

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

**Condensed Consolidated
Interim Financial Statements**

**For the nine months
ended 30 September 2007 and 2006
(Unaudited)**

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

TABLE OF CONTENTS

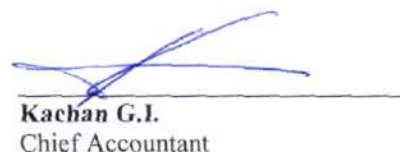
	Page
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED):	
Condensed consolidated income statements	1
Condensed consolidated balance sheets	2
Condensed consolidated statements of changes in equity	3
Condensed consolidated statements of cash flows	4
Selected explanatory notes to the condensed consolidated interim financial statements (unaudited)	5-21

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)**
(in thousands of US Dollars, except earnings per share)

	Notes	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Revenue	3	331,990	188,137
Cost of services	4	(178,041)	(111,609)
GROSS PROFIT		153,949	76,528
Selling, general and administrative expenses	5	(46,059)	(16,398)
OPERATING PROFIT		107,890	60,130
Share of profit of associates		-	3,044
Investment income		1,081	4,117
Finance costs	6	(33,906)	(12,236)
Other income/(expenses), net	7	21,304	(2,679)
Gain from discontinued operations		-	16
Excess of the Group's interest in the fair value of acquired companies' net assets over cost	18	2,923	613
PROFIT BEFORE INCOME TAX		99,292	53,005
INCOME TAX	8	(24,966)	(12,348)
PROFIT FOR THE PERIOD		74,326	40,657
Attributable to:			
Equity shareholders		72,956	40,467
Minority interest		(1,370)	(190)
		74,326	40,657
Weighted average number of common shares outstanding		19,140,154,250	19,138,406,176
Earnings per share, basic and diluted (US Dollars)		0.0038	0.0021


Vilinov I.E.
Chief Executive Officer


Kachan G.I.
Chief Accountant

The notes on pages 5 to 21 form an integral part of these unaudited condensed consolidated interim financial statements.

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

**CONDENSED CONSOLIDATED BALANCE SHEETS
AT 30 SEPTEMBER 2007 (UNAUDITED) AND 31 DECEMBER 2006
(in thousands of US Dollars)**

	Notes	30 September 2007	31 December 2006
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	10	730,178	664,166
Goodwill		482,159	456,856
Mooring rights and other intangible assets		14,574	14,195
Investments in securities and other financial assets	11	13,668	12,903
Non-current VAT recoverable		12,872	11,095
Spare parts		5,988	4,840
Deferred tax assets		2,251	580
		1,261,690	1,164,635
CURRENT ASSETS:			
Inventories	12	8,376	6,581
Trade and other receivables	13	63,983	65,155
Investments in financial assets	11	2,425	23,470
Cash and cash equivalents	14	66,578	37,037
		141,362	132,243
TOTAL ASSETS		1,403,052	1,296,878
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Share capital	15	10,469	10,366
Share premium	15	9,941	-
Foreign currency translation reserves		68,379	32,533
Retained earnings		610,763	569,024
		699,552	611,923
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		699,552	611,923
MINORITY INTEREST		39,692	41,734
TOTAL EQUITY		739,244	653,657
NON-CURRENT LIABILITIES:			
Long-term debt	16	503,929	482,297
Employee benefit obligations		8,221	6,451
Deferred tax liabilities		74,054	68,252
		586,204	557,000
CURRENT LIABILITIES:			
Trade payables		9,979	7,086
Short-term debt	16	40,475	60,400
Other payables and accruals	17	27,150	18,735
		77,604	86,221
TOTAL EQUITY AND LIABILITIES		1,403,052	1,296,878

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

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

	Note	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Attributable to shareholders of the parent	Minority interest	Total
Balance at 1 January 2006		10,464	-	(18,199)	543,882	536,147	-	536,147
Profit for the period		-	-	-	40,467	40,467	190	40,657
Dividends and distributions	9	-	-	-	(10,549)	(10,549)	-	(10,549)
Minority interest acquired		-	-	-	-	-	40,504	40,504
Buy back of ordinary shares	15	(96)	-	-	(7,714)	(7,810)	-	(7,810)
Effect of translation into presentation currency		-	-	42,384	-	42,384	1,047	43,430
Balance at 30 September 2006		10,368	-	24,185	566,086	600,639	41,741	642,379
Balance at 31 December 2006		10,366	-	32,535	569,022	611,923	41,734	653,657
Profit for the period		-	-	-	72,956	72,956	1,370	74,326
Dividends and distributions	9	-	-	-	(11,158)	(11,158)	-	(11,158)
Purchase of non-controlling minority interest		-	-	-	(19,259)	(19,259)	(5,566)	(24,825)
Buy back of ordinary shares	15	(10)	-	-	(798)	(808)	-	(808)
Reissuance of treasury stock		113	9,941	-	-	10,054	-	10,054
Effect of translation into presentation currency		-	-	35,844	-	35,844	2,154	37,998
Balance at 30 September 2007		10,469	9,941	68,379	610,763	699,552	39,692	739,244

The notes on pages 5 to 21 form an integral part of these unaudited condensed consolidated interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

	Notes	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Cash flows from operating activities			
Cash generated from operations		132,010	59,774
Income tax paid		(22,797)	(14,369)
Interest paid		(22,923)	(12,235)
Net cash generated by operating activities		86,290	33,170
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		781	539
Payments for property, plant and equipment		(52,744)	(36,947)
Acquisition of subsidiaries, net of cash acquired		(31,315)	(547,568)
Proceeds from disposal of securities and other financial assets		-	99,439
Payments for securities and other financial assets		(49)	-
Proceeds from disposal of short terms investments		21,533	-
Net cash used in investing activities		(61,794)	(484,537)
Cash flows from financing activities			
Proceeds from long-term borrowings		461,994	414,133
Repayments of long-term borrowings		(458,448)	-
Proceeds from short-term borrowings		1,179	78,485
Repayments of short-term borrowings		(2,930)	-
Dividends paid		(10,420)	(10,549)
Buy-back of ordinary shares		(798)	(2,551)
Proceeds from sale of treasury stock		10,044	-
Repayments of obligations under finance leases		1,374	(279)
Net cash from/(used in) financing activities		1,995	479,239
Net decrease in cash and cash equivalents		26,491	27,872
Cash and cash equivalents at the beginning of the period		37,037	43,915
Effect of translation of opening cash balance into presentation currency		3,050	5,202
Cash and cash equivalents at the end of the period		66,578	76,989

The notes on pages 5 to 21 form an integral part of these unaudited condensed consolidated interim financial statements.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

1. GENERAL

Organisation

Novorossiysk Commercial Sea Port (“NCSP”) was founded in 1845. NCSP was transformed from a state-owned enterprise to a public joint stock company in December 1992. NCSP’s principal activities include liquid and bulk cargo transshipping services, storage, sea vessel services and passenger transit. NCSP and its subsidiaries (the “Group”) primarily operate in the Russian Federation. On 14 June 2006 NCSP purchased controlling stakes in subsidiaries in which it previously had minority interests (see Note 17). The principal activities and entities of the Group as of 30 September 2007 were as follows:

<u>Subsidiaries by country of incorporation</u>	<u>Nature of business</u>
<i>Russian Federation</i>	
OJSC IPP	Stevedoring and storage
PJSC Fleet of Novorossiysk Commercial Sea Port	Tug & bunkering services
OJSC Novorossiysk Shipyard	Stevedoring & marine vessels repairs
OJSC Novoroslesexport	Stevedoring and storage
PJSC Novorossiysk Grain Terminal	Stevedoring and storage
PJSC TPS	Consulting services
LLC Baltic stevedores company	Stevedoring and storage
LLC Kuban security services	Security services
OJSC NPK Zarubezhneft	Owens land for future construction of transshipping terminals
<i>Cayman Islands</i>	
NR Air Ltd.	Transportation services

Novorossiysk Port Capital S.A. (“Novorossiysk Capital”) was created as a special purpose entity during the nine months ended 30 September 2007 and was used as a vehicle for the issuance of loan participation notes on the Irish Stock Exchange.

Russian companies of the Group are located in the Eastern sector of the Black Sea in Tsemesskaya bay.

NCSP is the largest stevedore of the Group and the holding company. It has three cargo-loading districts (Western, Central and Eastern), the Sheskharis oil terminal, the technical support base and the passenger terminal in Novorossiysk. NCSP has six significant subsidiaries, the primary activities of which are as follows:

Open Joint Stock Company IPP (“IPP”)

IPP is a liquid-cargo processing enterprise. Starting from 2007 IPP also provides bunkering services.

Public Joint Stock Company Fleet of 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 provides emergency services such as transferring vessels to shelter zones during emergencies, provides cleaning and containment services for oil or other liquid spills in and around the Port and provides hazardous material response and waste management services pursuant to its agreement on water use with Kubanskoye Basin Department of Krasnodar Kray under the Russian Ministry of Natural Resources.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

Open Joint Stock Company Novorossiysk Shipyard (“Shipyard”)

Shipyard performs cargo transshipment. The Shipyard also operates large ship repair facilities in the Black Sea. It is able to operate year-round and is one of the few facilities in the Black Sea available to service the Russian naval fleet.

Open Joint Stock Company Novoroslesexport (“Timber Export”)

Timber Export provides cargo handling, shipping and storage services for the export of the timber, containerised cargo and nonferrous metals. It engages in all year-round cargo operations.

Public Joint Stock Company Novorossiysk Grain Terminal (“Grain Terminal”)

Grain Terminal was established for the construction and operation of a new grain storage and shipment terminal in the western part of the Tsemesskaya bay.

Baltic Stevedore Company LLC (“Baltic Stevedore”)

Baltic Stevedore is a stevedoring company operating the car-ferry, cargo and passenger terminal of the Baltiysk port in Kaliningrad Region.

Statement of compliance

The condensed consolidated interim 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 2006 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 at and for the year ended 31 December 2006. These financial statements reflect all adjustments (consisting of normal recurring 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 condensed consolidated interim financial statements are consistent with those applied in the consolidated financial statements for the year ended 31 December 2006.

Functional and presentation currency

The functional currency of NCSP and each of its subsidiaries, except for NR Air Ltd, is the Russian Rouble (“RUR”). The functional currency of NR Air Ltd is the United States of America Dollar (“USD” or “US Dollar”). The functional currency reflects the economic substance of the underlying events and transactions of each entity’s respective operations.

The presentation currency of the condensed consolidated interim financial statements is the US Dollar. Management consider that the USD is a more relevant presentation currency for international users of the condensed consolidated interim financial statements of the Group.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)**
(in thousands of US Dollars)

Rates of exchange

The exchange rates used by the Group in the preparation of the condensed consolidated interim financial statements are as follows:

	30 September 2007	31 December 2006
Period-end rates		
RUR / 1 US Dollar	24.9493	26.3311
	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Average rates for the period		
RUR / 1 US Dollar	25.8905	27.3864

3. REVENUE

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Stevedore services (incl. bunkering services)	259,938	163,493
Fleet services	34,072	10,004
Other	37,980	14,640
Total	331,990	188,137

During the nine months ended 30 September 2007, fleet services were provided by companies which became subsidiaries of the Group as a result of acquisitions on 14 June 2006.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)**
(in thousands of US Dollars)

4. COST OF SERVICES

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Fuel	53,820	12,441
Payroll	45,769	30,065
Depreciation and amortisation	30,080	21,381
Repairs and maintenance	10,039	5,869
Unified social tax	9,767	6,101
Insurance	9,243	12,765
Raw materials	6,066	5,520
Subcontractors	3,147	3,064
Rent	3,025	6,724
Actuarial losses/(gain) recognised during the year	1,793	316
Energy and utilities	1,615	1,144
Change in allowance for slow-moving inventory	304	71
Other	3,373	6,148
Total	178,041	111 609

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Personnel expenses	13,363	3,681
Taxes other than income tax	6,350	3,374
Depreciation and amortisation	3,737	1,464
Charity	3,017	1,665
Transport	2,758	527
Unified social tax	2,041	546
Rent	2,019	215
Advertising	1,968	291
Professional services	1,927	172
Repairs and maintenance	1,774	624
Bank charges	1,497	1,728
Representative expenses	1,335	359
Change in allowance for doubtful receivables	947	236
Raw materials	662	176
Information technology and communication services	568	130
Energy and utilities	532	251
Insurance	169	74
Other expenses	1,395	885
Total	46,059	16,398

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

6. FINANCE COSTS

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Interest on borrowings	29,372	12,235
Loss on early repayment of debt	4,496	-
Financial charge on finance lease	38	1
Total	33,906	12,236

Upon acquisition of PJSC Novorossiysk Grain Terminal and Timber Export in June 2006, the Group acquired long-term loans at interest rates lower than market rates. In the purchase price allocation, those loans were recorded at fair value, which was determined using market interest rates. During the nine months ended 30 September 2007, the Group repaid the majority of those loans which resulted in a loss of 4,496.

7. OTHER INCOME/ (EXPENSES), NET

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Foreign exchange gain	26,566	(2,558)
Loss on disposal of property, plant and equipment	(3,864)	(814)
Gain on disposal of shares of Investsberbank and PFS	-	(115)
Other	(1,398)	808
Total	21,304	(2,679)

8. INCOME TAX

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Current tax expense	27,081	13,584
Deferred tax benefit	(2,115)	(1,236)
Total	24,966	12,348

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)**
(in thousands of US Dollars)

9. DIVIDENDS AND DISTRIBUTIONS

Dividends declared in 2007 and 2006 were 11,158 and 10,549, respectively. The total amounts of dividends paid during the nine months ended 30 September 2007 and 2006 were 10,420 and 10,549 thousand, respectively.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

10. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Machinery and equipment</u>	<u>Marine vessels</u>	<u>Aircraft</u>	<u>Vehicles</u>	<u>Office and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost									
1 January 2007	8,432	248,269	189,436	76,528	24,827	8,376	64,443	111,047	731,358
Acquisition of subsidiaries	13,472	-	-	-	-	6	3	516	13,998
Additions	-	9,995	5,920	-	-	3,530	4,447	33,374	57,266
Disposals	-	(4,659)	(858)	(1,648)	-	(313)	(759)	-	(8,236)
Effect of translation into presentation currency	467	14,789	10,058	4,167	1,375	502	2,646	6,150	40,154
30 September 2007	22,371	268,394	204,556	79,048	26,202	12,102	70,780	151,088	834,540
Accumulated depreciation									
1 January 2007	-	(1,243)	(36,995)	(917)	(828)	(115)	(6,619)	-	(67,192)
Depreciation charge	-	(7,485)	(15,319)	(3,752)	(1,256)	(979)	(4,489)	-	(33,280)
Disposals	-	242	651	183	-	29	153	-	1,257
Effect of translation into presentation currency	-	(1,075)	(2,616)	(660)	(99)	(148)	(549)	-	(5,147)
30 September 2007	-	(9,561)	(54,279)	(5,146)	(2,184)	(1,213)	(11,504)	-	(104,362)
Net book value									
1 January 2007	8,432	247,026	152,441	75,611	23,999	8,261	57,824	111,047	664,166
30 September 2007	22,371	258,833	150,277	73,902	24,018	10,889	59,276	151,088	730,178

At 30 September 2007, construction in progress included 25,890 (31 December 2006: 28,981) of advances paid for property, plant and equipment. Plant and equipment with carrying value of 60,393 were pledged to secure bank overdrafts and loans granted to the Group (Note 15).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

11. INVESTMENTS IN FINANCIAL ASSETS

	<u>30 September 2007</u>	<u>31 December 2006</u>
Current		
Loans and other		
	1,824	1,805
Vnesheconombank bonds (“Min-fin bonds” or “OGVVZ”), net		
Investenergo loan (Note RP)	-	21,285
Promissory notes (Note RP)	601	380
	<u>2,425</u>	<u>23,470</u>
Total current		
	<u><u>2,425</u></u>	<u><u>23,470</u></u>
Non-current		
Available-for-sale		
LLC City Park	5,411	5,129
LLC Office Center Pokrovsky	8,117	7,691
Loans and other		
Other	140	83
	<u>140</u>	<u>83</u>
Total non-current		
	<u><u>13,668</u></u>	<u><u>12,903</u></u>

During the nine months ended 30 September 2007 Investenergo extinguished 2 non-interest bearing short-term loans amounting 21,285 thousand.

All shares of LLC City Park owned by the Group which are carried at cost (amounting 5,411 thousand as of 30 September 2007) are pledged as security for obligations under loan agreement between LLC City Park and OTP Bank Plc.

12. INVENTORIES

	<u>30 September 2007</u>	<u>31 December 2006</u>
Raw materials	6,199	4,691
Goods for resale	1,459	913
Fuel	1,090	1,084
Work-in-progress	140	151
Low value items	2,371	2,397
Less: allowance for slow-moving inventory	(2,883)	(2,655)
	<u>8,376</u>	<u>6,581</u>
Total		
	<u><u>8,376</u></u>	<u><u>6,581</u></u>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

13. TRADE AND OTHER RECEIVABLES, NET

	30 September 2007	31 December 2006
Trade accounts receivable	24,764	18,803
Advances to suppliers	6,570	4,555
VAT recoverable	22,396	24,480
Taxes receivable	2,727	13,320
Other receivables and prepayments	9,222	5,504
	<hr/>	<hr/>
Less: allowance for doubtful receivables	(1,696)	(1,507)
	<hr/>	<hr/>
Total:	63,983	65,155

14. CASH AND CASH EQUIVALENTS

	30 September 2007	31 December 2006
Current accounts in RUR	14,549	15,464
Current accounts in USD	16,205	14,739
Bank deposits in USD	30,016	1,029
Letter of credit	5,800	5,800
Cash in hand	8	5
	<hr/>	<hr/>
Total	66,578	37,037

Bank deposits at 30 September 2007 mainly represent deposits with Investsberbank and Vneshtorgbank with 5.0% - 6.0% interest that mature before 31 December 2007.

Current accounts in USD as of 30 September 2007 and 31 December 2006 included 5,800 of cash to guarantee a letter of credit. The letter of credit is opened with Open Joint Stock Company Commercial Savings Bank of the Russian Federation ("Sberbank"), a related party, according to the agreement dated 30 June 2006 with Shanghai Zenhua Port Machinery Co. Ltd for purchase and construction of transshipment equipment. The letter of credit matures on 31 January 2008.

15. SHARE CAPITAL

The share capital of the Group is contributed by shareholders in RUR and consists of 19,259,815,400 shares authorised, issued and outstanding with a par value of USD 0.000375. Authorised share capital at par is 7,213.

At 30 September 2007 the outstanding share capital of the Group was 10,469 (31 December 2006: 10,366). During the nine months ended 30 September 2007, the Group repurchased its own shares at par value of 10 and sold all of its treasury shares for 10,044 creating share premium in amount of 9,941.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

16. DEBT

	Interest rate	Maturity date	30 September 2007	31 December 2006
Non-current				
<i>Unsecured bonds issue</i>				
Loan Participation Notes	7%	17.05.2012	294,218	-
<i>Secured bank loans</i>				
IMB and Bank Austria Creditanstalt	LIBOR+1.6%	17.10.2010	117,098	-
				388,000
Sberbank Loan Agreement	8.8-9.2%	-	-	
Sberbank (USD)	8.2%	03.08.2011	37,840	21,903
Sberbank (USD)	8.2%	02.08.2011	1,700	1,700
Sberbank (USD)	8.2%	09.09.2011	3,785	2,076
Sberbank (USD)	8.8-9.2%	19.12.2011	3,237	4,300
Sberbank (USD)	8.8-9.2%	20.12.2011	1,269	1,685
Sberbank (USD)	8,2%	04.06.2010	9,394	13,924
Sberbank (USD)	8,2%	09.11.2010	16,016	17,400
Sberbank (USD)	8,2%	11.07.2011	4,292	7,173
Sberbank (USD)	8,0%	23.12.2009	3,150	5,040
Sberbank (USD)	8,0%	25.03.2010	6,350	-
MMB (USD)	8.95%	12.09.2011	2,255	3,025
Loans from related parties	0.5-6.0%	01.02.2012	3,285	14,146
Other			40	1,925
Total non-current			503,929	482,297
Current				
Current portion of long-term loans			39,350	57,551
Short -term loans from related parties			-	2,094
Other			124	227
Current portion of finance lease liability			1,001	528
Total current			40,475	60,400
Total debt			544,404	542,697

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

On 17 May 2007 Loan Participation Notes were issued by the Group for 300,000 bearing 7% per annum which mature on 17 May 2012. Interest is paid semi-annually in arrears on 17 May and 17 November, commencing 17 November 2007. The Notes were admitted to the official Irish Stock Exchange listing.

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 the change of control provisions can result in the Group being required to repay the Loan Participation Notes at 101% of par value.

On 14 June 2006, the Group entered into a non-revolving loan agreement with Sberbank, a state-owned company, (the "Sberbank Loan Agreement"). This agreement provided the Group with a non-revolving credit line in the aggregate amount of 450,000. The loan was due in full on 11 June 2009.

In July 2007, the Group refinanced the remainder of non-revolving loan with Sberbank with a 118,000 syndicated loan provided by CJSC International Moscow Bank and Bank Austria Creditanstalt AG which matures on 17 July 2010 and accrues interest at LIBOR + 1.6%.

The part of Group debt is secured by property, plant and equipment. At 30 September 2007 and 31 December 2006, property, plant and equipment with a carrying value of 60,393 and 120,932, respectively, were pledged to secure bank overdrafts and loans granted to the Group.

The Group borrowings are denominated in the following currencies:

	30 September 2007	31 December 2006
Russian Roubles	-	563
US dollars	544,404	542,134
Total	544,404	542,697

The Group borrowings are repayable as follows:

	30 September 2007	31 December 2006
Within 1 year	40,475	60,400
Within 2-3 years	181,199	445,522
Within 3-6 years	322,730	36,775
Total	544,404	542,697

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)**
(in thousands of US Dollars)

17. OTHER PAYABLES AND ACCRUALS

	<u>30 September 2007</u>	<u>31 December 2006</u>
Payroll accruals	6,591	5,966
Taxes payable	8,659	3,725
Advances received from customers	4,143	3,293
Settlements with shareholders	1,446	644
Other accounts payable	6,311	5,107
Total	<u>27,150</u>	<u>18,735</u>

18. ACQUISITIONS

On 28 June 2007, the Group acquired 100% of the share capital of OJSC NPK Zarubezhneft (“Zarubezhneft”). Details of acquisition are below:

Fair value of net assets of the subsidiary acquired

Property, plant and equipment	13,489
Trade and other receivables	546
Cash and cash equivalents	2
Debt	(1,479)
Other payables and accruals	(274)
Deferred tax	(2,871)
Net assets	9,413
Excess of the Group’s interest in the fair value of acquired companies' net assets over cost	(2,923)
Purchase price	<u>6,490</u>
Settled in cash	(6,492)
Cash acquired with the net assets of subsidiaries	2
Net cash outflow on acquisition	<u>(6,490)</u>

The net assets of the purchased subsidiary were subject to an independent appraisers’ valuation. Adjustments were made for the differences between the carrying amount and the fair value of assets, liabilities and contingent liabilities of the acquired subsidiary.

Prior to acquisition, the acquired entity did not prepare financial statements in accordance with IFRS. Hence it was not practicable to determine the carrying amounts of the acquired assets, liabilities and contingent liabilities in accordance with IFRS immediately before the acquisition, and such information is not presented in the condensed consolidated interim financial statements of the Group.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)**
(in thousands of US Dollars)

During May 2007, the Group acquired additional 15.04% of interest in Shipyard and 0,01% of interest in Grain Terminal for a cash consideration of USD 24,824, increasing its ownership to 65,07% and 100%, respectively. The carrying value of Shipyard and Grain Terminal net assets in the consolidated financial statements on the date of acquisition of additional interests was 47,483. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest in the amount of 5,566. Excess of consideration paid over the Group's share in net assets acquired in the amount of 19,259 was recognised in the statement of changes in equity as a decrease of retained earnings.

19. RELATED PARTY TRANSACTIONS

Related parties are considered to include the ultimate controlling parties, affiliates and entities under common ownership and control with the Group. The Group and its associates, in the ordinary course of their business, enter into various sales, purchases and service transactions with related parties. Details of transactions between the Group and other related parties are disclosed below.

The Group's ultimate beneficiaries are members of the families of Mr. Ponomarenko and Mr. Scorobogatko. A 20%-share of the Group is owned by the Federal Agency on Federal Property Management.

Significant balances and transactions with state-controlled entities are considered transactions with related parties and are disclosed below.

Material balances with related parties were as follows:

	Nine months ended	Nine months ended
	30 September 2007	30 September 2006
	<hr/>	<hr/>
<i>Sales</i>		
Military divisions	3,142	2,279
Russian Railways	48	218
Transneft	2,969	6,058
Other related parties	-	4,669
	<hr/>	<hr/>
	6,159	13,224
<i>Interest on borrowings</i>		
Sberbank	22,767	13,529
Other related parties	153	360
	<hr/>	<hr/>
	22,920	13,889
	<hr/>	<hr/>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

- (a) Entities owned by the members of the families of Mr. Ponomarenko and Mr. Scorobogatko, who are ultimate beneficiaries of the Group.

Material transactions with related parties were as follows:

	<u>30 September 2007</u>	<u>31 December 2006</u>
<i>Loans from related parties</i>		
Long-term		
Entities under common control ^(a)	-	4,702
Sberbank	87,033	463,201
Other related parties	3,285	9,444
	<u>90,318</u>	<u>477,347</u>
Short-term		
Entities under common control ^(a)	-	680
Sberbank	30,305	57,318
Other related parties	-	1,359
	<u>30,305</u>	<u>59,357</u>
<i>Short-term loans to related parties</i>		
Entities under common control ^(a)	-	21,285
Sberbank	601	-
	<u>601</u>	<u>21,285</u>
<i>Cash and cash equivalents</i>		
Sberbank	27,248	17,128

Other related parties represent affiliates of the ultimate beneficiaries and companies which became subsidiaries as a result of acquisition in June 2006.

Compensation of key management personnel

For the nine months ended 30 September 2007 and 2006 the remuneration of the directors and other members of key management was 950 and 262, respectively.

The remuneration of directors and key executives is determined by the Board of Directors based on the performance of individuals and market trends.

20. COMMITMENTS AND CONTINGENCIES

Litigation

The Group has a large number of small claims and litigations relating to its operating activities. Management does not believe that any of these claims, individually or in aggregate, will have a material adverse impact on the Group.

On 24 November 2006, the Russian Federal Agency on Property management applied to the court to impose a penalty on Timber Export. The penalty includes rent payment of 699 and penalty fees of 503 for the period from 1 January 2006 through 21 November 2006. Timber Export considers

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

the rent amount to be inappropriately high and applied to the court to oblige the Russian Federal Agency on Property management to recalculate rent payments. The court will hear the case upon definition of market value of rented land.

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 practical implication 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 previous legislation, the risk remains that the tax authorities in the Russian Federation could take differing positions with regard to interpretative issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant. Management estimate total unprovided amount of possible tax risks to be approximately 741.

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

As of 30 September 2007, the Group has insurance coverage in respect of potential damage of its major facilities. The Group does not have any business interruption insurance or any third party liability insurance in respect of environmental damage. 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 and mooring installations from the Russian State. These arrangements have terms of 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 Group does not have an option to purchase the land or mooring installations at the expiry of the lease period. Non-cancellable operating leases with initial terms in excess of one year are as follows:

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

	<u>30 June 2007</u>
2007	899
2008	3,598
2009	3,598
2010	3,308
2011	3,256
Thereafter	93,206
	<hr/>
Total	<u><u>107,865</u></u>

21. CAPITAL COMMITMENTS

At 30 September 2007, the Group had the following capital commitments to purchase items which will increase the transshipment capacities:

	<u>30 September 2007</u>
Commitments for the acquisition of property plant and equipment and construction works:	
NCSP	84,034
Timber Export	26,946
Shipyards	1,789
IPP	684
Grain Terminal	2,536
	<hr/>
Total	<u><u>115,989</u></u>

22. EVENTS AFTER THE BALANCE SHEET DATE

Up to the date of approval of the condensed consolidation financial statements the Group raised additional 3,427 of long-term debt under existing loan agreements with Sberbank and extinguished all loans (3,285) from related parties.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006 (UNAUDITED)
(in thousands of US Dollars)**

The following changes in interest rates occurred up to the date of approval of the condensed consolidated financial statements:

<i>Secured bank loans</i>	Maturity date	30 September 2007	Interest rate at 30 September 2007	Interest rate after 1 September 2007	Change
Sberbank (USD)	19.12.2011	3,237	9.2%	8.2%	(1.0%)
Sberbank (USD)	20.12.2011	1,269	9.2%	8.2%	(1.0%)

On 2 November 2007, Shareholders of the Group executed placement of 3,731,873,364 Ordinary Shares of NCSP, representing 19.4% of all Ordinary Shares in the form of GDRs on London Stock Exchange, MICEX and RTS for 0.256 US dollars per share / 19.2 US dollars per GDR.