grain Terminal	161,906	147,484
Novoroslesexport	130,659	119,021
IPP	28,162	25,654
Shipyard	12,750	11,614
BSC	2,914	2,655
Fleet services segment:		
SFP	392,823	357,832
Fleet	73,778	67,205
Total	**1,640,088**	**1,493,996**

(in thousands of US Dollars)

10. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	31 March 2012	31 December 2011
Financial assets carried at amortised cost		
Current		
Deposits	31,944	18,976
Loans issued	3,096	2,857
Total current	**35,040**	**21,833**
Non-current		
Loans issued and other financial assets	34,627	34,842
Total non-current	**34,627**	**34,842**

Short-term deposits placed in Russian Agricultural Bank consist of short-term deposits denominated in RUR with interest rates varying from 4.60% to 5.58% per annum and short-term deposits denominated in USD with an interest rate of 0.80% per annum. Short-term deposits denominated in USD are also placed in Raiffeisenbank with interest rates varying from 2.40% to 3.25% per annum and in VTB bank with an interest rate of 2.25% per annum.

Current loans in RUR include short-term loans given to employees of the Group and to other related parties with an interest rates varying from 5% to 12% per annum.

Non-current loans issued and other financial assets consist of long-term loans to third parties and other related parties, including long-term loans denominated in USD to LLC Novorossiysk Fuel Oil Terminal (“LLC NFT”), a joint venture created in 2009 (Note 11), in the amount of 5,000 maturing in January 2019 with an interest rate of 7% per annum, in the amount of 14,600 maturing in August 2019 with an interest rate of 7% per annum and in the amount of 13,300 maturing in December 2019 with an interest rate of 7% per annum each to be paid on the last day of the granted period. Other long-term loans are denominated in USD with an interest rate of 5% per annum and in RUR with an interest rate 7% per annum.

11. INVESTMENT IN JOINT VENTURE

LLC NFT is a fuel oil terminal with expected transhipment capacity of four million tons per year.

LLC NFT is in the final stage 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 Group’s share in the financial results of the joint venture for the three months ended 31 March 2012 and 31 March 2011 amounted to 3,681 and 1,051, respectively.

	Ownership % held	
Joint venture	**31 March 2012**	**31 December 2011**
LLC NFT	50.00%	50.00%

Summarised financial information LLC NFT is represented below:

	31 March 2012	31 December 2011
Total assets	182,391	160,284

(in thousands of US Dollars)

Total liabilities	(151,928)	(139,454)
Net assets	**30,463**	**20,830**
Group's share of joint venture net assets	**15,232**	**10,415**
Elimination of unrealised profit for the current period	(289)	(990)
Elimination of unrealised profit for the last period	(1,087)	-
Carrying value of investment	**13,856**	**9,425**

12. TRADE AND OTHER RECEIVABLES, NET

	31 March 2012	31 December 2011
Trade accounts receivable (RUR)	30,084	25,598
Trade accounts receivable (USD)	16,866	19,222
Trade accounts receivable (EUR)	60	58
Other receivables and prepayments	5,285	5,628
Interest receivables	1,653	1,069
Less: Allowance for doubtful receivables	(4,506)	(3,779)
Total	**49,442**	**47,796**

13. CASH AND CASH EQUIVALENTS

	31 March 2012	31 December 2011
Bank deposits in USD	144,208	74,320
Bank deposits in EUR	74,173	2
Bank deposits in RUR	2	24,132
Current accounts in RUR	8,235	25,013
Current accounts in USD	6,050	4,018
Current accounts in EUR	32	13
Cash in hand	30	24
Total	**232,730**	**127,522**

Bank deposits as at 31 March 2012 mainly represent deposits with Raiffeisenbank, Sberbank, VTB bank and Russian Agricultural Bank with an original maturity of three months or less.

Bank deposits with an original maturity of three months or less, placed in Raiffeisenbank, are represented by deposits denominated in RUR with interest rates varying from 4.85% to 6.16% per annum and deposits denominated in USD with interest from 1.14% to 3.07% per annum. Deposits denominated in RUR, placed in Sberbank, are represented by deposits with interest rates varying from 3.5% to 5.77% per annum, in USD with interest from 0.05% to 1.09% per annum. VTB Bank charges interest on deposits denominated in RUR with an original maturity of three months or less in a range from 4.60% to 7.50% and on deposits denominated in USD in a range from 0.87% to 1.90%. Deposits denominated in RUR are placed in Russian Agricultural Bank with an interest rate 5.58%.

(in thousands of US Dollars)

14. SHARE CAPITAL

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

During the period from 24 February to 1 March 2011, NCSP repurchased 516,686,496 of its own shares for RUR 4.9 per share from shareholders of NSCP for a total of RUR 2,531,763 thousand (USD 86,497 thousand). The direct costs associated with the buy-back of shares were 127. The obligatory purchase was performed in accordance with the Federal Law on Joint Stock Companies and the resulting decisions of NCSP's Board of Directors on 4 February 2011 which they approved the obligatory purchase from shareholders who voted against or did not participate in the vote to approve the transaction to acquire 100% of the PTP share capital through a loan for 1,950,000 from Sberbank. The Group's repurchased shares are held as treasury shares in equity as at 31 March 2012.

15. DEBT

	Interest rate	Maturity date	31 March 2012	31 December 2011
Unsecured bank loans(USD)				
Loan Participation Notes	7%	May 2012	307,695	302,241
Unsecured bank loans(RUR)				
Sberbank	8.5%	November 2014	252,489	250,908
Sberbank	8.5%	November 2014	9,390	9,331
Total unsecured bank loans			**569,574**	**562,480**
Secured bank loans(USD)				
Sberbank	LIBOR 3M + 4.85%	January 2018	1,943,216	1,943,776
Total debt			**2,512,790**	**2,506,256**
Current portion of long-term loans			(406,275)	(392,413)
Total non-current debt			**2,106,515**	**2,113,843**

Sberbank

On 21 January 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 terms:

- The term of the facility is seven years;
- Floating interest rate of LIBOR 3M + 4.85% per annum is applied during the first three years of the loan;
- Fixed interest rate of 7.48% is applied during the remaining four years of the loan;
- A lump sum commission in amount of 11,700 (or 0.6%) was payable for the receipt 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 instalments;
- The loan is secured by a pledge of 50.1% of NCSP shares and a guarantee of PTP; and
- Certain financial covenants are imposed on the Group (e.g. restrictions as to the Group's debt to equity ratio and debt to earnings before interest, income taxes, depreciation and amortization ratio, and reduction of NCSP's share price, etc).

(in thousands of US Dollars)

In November 2010, PTP entered into two loan agreements with Sberbank under a new credit line to be used for the acquisition of SFP in the amount of 348,752 and for financing and refinancing costs associated with the construction of a bunkering complex in the amount of 12,970, each with an interest rate of 8.5% per annum. The principal amounts of the loans are payable in equal instalments at the end of each quarter beginning 31 March 2011 with maturity dates in November 2014. The loan interest for each is calculated and payable on a monthly basis.

Loan Participation Notes

On 17 May 2007, the Group, through a newly formed special purpose entity, Novorossiysk Port Capital S.A., issued 7% loan participation notes due in 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 then existing 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. A violation of these provisions can result in the Group being required to repay the Loan Participation Notes at 101% of par value.

The principal amount and interest accrued of the Loan Participation Notes were repaid in full on 15 May 2012.

As at 31 March 2012, the average effective borrowing rate relating to the Group's debt was 5.91% per annum (31 December 2011: 5.73% per annum).

The Group borrowings as of 31 March 2012 are repayable as follows:

	Principal amount	Contractual interest liability	Total
Due within three months	323,652	42,523	366,175
Due from three to six months	23,774	31,604	55,378
Due from six months to twelve months	47,548	61,224	108,772
	394,974	**135,351**	**530,325**
Between 1 and 2 years	213,563	126,121	339,684
Between 2 and 5 years	1,528,627	264,287	1,792,914
Over 5 years	364,326	14,487	378,813
Total	**2,501,490**	**540,246**	**3,041,736**

16. BUSINESS COMBINATIONS

During the three months ended 31 March 2012 no business combinations occurred.

On 21 January 2011, NCSP acquired 100% of the shares in PTP, an operator of oil and oil product transhipment at the port of Primorsk, Leningrad District, for a cash consideration of 2,153,000 from OMIRICO LIMITED. The Group also incurred acquisition costs of 4,077 which were recognised as an expense in profit or loss in December 2010. By acquiring PTP, management believes the Group will be able to materially increase the scale of its operations and to become a market leader in port management in Russia's two key regions, the North-Western and Southern basins.

As at the issuance date of these consolidated financial statements, the Group has determined the following fair values of the assets acquired and liabilities assumed as at the acquisition date:

(in thousands of US Dollars)

	21 January 2011
Current assets	
Cash and cash equivalents	52,423
Trade and other receivables	33,419
Other current assets	1,715
Non-current assets	
Property, plant and equipment	1,521,916
Other non-current assets	1,980
Current liabilities	
Trade and other payables	20,207
Current portion of long-term debt	93,232
Non-current liabilities	
Deferred tax liabilities	269,450
Long-term debt	281,370
Net assets	**947,194**

Goodwill arising on acquisition	**21 January 2011**
Consideration transferred	2,153,000
Less fair value of identifiable net assets acquired	947,194
Goodwill	**1,205,806**

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 recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

17. 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.

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. During the three months ended 31 March 2012 and 31 March 2011, the Group transacted with Sberbank, Russian Agricultural Bank, VTB bank, Rosneft, various military divisions of the Russian Federation, Russian Railways, and other state-controlled entities.

Transactions with state-controlled entities:

	Three months ended 31 March 2012	Three months ended 31 March 2011
Sales and income received from related parties		
Sales and income received from related parties	28,320	13,025
Interest income	1,010	1,144
Purchases from related parties		

Services rendered and materials received	9,756	1,722
Finance costs	31,447	26,416

Balances with state-controlled entities:

	31 March 2012	31 December 2011
Cash and cash equivalents		
Cash and cash equivalents	174,313	50,034
Deposits with related parties	169	4,840
Receivables from related parties		
Trade and other receivables	5,437	7,929
Advances to suppliers	779	437
Payables to related parties		
Trade and other payables	724	1,045
Advances received from customers	1,190	2,080
Financial debt to related parties		
Long-term debt	2,106,515	2,113,843
Current portion of long-term debt	98,581	90,172

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

During 2011, ultimate control and ownership of the Group were changed. In conjunction with the Group's acquisition of PTP, Kadina Limited Company, the prior ultimate parent of the Group, sold 100% of the shares in Novoport Holding Ltd. (which owned 50.1% of the Group) to OMIRICO LIMITED, the prior owner of PTP, and now ultimate parent of the Group. OMIRICO LIMITED is registered under the legislation of the Republic of Cyprus, and is jointly controlled by OJSC Transneft and Z. Magomedov.

The owner of 100% of the OJSC Transneft ordinary shares is the Russian Federation represented by the Federal Agency for the Management of Federal Property. The OJSC Transneft preferential shares are owned by various legal entities and private individuals and are traded on 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 related parties are disclosed below:

Transactions with joint venture:

	Three months ended 31 March 2012	Three months ended 31 March 2011
Sales and income received from related parties		
Sales and income received from related parties	11	43
Interest income	280	430

Balances with joint venture**:**

	31 March 2012	31 December 2011
Receivables from related parties		
Trade and other receivables	3,334	6

(in thousands of US Dollars)

Long-term loans given to related parties and interest receivable	32,900	35,655
Payables to related parties		
Advances received from customers	-	3

Transactions with other related parties:

	Three months ended 31 March 2012	Three months ended 31 March 2011
Sales and income received from related parties		
Sales and income received from related parties	21,808	21,713
Interest income	68	22
Purchases from related parties		
Services rendered and materials received	11,128	16,218

Balances with other related parties:

	31 March 2012	31 December 2011
Receivables from related parties		
Trade and other receivables	1,537	2,917
Advances for property, plant and equipment	2,803	-
Advances to suppliers	2,168	62
Short-term loans to related parties and interest receivable	3,147	3,353
Long-term loans to related parties and interest receivable	1,719	2,530
Payables to related parties		
Trade and other payables	6,676	2,154
Advances received from customers	13,427	14,700

Compensation of key management personnel

For the three months ended 31 March 2012 and 31 March 2011, the remuneration of the directors and other members of key management was 3,669 (including termination benefits in amount of 105) and 2,216, 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.

18. CASH FLOWS FROM OPERATING ACTIVITIES

	Three months ended 31 March 2012	Three months ended 31 March 2011
Profit for the year	**252,848**	**143,652**
Adjustments for:		
Depreciation and amortisation	22,109	20,415
Finance costs	36,802	32,407
Loss/(gain) on disposal of property, plant and equipment	7	(46)
Foreign exchange gain, net	(197,301)	(113,077)
Income tax expense	61,735	35,973
Change in retirement benefit obligation	82	150

(in thousands of US Dollars)

Interest income	(2,082)	(1,729)
Change in allowance for doubtful receivables	369	2,697
Change in allowance for spare parts and slow-moving inventories	(21)	(78)
Share of profits in joint venture	(3,681)	(1,051)
Other adjustments	(285)	2,407
	170,582	121,720
Working capital changes:		
Decrease/(increase) in inventories	558	(1,530)
Decrease/(increase) in trade and other receivables	16,563	(48,117)
Increase in long-term VAT receivables	-	(9,417)
(Decrease)/increase in trade and other payables and accruals	(13,285)	17,627
Cash flows generated from operating activities	**174,418**	**80,283**

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 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.

Russian Federation risk

Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Russian Federation and the Russian Federation's economy in general.

Laws and regulations affecting businesses in Russian Federation continue to change rapidly. Tax, currency and customs legislation within Russian Federation are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russian Federation. The future economic direction of Russian Federation is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

(in thousands of US Dollars)

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Russian Federation's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business.

Because Russian Federation produces and exports large volumes of oil and gas, Russian Federation's economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during the three months ended 31 March 2012 and the year ended 31 December 2011.

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.

Insurance

The Group's entities do not have full coverage for property damage, business interruption and third party liabilities. Until the Group obtains comprehensive insurance coverage exceeding the book value of property, plant and equipment, there is a risk that the loss or destruction of certain assets could have 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 and related parties. 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.

Future minimum lease payments under non-cancellable operating leases with initial terms in excess of one year are as follows:

	31 March 2012
2012	48,476
2013	57,145
2014	55,839
2015	55,128
2016	54,859
Thereafter	920,557
Total	**1,192,004**

20. CAPITAL COMMITMENTS

At 31 March 2012, the Group had the following commitments for the acquisition of property, plant and equipment and construction works at:

	31 March 2012	**31 December 2011**
IPP	9,236	8,366
NCSP	6,034	8,062
PTP	2,902	49
Novoroslesexport	1,299	1,992
Shipyard	185	211
Total	**19,656**	**18,680**

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

21. EVENTS AFTER THE BALANCE SHEET DATE

On 2 May 2012 the Group placed Russian rouble bond tranche BO-02 with par value of 4 billion roubles with maturity of 3 years. The coupon on the bond tranche is 9% per annum and is payable every 182 days. First coupon payment is 31 October 2012.The Group used the proceeds of the bond tranche to repay a portion of the Loan Participation Notes.

In conjunction with the placement of the bond tranche BO-02 the Group entered into cross currency and interest rate swap agreement with Closed Joint-Stock Company "Bank Credit Swiss (Moscow)" in which the Group agreed to pay USD 3.85% interest rate per annum based on notional of USD 135 million, to receive Russian rouble 9% interest rate per annum based on notional of Russian rouble 4 billion over 3 years and to exchange USD 135 million for Russian rouble 4 billion at maturity.

On 15 May 2012 the Group repaid the Loan Participation Notes in the principal amount of USD 300 million. The Loan Participation Notes were repaid partly out of the Group's operating cash flows and partly from the proceeds of the bond tranche BO-02.

On 15 June 2012 the annual shareholders' meeting of NCSP declared dividends for 2011 in the amount of 13,894. Dividends per share for 2011 are US cents 0.073.