PUBLIC JOINT STOCK COMPANY

NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARY

Independent Auditors' Report and
Consolidated Financial Statements
As of and for the Year Ended December 31, 2004
(restated)

PUBLIC JOINT STOCK COMPANY
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARY

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ZAO Deloitte & Touche CIS
Business Center "Mokhovaya"
4/7 Vozdvizhenka St., Bldg. 2
Moscow, 125009
Russia

Tel: +7 (495) 787 0600
Fax: +7 (495) 787 0601
www.deloitte.ru

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Public Joint Stock Company Novorossiysk Commercial Sea Port:

We have audited the accompanying consolidated balance sheet of Public Joint Stock Company Novorossiysk Commercial Sea Port and its subsidiary (collectively, the "Group") as of December 31, 2004 and the consolidated statement of operations and comprehensive income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Group has accounted for investments in common stock of two companies, in which it has ownership interests of 25% and 34%, based on the Group's share in fair value of these companies' net assets. In our opinion, accounting principles generally accepted in the United States of America require that such investments be accounted for by the equity method. The information needed to quantify the effects of using the equity method of accounting for these investments on the financial position, results of operations, and cash flows of the Group is not reasonably determinable because management believes the information is not available.

In our opinion, except for the effects of not accounting for the investments in two companies by the equity method as discussed in the preceding paragraph, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22, the accompanying consolidated financial statements for the year ended December 31, 2004 have been restated.

Deloitte & Touche

16 October 2007
Moscow, Russia

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 (RESTATED)
(in thousands of U.S. dollars)

	Notes		December, 31 2004 (As restated, see Note 22)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (including cash and cash equivalents with related parties of $75,086)	3	$	75,519
Short-term investments in related parties	4		20,050
Accounts receivable, net	5		12,372
Inventories	6		4,659
Taxes receivable	7		14,815
Advances paid			264
Deferred tax assets	12		617
Total current assets			**128,296**
PROPERTY, PLANT AND EQUIPMENT, net	8		225,527
INVESTMENTS IN EQUITY METHOD INVESTEES	9		15,283
LONG-TERM INVESTMENTS (including investments in related parties of $42,169)	10		44,517
LONG-TERM LOAN TO A RELATED PARTY	10		6,126
SPARE PARTS			2,752
TOTAL ASSETS		**$**	**422,501**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable		$	59
Advances received			1,649
Taxes payable			1,276
Accrued expenses and other current liabilities	11		2,441
Short-term loans from related parties			360
Total current liabilities			**5,785**
LONG-TERM LIABILITIES			
Long-term loans from related parties			411
Deferred tax liabilities	12		14,863
Total long-term liabilities			**15,274**
TOTAL LIABILITIES			**21,059**
Commitments and contingent liabilities	19		**-**
SHAREHOLDERS' EQUITY:			
Share capital (19,259,815,400 ordinary shares authorized, issued and outstanding; par value 0.01 Roubles)	13		6,669
Retained earnings			357,573
Accumulated other comprehensive income			37,200
TOTAL SHAREHOLDERS' EQUITY			**401,442**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**422,501**

Vilinov I.E.
Chief Executive Officer

Kachan G.I.
Chief Accountant

The accompanying notes are an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2004 (RESTATED)

(in thousands of U.S. dollars, except earnings per share)

	Notes	2004 (As restated, see Note 22)
REVENUE	14	$ 166,812
Cost of services (exclusive of depreciation shown separately below)	15	(55,335)
General and administrative expenses	16	(26,874)
Depreciation	8	(21,345)
		(103,554)
OPERATING INCOME		63,258
Interest income		2,534
Other expenses, net	17	(1,332)
Foreign currency transactions losses		(4,202)
INCOME BEFORE INCOME TAX		**60,258**
INCOME TAX EXPENSE	12	(18,265)
INCOME FROM EQUITY METHOD INVESTEES	9	3,393
NET INCOME		**$ 45,386**
Other comprehensive income:		
Translation adjustment, net of income tax of nil		22,574
Comprehensive income		67,960
Weighted average number of common shares outstanding		19,259,815,400
Earnings per share, basic and diluted		0.002

The accompanying notes are an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004 (RESTATED)
(in thousands of U.S. dollars, except share amounts)

	Notes	Share capital		Retained earnings	Accumulated other comprehensive income	Total
		Shares	Amount			
Balances at January 1, 2004, as previously reported		19,259,815,400 $	6,669 $	302,105 $	14,475 $	323,249
Prior period adjustment (See Note 22)		-	-	20,493	151	20,644
Balances at January 1, 2004, as restated		19,259,815,400 $	6,669 $	322,598 $	14,626 $	343,893
Other comprehensive income:						
Translation adjustment, as restated		-	-	-	22,574	22,574
Net income, as restated		-	-	45,386	-	45,386
Dividends declared	13	-	-	(10,411)	-	(10,411)
Balances at December 31, 2004, as restated		**19,259,815,400 $**	**6,669 $**	**357,573 $**	**37,200 $**	**401,442**

The accompanying notes are an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004 (RESTATED)
(in thousands of U.S. dollars)

		2004 (As restated, see Note 22)
OPERATING ACTIVITIES:		
Net income	$	45,386
Adjustments to reconcile net income to net cash provided by operations:		
Gain on sale of property, plant and equipment		(242)
Gain on sales of short-term investments, net		(207)
Depreciation		21,345
Deferred income taxes		1,716
Reversal of provision for bad debts		(6,333)
Income from equity method investees		(3,393)
Inventory obsolescence expense		1,248
Other adjustments		(768)
Changes in operating assets and liabilities:		
Decrease in accounts receivable		7,523
Decrease in inventories		3
Decrease in taxes receivable		4,938
Decrease in advances paid		416
Decrease in accounts payable		(679)
Increase in advances received		1,116
Decrease in taxes payable		(1,374)
Increase in accrued expenses and other current liabilities		1,075
Net cash provided by operating activities		71,770
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment		(22,588)
Proceeds from sale of property, plant and equipment		1,771
Purchases of long-term investments		(5,929)
Purchases of short-term investments		(11,477)
Proceeds from sale of short-term investments		11,083
Net cash used in investing activities		(27,140)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004 (RESTATED) (CONTINUED)
(in thousands of U.S. dollars)

		2004 (As restated, see Note 22)
FINANCING ACTIVITIES:		
Dividends paid		(10,380)
Proceeds from short-term borrowings		346
Proceeds from long-term borrowings		396
Net cash used in financing activities		(9,638)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		3,962
NET INCREASE IN CASH AND CASH EQUIVALENTS		**38,954**
CASH AND CASH EQUIVALENTS, beginning of the year		**36,565**
CASH AND CASH EQUIVALENTS, end of the year	**$**	**75,519**
SUPPLEMENTAL INFORMATION:		
Income taxes paid	$	18,010

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of U.S. dollars, unless otherwise stated)

1. DESCRIPTION OF BUSINESS

Public Joint Stock Company Novorossiysk Commercial Sea Port ("NCSP") was founded in 1845. NCSP was transformed from a state-owned enterprise to an open joint stock company in December 1992. NCSP's principal activities include liquid and bulk cargo transhipping services, storage, sea vessel servicing and passenger transit. The consolidated financial statements of NCSP and its subsidiary reflect the consolidation of the separate financial statements of NCSP and LLC Novorossiysky Navalochny Complex (the "Subsidiary"). The Subsidiary was founded by NCSP in October 2003 and its share of voting stock of the Subsidiary is 99.99%. The principal activity of the subsidiary is chemical fertilizer transportation and transhipment services. Both NCSP and its Subsidiary (collectively herein referred to as the "Group") are incorporated in the Russian Federation. NCSP has two equity method investees: a maritime tug and towing company, OJSC Fleet of NCSP, and a bank, Promfinservicebank.

The Group is located in the Eastern sector of the Black sea in the Tsemesskaya bay and consists of three cargo-loading districts (Western, Central and Eastern), the Sheskharis oil terminal, the technical support base and passenger terminals in Novorossiysk and Anapa. The specialization of the Western district is storage and transhipment of metals, containers, grain, paper, cellulose and chemicals. The central district handles sugar, metals, cereals and other general cargo. Also, it provides storage for frozen goods. The Eastern district is concentrated on the transhipment of cement, scrap metal and chemicals in bulk. Due to the unique climate characteristics of Tsemesskaya Bay, navigation into the port is maintained throughout the year.

As of December 31, 2004, the NCSP shareholders and their respective ownership percentage interests were as follows:

	2004
CJSC Depository Company UralSib (Nominal shareholder)	26.8%
OJSC Commercial bank Russian General Bank ("RGB") (Nominal shareholder)	21.2%
Federal Agency on Management of Federal Property	20.0%
LLL Delo-Center	5.5%
CJSC Depository Company UralSib	4.7%
CJSC Depositary Clearing Company (Nominal shareholder)	2.8%
LLC First Check-Russian bank (Nominal shareholder)	1.8%
OJSC Commercial bank Russian General Bank (RGB)	0.9%
Other shareholders	16.3%
	100.0%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), and on the historical cost basis.

Principles of Consolidation – The consolidated financial statements include the accounts of NCSP and the subsidiary over which it has operating and financial control, as described in Note 1. Inter-company balances and transactions between NCSP and the Subsidiary are eliminated upon consolidation.

Use of Estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses of the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to taxes, useful economic lives and residual values of property, plant and equipment and impairment of long-lived assets.

Foreign Currency Translation – The Group follows a translation policy in accordance with Statement of Financial Accounting Standard ("SFAS") No. 52, "Foreign Currency Translation". Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (''the functional currency''). The functional currency of NCSP and the Subsidiary is the Russian Rouble ("Rouble" or "RUR").

The Group uses the U.S. dollar as its reporting currency. The results and financial position of the NCSP and the Subsidiary are translated into the reporting currency as follows:

- Assets and liabilities are translated at the closing rate at the balance sheet date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a component of other comprehensive income/(loss).

Rates of Exchange – The year-end exchange rates used by the Group in the preparation of the financial statements are as follows:

	2004
RUR/USD	27.75
RUR/EURO ("EUR")	37.81

Revenue Recognition – Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, delivery has occurred or services have been rendered, the amount of the revenue can be measured reliably, persuasive evidence of an arrangement exists and the collectibility of the revenue is reasonably assured.

The Group's revenue is derived from loading services as follows: (i) oil transhipment, (ii) dry cargo transhipment, (iii) container transhipment and (iv) other services.

(i) Oil transhipment revenue includes the loading of oil and oil-refined products from the oil district named "Sheskharis";
(ii) Dry cargo transhipment revenue includes the loading of metal products (slabs, tubing, rolled metal and others), concrete, sugar, cereals, chemicals and other cargo;
(iii) Container transhipment revenue is derived from container terminal which is located in the Group, which supports loading and unloading container vessels;
(iv) Other services revenue is mainly derived from operating lease of vessels (tug boats), services on cargo traffic forwarding and cargo storage services.

Revenue is recognized when the transhipment services are accepted by the customers (which is typically after the loading or unloading of cargo, as defined by the sales terms), or when the services are provided to the customer.

The Group's recognizes revenues net of Value Added Tax ("VAT").

Segment Reporting – According to SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", segment reporting follows the internal organization and reporting structure of the Group. The Group operates in a single business segment, which is composed of the liquid and bulk cargo transhipping services. The revenues from the transhipping services constitute substantially all revenues and are attributed to the Russian Federation. All significant assets, production and management and administrative facilities are located in the city of Novorossiysk, the Russian Federation.

Financial Instruments – The Group financial instruments primarily comprise cash and cash equivalents, short-term and long-term investments, accounts and other receivables, accounts and other payables, short-term loans. The estimated fair value of short-term financial instruments as of December 31, 2004 approximated their carrying value as reflected in the balance sheet because of the short-term maturities of these instruments. The fair value of long-term loans and long-term investments was not determinable due to quoted market prices not being readily available.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, amounts on deposit in banks and cash invested temporarily in various instruments with original maturities of three months or less.

Accounts Receivable – Accounts receivable are stated at their net realizable value less any allowance for doubtful receivables. Such allowances reflect either specific cases of delinquencies or defaults or estimates based on evidence of collectibility.

Advances Paid – Advances paid represent amounts paid to suppliers in advance of ordering inventories or services.

Inventories – Inventories are stated at the lower of cost or market value. The cost of the Group's inventories is computed using the weighted average method. Cost of inventories includes cost of purchase, customs duties and transportation and handling costs.

Spare Parts – Spare parts represent components for property, plant and equipment. Due to the long-term nature of their usage (after one year from the purchase date) they are recorded as non-current assets in the financial statements.

Property, Plant and Equipment – Property, plant and equipment is stated at cost less accumulated depreciation.

Major expenditures for improvements and replacements, which extend the useful lives of the assets or increase their revenue generating capacity, are capitalized. Repairs and maintenance are expensed in the consolidated statement of operations as incurred.

Depreciation is computed under the straight-line method utilizing estimated useful lives of the assets as follows:

Buildings	20-50 years
Machinery and equipment	10 years
Transport equipment	7 years
Other [(a)]	5-10 years

(a) Other consists of furniture and fixtures, office equipment and other miscellaneous assets.

Property, plant and equipment that is retired or otherwise disposed of are eliminated from the balance sheet along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the determination of net income.

Construction in progress comprises the costs directly related to the construction of property, plant and equipment plus an appropriate allocation of variable and fixed overhead costs that are incurred in construction. No depreciation is provided for construction in progress until such time as the assets are completed and are placed into service.

Management reviews the carrying value of property, plant and equipment for impairment in accordance with the requirements of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Whenever events and circumstances indicate that the carrying value may not be recoverable from the undiscounted estimated future cash flows expected to result from their use and eventual disposal, the Group will record impairment losses to write the carrying amount of such assets down to their fair value, measured by the discounted estimated net future cash flows expected to be generated from the assets.

Investments – The Group's investments in debt securities and marketable equity securities are primarily classified as available–for–sale investments or trading assets and are recorded at fair value. The cost of securities sold is based on the specific identification method. Unrealized gains and losses on available-for-sale investments, net of tax, are reported as a separate component of shareholders' equity. Gains or losses on trading assets resulting from changes in fair value are recognized currently in earnings. The Group periodically reviews these investments for impairment. In the event the carrying value of an investment exceeds its fair value and the decline in fair value is determined to be other-than-temporary, the Group writes down the value of the investment to its fair value.

The Group classifies investments as held-to-maturity when it has a positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance impairment. Amortized discounts are recognized as interest income using the effective interest method over the period to maturity. The investments are written-down to their estimated net realizable value when there is evidence of a decline in value below carried cost that is other than temporary.

Investments in common stock are accounted for using the equity method of accounting if the Group has the ability to exercise significant influence, but not control over, the investee. Significant influence generally exists if the Group has an ownership interest between 20% and 50%. The Group periodically reviews this investment to determine if any other than temporary declines in value have occurred and then the carrying value of the investment is adjusted as necessary.

As of December 31, 2004 the Group had investments in two companies, in which it has ownership interests of 25% and 34%, respectively. Due to the absence of historical information for these investments, the Group has accounted for these based on its share in the fair value of companies' net assets at the balance sheet date, and recognized the change in this fair value during the year in the statement of operations. Such accounting is a departure from the Group's accounting policy and from US GAAP.

Advances Received – Advances received represent the amounts received from customers in advance of the ordering transshipment services.

Income Taxes – Deferred income taxes are accounted for under the liability method and reflect the tax effect of all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the accompanying financial statements. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Group will be able to realize the benefit, or the future deductibility is uncertain.

Retirement and Post-Retirement Benefits – Contributions are made to the Russian state social and medical insurance and retirement benefit schemes at the statutory rates in force during the year. Contributions for the year ended December 31, 2004 amounted to $8,419.

All social contributions, including contributions to the pension fund, were substituted with a unified social tax ("UST") calculated by the application of a regressive rate from 35.6% to 2% of the annual gross remuneration of each employee. UST is allocated to three social funds, including the pension fund, where the rate of contributions to the pension fund vary from 28% to 2%, respectively, depending on the annual gross salary of each employee. The contributions are expensed as incurred.

Dividends – Dividends are recognized at the date they are declared by the shareholders in general meeting. Distributable retained earnings of the Group are based on amounts extracted from the statutory accounts of NCSP (Note 13).

Comprehensive Income – Comprehensive income is defined as net income plus all other changes in net assets from non-owner sources.

Earnings per Share – Basic and diluted earnings per share is calculated on the basis of the net profit for the year and the weighted average number of common shares outstanding during the year.

Leases – Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks of ownership of property are accounted for as capital leases. Assets acquired under capital leases are amortized over the estimated useful lives of the underlying assets. All other leases are accounted for as operating leases and the related lease payments are charged to expense as incurred.

New Accounting Pronouncements

(a) In January 2003, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" (the "Interpretation"). The Interpretation requires the consolidation of variable interest entities ("VIE") in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interest in the entity. In December 2003, the FASB issued a revision of the Interpretation (Revised Interpretation 46). The Group's adoption in 2004 of Revised Interpretation 46 did not have a material impact on its consolidated financial statements.

(b) In December 2004, the FASB issued Statement 123(Revised 2004) "Share Based Payment", which requires compensation costs related to share-based payment transactions to be recognized in the financial statements. Management believes that the adoption of SFAS 123(R) will not have a material impact on the Group's consolidated financial statements.

(c) In December 2004, the FASB issued Statement 153 "Exchanges of Nonmonetary Assets". FASB 153 replaces the exception for nonmonetary exchanges of similar productive assets in APB Opinion No. 29 "Accounting for Nonmonetary Transactions" with a more general exception from fair value measurement for exchanges of nonmonetary assets that do not have commercial substance. Management believes that the adoption of SFAS 153 will not have a material impact on the Group's consolidated financial statements.

(d) In March 2005, the FASB issued Interpretation 47 "Accounting for Conditional Asset Retirement Obligations". This interpretation clarifies that the term "conditional asset retirement obligation", as used in FASB Statement No. 143 "Accounting for Asset Retirement Obligations", refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The Interpretation also provides indicators that would preclude an entity from recognizing a liability for such obligations because the timing and (or) method of settlement are uncertain. Interpretation 47 is effective for fiscal years ending after December 15, 2005. Management believes that the adoption of Interpretation 47 will not have a material impact on the Group's consolidated financial statements.

(e) In March 2004, the Emerging Issues Task Force (the "EITF") reached consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"). EITF 03-1 provides guidance on determining when an investment is considered impaired, whether that impairment is other than temporary and the measurement of an impairment loss. Management believes that the adoption of EITF 03-1 is not expected to have a material impact on the Group's consolidated financial statements.

(f) In May 2003, the EITF reached a consensus on Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables", which addresses certain aspects of accounting by a vendor for arrangements with multiple revenue-generating activities. The guidance in EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF 00-21 did not have an impact on the Group's financial consolidated financial statements.

(g) In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"), which requires retrospective application to prior period financial statements of voluntary changes in accounting principle and changes required by new accounting standards when the standard does not include specific transition provisions, unless it is impracticable to do so. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Management believes that the adoption of SFAS 154 is not expected to have a material impact on the Group's consolidated financial statements.

(h) In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109 ("FIN 48"). This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's financial statements. FIN 48 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. Management has not yet determined the impact of adopting FIN 48.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2004 consisted of the following:

		2004
U.S. dollars	$	64,303
Roubles		11,192
EUR		24
Total	**$**	**75,519**

4. SHORT-TERM INVESTMENTS

Short-term investments as of December 31, 2004 consisted of the following:

	Annual interest rate	Maturity	Currency	2004
Promissory notes purchased from LLC Saviola FinTrust	6%-10%	2005	RUR	11,558
Promissory notes purchased from PJSC TPS	6%	2005	RUR	360
Certificates of deposit with RGB	12%-14%	2005	RUR	8,132
Total				**$ 20,050**

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net of allowance for doubtful accounts, as of December 31, 2004 consisted of the following:

		2004
Trade receivables	$	13,020
Allowance for doubtful accounts		(648)
Total	**$**	**12,372**

6. INVENTORIES

Inventories as of December 31, 2004 consisted of the following:

		2004
Materials	$	3,843
Fuel		465
Other		351
Total	**$**	**4,659**

7. TAXES RECEIVABLE

Taxes receivable as of December 31, 2004 consisted of the following:

		2004
VAT receivable	$	12,331
Prepaid income tax		1,915
Other		569
Total	**$**	**14,815**

8. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment as of December 31, 2004 consisted of the following:

		2004
Machinery and equipment	$	104,919
Buildings		94,136
Transport equipment		73,887
Other		4,913
Gross book value of property, plant and equipment		277,855
Less: accumulated depreciation		(97,043)
Construction in progress		41,304
Advance payments for property, plant and equipment		3,411
Total	**$**	**225,527**

Depreciation expense during the year ended December 31, 2004 amounted to $21,345.

Construction in progress and advance payments in the amounts of $41,304 and $3,411, respectively, were not depreciated as these do not represent assets put into use as of December 31, 2004.

9. INVESTMENTS IN EQUITY METHOD INVESTEES

As a result of the restatement as disclosed in Note 22, the Group's investments in equity method investees as of December 31, 2004 are as follows:

Name of associate	Principal activity	Investment carrying value	Ownership and voting interest, %
Fleet NCSP	Tug and bunkering activities	14,730	34.1%
Promfinservicebank	Finance	553	24.7%
Total		**15,283**	

The Group's income from investees recorded in the consolidated statement of operations and other comprehensive income for the year ended December 31, 2004 amounted to $3,393.

10. LONG-TERM INVESTMENTS AND LOAN RECEIVABLE

Long-term investments as of December 31, 2004 consisted of the following:

	2004
Debt investments[1]	36,481
Other long-term investments[2]	8,036
	44,517

1. Investments in debt securities as of December 31, 2004 consisted of the following:

	Maturity		2004
Certificates of deposit of RGB[(a)]	February 2011	$	19,807
Promissory notes of RGB[(b)]	February 2011		11,479
Certificate of deposit of RGB[(c)]	January 2005		3,577
OVGVZ[(d)]	November 2007		1,618
Total		**$**	**36,481**

(a) Certificates of deposit of RGB denominated in RUR bear 2% interest per annum.

(b) Promissory notes at December, 31 2004 consisted of 2% notes from RGB.

(c) Certificate of deposit of RGB denominated in USD bears 4% interest per annum.

(d) OVGVZ represent Russian Ministry of Finance bonds denominated in USD which bear 3% coupon per annum.

All debt investments are non-marketable securities and are accounted for at cost.

2. Other long-term investments consisted of investments in the common stock of companies with ownership interest less than 20%.

Loan receivable as of December 31, 2004 represents an unsecured interest-free RUR-denominated loan with original maturity in November 2011 to PJSC Novorossiysk Grain Terminal, a related party, in the amount of $6,126.

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as of December 31, 2004 consisted of the following:

		2004
Payroll and other accrued expenses	$	2,272
Dividends payable		169
Total	**$**	**2,441**

12. INCOME TAX

The Group's provision for income taxes for the year ended December 31, 2004 was as follows:

		2004
Current income tax	$	16,549
Deferred taxes		1,716
Total income tax expense	**$**	**18,265**

The actual provision for income taxes reconciled to the theoretical tax provision at the statutory rate was as follows:

		2004
Income tax provision computed on income before income tax at statutory rate (24%)	$	14,462
Adjustments due to:		
Non-deductible items		1,382
Effect of change in exchange rates		725
Other		1,696
Income tax expense	**$**	**18,265**

The tax effects of temporary differences that give rise to the deferred tax assets and liabilities are presented below:

		2004
Deferred tax assets – current		
Allowance for doubtful accounts receivable	$	617
Total deferred tax assets – current	$	**617**
Net deferred tax liabilities – long term		
Property, plant and equipment depreciation		11,359
Undistributed earnings of equity method investees		3,504
Total net deferred tax liabilities – long term	**$**	**14,863**

13. SHARE CAPITAL

As of December 31, 2004, the share capital of the Group consisted of 19,259,815,400 shares authorized, issued and outstanding with par value of 0.01 Roubles. There was no movement in the share capital during 2004.

In the year ended December 31, 2004, the Group declared dividends of $10,411 which relate to the financial performance of the Group in the previous financial year. These dividends were not fully paid as of 31 December 2004.

14. REVENUE

Revenue for the year ended December, 31 2004 consisted of the following:

		2004
Oil loading services	$	82,387
Transhipment services		73,016
Other services		11,409
Total	**$**	**166,812**

15. COST OF SERVICES

Cost of services for year the ended December 31, 2004, consisted of the following:

		2004
Payroll and related taxes	$	30,440
Maintenance and repair expenses		12,134
Utilities		4,187
Materials		2,900
Rent, including land		5,674
Total	**$**	**55,335**

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31, 2004, consisted of the following:

		2004
Insurance costs	$	14,911
Maintenance		1,418
Operating taxes other than income tax		3,116
Payroll and related taxes		3,489
Writ-down of obsolete inventories		1,248
Utilities and support services		2,918
Professional services		4,669
Rent, including land		507
Advertising		348
Reversal of bad debt allowance		(6,333)
Other		583
Total	**$**	**26,874**

The reversal of the bad debt allowance primarily relates to cash received during the year from Transneft, a state-controlled enterprise, as a result of a litigation settlement with this customer. This amount was previously provided for and recognized as bad debt expense. See also Note 17.

17. OTHER EXPENSES, NET

Other expenses, net of other income for the year ended December 31, 2004, consisted of the following:

		2004
Litigation settlement received (a)	$	1,185
Charitable donations		(2,102)
Gain on sale of property, plant and equipment		242
Penalties, duties and fines paid		(55)
Other		(602)
Total	**$**	**(1,332)**

(a) The amount of litigation settlement of $1,185 recorded in other income represents the compensation received from Transneft based on the court decision in favor of the Group for disputable accounts receivable balances due from Transneft.

18. RELATED PARTY TRANSACTIONS

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

Transactions (primarily the purchases and sales of services) with state-owned companies such as Transneft (oil-transporting) and Russian Railways (transport services) are considered transactions with related parties because the Russian Government holds a 20% stake in NCSP through the Federal Agency on Management of Federal Property.

Balances with related parties as of December, 31 2004 were as follows:

Cash and cash equivalents	
Bank Nikoil (Uralsib)	24,945
Russian General Bank (RGB)	47,951
Others [(a)]	2,190
Short-term certificates of deposits and promissory notes purchased	
LLC Saviola FinTrust	11,558
Russian General Bank (RGB)	8,132
OJSC TPS	360
Long-term certificates of deposits and promissory notes purchased	
Russian General Bank (RGB)	34,863
Others [(a)]	7,306
Long-term loans to related parties	
Novorossiysk Grain Terminal	6,126
Loans from related parties	
Long-term	
Others [(a)]	411
Short-term	
Others [(a)]	360

Transactions with related parties for the year ended December, 31 2004 were as follows:

Revenue	
Fleet NCSP	4,977
Transneft	4,702
Cost of services	
Nikoil Group	(15,118)
Russian Railways	(2,579)
Interest income received	
Russian General Bank (RGB)	2,476

The majority of transactions and balances with related parties represent purchases of depositary notes, investments in deposits and cash and cash equivalents held with the Russian General Bank, Nikoil Bank (Uralsib) and parties related to these companies.

19. COMMITMENTS AND CONTINGENCIES

Commitments

Leases

The Group entered into certain operating lease arrangements on mooring installations and land. These arrangements have terms of between 5 and 49 years. All operating lease contracts contain market rent 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. The Group recognizes rent expense on a straight–line basis over the term of the lease, excluding renewal periods, unless renewal of the lease is reasonably assured. Rental expense for the year ended December 31, 2004 amounted to $6,181. Non-cancellable operating leases with initial terms in excess of one year are as follows:

2005	2,921
2006	2,135
2007	2,135
2008	2,135
2009	2,135
Thereafter	13,967
Total	**$ 25,428**

Purchase Obligations

The Group has agreements with suppliers to purchase property, plant and equipment. The aggregate amount of commitments under such agreements as of December 31, 2004 is approximately $14,848.

20. BUSINESS RISKS

Operating Environment – The Russian economy continues to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets and the existence of currency controls that cause the national currency to be illiquid outside of Russia. The continued success and stability of the Russian economy will be significantly impacted by the government's continued actions with regard to supervisory, legal and economic reforms.

Concentration of credit risk

Credit risk is the risk that a customer or supplier may default or not meet its obligations to the Group on a timely basis, leading to financial loss to the Group. In 2004 approximate 85% of the Group's sales were made to 10 customers. In order to mitigate this risk the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate.

Tax Environment – Russian tax authorities are increasingly directing their attention to the business community as a result of the overall Russian Federation economic environment. The local and national tax environment in the Russian Federation is constantly changing and subject to inconsistent application, interpretation and enforcement. There have been many new laws and related regulations introduced in recent years which are not always clearly written. Non-compliance with Russian Federation laws and regulations can lead to the imposition of punitive penalties and interest. Future tax examinations could raise issues or assessments, which are different from the Group's filings. Such assessments could include taxes, penalties and interest, or other fines, and these amounts could be material.

Litigation – The Group is involved in litigation and other claims that are in the ordinary course of its business activities. Management believes that the resolution of such matters will not have a material impact on its consolidated financial position or its consolidated results of operations.

Insurance – As of December 31, 2004, the Group had insurance coverage for its major facilities. Until 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. The Group had also taken out third party liability insurance in respect of losses to third parties arising from accidents related to the Group's operations and liability insurance covering accidents occurring in certain areas of the Group with operations using high risk facilities.

Environmental Matters – The Group is subject to extensive federal, state and local environmental controls and regulations in the areas in which it operates. The Group's operations involve the discharge of materials and contaminants into the environment, disturbance of land, potential to impact flora and fauna and other environmental concerns.

The Group's management believes that the Group is in compliance with all current existing environmental laws and regulations in the areas in which it operates. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those environmental laws and regulations may change. Such change, if it occurs, may require that the Group modernize technology to meet more stringent standards.

21. SUBSEQUENT EVENTS

In 2005, the Group acquired 16.38% of OJSC IPP (the "IPP"), 16.37% of OJSC Novoroslesexport and 5.33% of PJSC TPS for total consideration of $40,637.

On June 14, 2006 the Group acquired controlling stakes in its associates: IPP and Fleet. It increased its shareholdings from 22.65% to 72.65% and from 34.13% to 85.68% in IPP and Fleet NCSP, respectively. On 14 June 2006, the Group also acquired controlling stakes in the following entities:

Company	Interest Acquired in 2006	Effective % held after acquisition
PJSC Novorossiysk Grain Terminal	99.99%	99.99%
OJSC Novoroslesexport	75.01%	91.38%
OJSC Novorossiysk Shipyard	50.03%	50.03%
PJSC Fleet NCSP [(a)]	51.55%	85.68%
OJSC IPP	50.00%	72.65%
PJSC TPS [(b)]	30.00%	51.83%

(a) NCSP bought 51.55% of Fleet, which own 50% of Baltic Stevedore Company. At the year end NCSP acquired 50% of Baltic Stevedore Company from Fleet.

(b) Group owns 51.83% of PJSC TPS, which owns 50% of LLC Kuban security services. Accordingly, the Group effectively holds 25.91% of LLC Kuban security services through its ownership of OJSC TPS.

These companies were purchased from U.F.G.I.S. Structured Holdings Limited for total cash consideration of $528,046.

To fund the acquisition, the Group entered into a non-revolving loan agreement with Open Joint Stock Company Commercial Savings Bank of the Russian Federation ("Sberbank") on June 14, 2006 (the "Sberbank Loan"). Sberbank Loan provided the Group with a non-revolving credit line in the aggregate amount of $450,000. This loan is due in full on June 11, 2009 unless extended in accordance with its terms until June 11, 2013.

The Sberbank Loan carried an annual interest rate of 8.8% or 11.0% depending upon whether the Group achieves certain stated average monthly current account turnover. The loan agreement also provided for a default interest rate of 14% per annum above the interest rate then in effect for any amounts due and unpaid. As a collateral for its obligations under the Sberbank loan agreement, the Group pledged all of its shares in Novorossiysk Shipyard, Timber Export, Fleet, IPP and Grain Terminal and also its shareholders pledged 50% plus 1 share of the shares in NCSP.

During May 2007, the Group acquired additional 15.04% of shares in Shipyard and 0,01% of shares in Grain Terminal for a cash consideration of 24,642, 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 interest was 36,711. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest in the amount of 5,525. Excess of consideration paid over the Group's share in net assets acquired in the amount of 19,117 was recognised in the statement of changes in equity as decrease of retained earnings as of 30 June 2007.

On May 17, 2007, the Group, through a newly formed special purpose entity, Novorossyisk Port Capital S.A., issued loan participation notes due 2012 (the "Loan Participation Notes") in an aggregate principal amount of US$300.0 million bearing 7% per annum. These notes mature on May 17, 2012, and interest is payable semi-annually on May 17 and November 17, commencing November 17, 2007. Notes were admitted to the official Irish Stock Exchange listing. The proceeds of these notes were used in part to repay indebtedness under the Sberbank Loan Agreement.

Up to the date of approval of these consolidated financial statements the Group raised additional $10,011 of long-term debt under existing loan agreements with Sberbank. In July 2007 the Group also refinanced the non-revolving loan from Sberbank of $118,000 with the new LIBOR + 1.6% syndicated term loan provided by CJSC International Moscow Bank and Bank Austria Creditanstalt AG which matures on July 17, 2010 (the "Facility"). The Facility is unsecured. The outstanding principal amount must be repaid in full at final maturity, 17 July 2010, and may be prepaid in whole or in part on 10 business days' notice in US$5.0 million increments above a minimum prepayment of US$10.0 million. Amounts prepaid or repaid under the Facility may not be reborrowed. The Facility bears interest at a rate of one month US dollar LIBOR plus 1.60% (declining to 1.40%, if the Group obtains a rating of Baa3 (or the equivalent) by Moody's (or an equivalent rating agency), and principal repayments and accrued interest are payable monthly.

The Group is subject to certain financial covenants measured which are to be computed as defined in the loan agreement with amounts in the Group's IFRS audited consolidated financial statements, including: (i) from and after 31 December 2006, the ratio of consolidated indebtedness to EBITDA may not exceed 3.5; (ii) the Group's tangible net worth ratio must be at least 20%; and (iii) the minimum credit rating attributed to the Group by Moody's must not be lower than Ba3.

The Sberbank Loan was repaid in full from the proceeds of the Eurobonds, the proceeds of the Facility and our own funds, and the loan agreement was terminated in July 2007. The repayment led to the release of all pledged shares under the Sberbank Loan.

On 28 June 2007, the Group acquired 100% of the share capital of OJSC NPK Zarubezhneft ("Zarubezhneft") for a cash consideration of 6,456. The carrying value of OJSC NPK Zarubezhneft net assets in the consolidated financial statements on the date of acquisition was 9,346. Excess of the Group's share in net assets acquired over the consideration paid in the amount of 2,890 was recognised in the income statement of the Group for the six months ended 30 June 2007.

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

Secured bank loans	**Maturity date**	**30 June 2007**	**Interest rate at 30 June 2007**	**Interest rate after 1 July 2007**
Sberbank (USD)	03.08.2011	28,689	9.5%	8.2%
Sberbank (USD)	09.11.2010	26,747	9.2%	8.2%
Sberbank (USD)	04.06.2010	13,924	8.8%	8.2%
Sberbank (USD)	25.03.2010	6,350	8.8%	8.0%
Sberbank (USD)	11.07.2011	6,268	9.2%	8.2%
Sberbank (USD)	23.12.2009	4,410	8.8%	8.0%
Sberbank (USD)	09.09.2011	2,888	9.2%	8.2%
Sberbank (USD)	02.08.2011	1,700	9.5%	8.2%

On 1 July 2007, the Group signed the addendum to the existing insurance agreement with OJSC Russia. Based on the terms of this addendum the 2007 annual insurance premium was decreased from 16,269 to 8,565. During the six months ended 30 June 2007, insurance premium was accrued based on the insurance agreement effective during the period.

On 11 October 2007, the FSFM approved the placement and circulation of up to 3,909,742,526 Ordinary Shares of NCSP, representing 20.3% of all Ordinary Shares in the form of GDRs.

22. RESTATEMENT

Subsequent to the issuance of the Group's consolidated financial statements for the year ended December 31, 2004, the Group's management changed its accounting for investments in companies with ownership interests in excess of 20%. Although its accounting policy was consistent, these investments were previously accounted for by cost because the Group lacked certain historical information in order to appropriately account for these investments under the equity method. Such accounting was not in accordance with the Group's accounting policy or with US GAAP. The Group changed its accounting for these investments to be based on the equity method. However due to the absence of historical information for these investments, the Group accounted for them based on its share in the fair value of the companies net assets at the balance sheet date, with the change in the fair value during the year being recognized in the statement of operations. Management believes this more closely approximates equity method accounting; however, this accounting is also a departure from the Group's accounting policy and US GAAP.

Also subsequent to the issuance of the Group's consolidated financial statements for the year ended December 31, 2004, the Group's management determined that it had erroneously accounted for held-to-maturity investments and a loan receivable from a related party, by discounting the expected future cash flows. As a result, long term investments and loan have been restated to measure these assets at amortised costs. Additionally, the loss recorded in 2006 on non-interest bearing loan to a related party was reversed. The related deferred tax liabilities previously recorded for these items were also reversed.

The Group restated its consolidated financial statements for the year ended December 31, 2004 to reflect these changes. Following is a summary of the effect of the restatement on the consolidated statement of operations and comprehensive income for the year ended December 31, 2004.

	As previously reported	**Adjustments**	**As restated**
Interest income	4,356	(1,822)	2,534
Imputed loss from non-interest bearing loan	(3,231)	3,231	-
Income tax expense	(15,826)	(2,439)	(18,265)
Income from equity method investees	-	3,393	3,393
Net income	43,023	2,363	45,386
Earnings per share, basic and diluted, US dollars	0.002	-	0.002

Following is a summary of the effect of the restatement on the consolidated balance sheet as of December, 31 2004:

	As previously reported	**Adjustments**	**As restated**
Investments in equity method investees	-	15,283	15,283
Long-term investments	29,963	14,554	44,517
Long-term loan to related party	-	6,126	6,126
Deferred tax liabilities	2,957	11,906	14,863
Accumulated other comprehensive income	35,999	1,201	37,200
Retained earnings	334,717	22,856	357,573