

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

**Condensed Consolidated
Interim Financial Statements**

**For the nine months ended
30 September 2008**

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

TABLE OF CONTENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008:

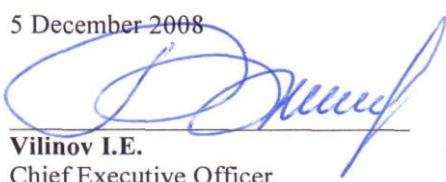
Condensed consolidated interim income statements	1
Condensed consolidated interim balance sheets	2
Condensed consolidated interim statements of changes in equity	3
Condensed consolidated interim statements of cash flows	4
Selected explanatory notes to the condensed consolidated interim financial statements	5-21

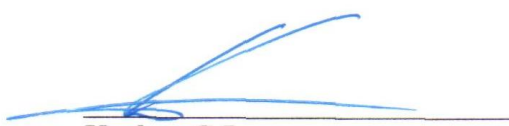
**PUBLIC JOINT STOCK COMPANY
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars, except earnings per share)**

	Notes	Nine months ended 30 September 2008	Nine months ended 30 September 2007
Revenue	5	487,560	331,990
Cost of services	6	<u>(264,736)</u>	<u>(178,041)</u>
GROSS PROFIT		222,824	153,949
Selling, general and administrative expenses	7	<u>(50,343)</u>	<u>(46,059)</u>
OPERATING PROFIT		172,481	107,890
Investment income		4,049	1,081
Finance costs	8	(29,039)	(33,906)
Foreign exchange (loss)/gain		(15,243)	26,566
Other expenses, net	9	(833)	(5,262)
Excess of the Group's share in the fair value of net assets acquired over cost of acquisition		<u>-</u>	<u>2,923</u>
PROFIT BEFORE INCOME TAX		131,415	99,292
INCOME TAX EXPENSE		(25,080)	(24,966)
Current income tax expense		47,083	27,081
Deferred tax benefit		<u>(22,003)</u>	<u>(2,115)</u>
PROFIT FOR THE PERIOD		<u>106,335</u>	<u>74,326</u>
Attributable to:			
Equity shareholders		100,823	75,696
Minority interest		<u>5,512</u>	<u>(1,370)</u>
		<u>106,335</u>	<u>74,326</u>
Weighted average number of common shares outstanding		19,259,815,400	19,140,154,250
Earnings per share, basic and diluted (US Cents)		0.52349	0.39548

5 December 2008


Vilinov I.E.
Chief Executive Officer


Kachan G.I.
Chief Accountant

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

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

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AT 30 SEPTEMBER 2008 AND 31 DECEMBER 2007
(in thousands of US Dollars)**

	Notes	<u>30 September 2008</u>	<u>31 December 2007</u>
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	11	693,153	755,451
Goodwill		476,485	490,077
Mooring rights and other intangible assets		14,294	14,836
Investments in securities and other financial assets	12	1,125	15,863
Non-current VAT recoverable		8,935	998
Spare parts		5,515	6,585
Deferred tax assets		2,031	3,078
		<u>1,201,538</u>	<u>1,286,888</u>
CURRENT ASSETS:			
Inventories	13	12,021	7,875
Trade and other receivables	14	75,716	71,184
Investments in securities and other financial assets	12	9,809	3,999
Cash and cash equivalents	15	68,747	66,660
		<u>166,293</u>	<u>149,718</u>
TOTAL ASSETS		<u>1,367,831</u>	<u>1,436,606</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES:			
Share capital		10,471	10,471
Share premium		10,063	10,063
Foreign currency translation reserve		60,931	80,045
Retained earnings		606,037	630,650
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		<u>687,502</u>	<u>731,229</u>
MINORITY INTEREST		<u>30,620</u>	<u>38,883</u>
TOTAL EQUITY		<u>718,122</u>	<u>770,112</u>
NON-CURRENT LIABILITIES:			
Long-term debt	16	487,996	508,189
Retirement benefit obligation		9,931	8,181
Deferred tax liabilities		53,114	77,304
		<u>551,041</u>	<u>593,674</u>
CURRENT LIABILITIES:			
Trade payables		11,489	17,481
Short-term debt	16	32,386	30,426
Minority interest liability	18	18,876	-
Other payables and accruals	17	35,917	24,913
		<u>98,668</u>	<u>72,820</u>
TOTAL EQUITY AND LIABILITIES		<u>1,367,831</u>	<u>1,436,606</u>

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

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

	Notes	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at 1 January 2007		10,366	-	32,535	569,022	611,923	41,734	653,657
Effect of translation into presentation currency		-	-	35,844	-	35,844	2,154	37,998
Net income recognized directly in equity		-	-	35,844	-	35,844	2,154	37,998
Profit for the period		-	-	-	75,696	75,696	(1,370)	74,326
Total recognized income and expense		-	-	35,844	75,696	111,540	784	112,324
Dividends	10	-	-	-	(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		(10)	-	-	(798)	(808)	-	(808)
Reissuance of shares from treasury stock		113	9,941	-	-	10,054	-	10,054
Balance at 30 September 2007		10,469	9,941	68,379	613,503	702,292	36,952	739,244
Balance at 1 January 2008		10,471	10,063	80,045	630,650	731,229	38,883	770,112
Effect of translation into presentation currency		-	-	(19,114)	-	(19,114)	(720)	(19,834)
Net income recognized directly in equity		-	-	(19,114)	-	(19,114)	(720)	(19,834)
Profit for the period		-	-	-	100,823	100,823	5,512	106,335
Total recognized income and expense		-	-	(19,114)	100,823	81,709	4,792	86,501
Dividends	10	-	-	-	(14,818)	(14,818)	-	(14,818)
Purchase of non-controlling minority interest	18	-	-	-	(93,388)	(93,388)	(10,466)	(103,854)
Minority interest liability	18	-	-	-	(17,230)	(17,230)	(2,589)	(19,819)
Balance at 30 September 2008		10,471	10,063	60,931	606,037	687,502	30,620	718,122

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

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

	Notes	Nine months ended 30 September 2008	Nine months ended 30 September 2007
Cash flows from operating activities			
Cash generated from operations		254,644	132,010
Income tax paid		(55,273)	(22,797)
Interest paid		(22,817)	(22,923)
Employee benefits paid		(431)	-
Net cash generated by operating activities		176,123	86,290
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		570	781
Payments for property, plant and equipment		(75,377)	(52,744)
Proceeds from disposal of securities and other financial assets		43,308	-
Proceeds from disposal of OJSC Office Centre Pokrovsky and City Park		32,081	-
Payments for securities and other financial assets		(66,521)	(49)
Acquisitions of subsidiaries, net of cash acquired		-	(31,315)
Acquisitions of minority interest in existing subsidiaries		(103,687)	-
Proceeds from disposal of subsidiaries, net of cash disposed		26,280	-
Proceeds from disposal of short-term investments		-	21,533
Interest received		4,049	-
Net cash used in investing activities		(139,297)	(61,794)
Cash flows from financing activities			
Proceeds from long-term borrowings		-	461,994
Repayments of long-term borrowings		-	(458,448)
Proceeds from short-term borrowings		-	1,179
Repayments of short-term borrowings		(22,260)	(2,930)
Dividends paid		(10,734)	(10,420)
Buy-back of ordinary shares		-	(798)
Proceeds from sale of treasury shares		-	10,044
Repayments of obligations under finance leases		-	1,374
Net cash used in/generated by financing activities		(32,994)	1,995
Net increase in cash and cash equivalents		3,832	26,491
Cash and cash equivalents at the beginning of the period	15	66,660	37,037
Effect of exchange rate changes on cash and cash equivalents		(1,745)	3,050
Cash and cash equivalents at the end of the period	15	68,747	66,578

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

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008 *(in thousands of US Dollars)*

1. GENERAL

Organisation

Public Joint Stock Company 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. NCSP and its subsidiaries (the “Group”) primarily operate in the Russian Federation. The principal activities and entities of the Group as of 30 September 2008 were as follows:

Subsidiaries	Nature of business
OJSC IPP	Stevedoring and storage services
PJSC Fleet of Novorossiysk Commercial Sea Port	Tug and towing services
OJSC Novorossiysk Shipyard	Stevedoring and marine vessels repair services
OJSC Novorosselexport	Stevedoring and storage services
PJSC Novorossiysk Grain Terminal	Stevedoring and storage services
LLC Baltic stevedore company	Stevedoring and storage services
OJSC NPK Zarubezhneft	Owns land for future construction of transshipping terminals
LLC Black Sea Stevedore company	Stevedoring and storage services

Subsidiaries of the Group, except for the LLC Black Sea Stevedore Company (“BSSC”), are registered on the territory of Russian Federation. BSSC is registered on the territory of Ukraine/

Main subsidiaries of the Group are located in the Eastern sector of the Black Sea in Tsemesskaya bay and in Kaliningrad.

NCSP is the largest stevedore of the Group and the holding company. It has three cargo-loading districts (Western, Central and Eastern), the Sheskhari 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 Novorossiysky 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 Krai under the Russian Ministry of Natural Resources.

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008 (in thousands of US Dollars)

Open Joint Stock Company Novorossiysk Shipyard (“Shipyard”)

Shipyard 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. The Shipyard also performs cargo transshipment.

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 container, car-ferry, cargo and passenger terminal of the Baltiysk port in Kaliningrad District.

Black Sea Stevedore company LLC (“BSSC”)

LLC “BSSC” was created to provide stevedoring services on the territory of the Ukraine. No assets are held by the company and no activities performed as of the date of this financial statement.

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 2007 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 2007. 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 2007. During the period the Group entered into new contracts for which it did not previously disclose its accounting policies, these include the following:

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Functional and presentation currency

The functional currency of NCSP and each of its subsidiaries is the Russian Rouble (“RUR”). 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.

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 2008	31 December 2007
Period-end rates		
RUR / 1 US Dollar	25.2464	24.5462
	Nine months ended 30 September 2008	Nine months ended 30 September 2007
Average rates for the period		
RUR / 1 US Dollar	24.0454	25.8905

**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 condensed consolidated interim financial statements for the nine months ended 30 September 2008 are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2007.

During 2008 tax authorities of the Russian Federation have announced decrease of tax rate from 24% to 20% that has been substantially enacted. Deferred taxes of the Group have been recalculated taken announced tax rate.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

During the period the Group has changed its accounting estimates concerning remaining useful life of certain fixed assets. All changes were made within stipulated by the Group policy useful life range. The effect of changes in accounting estimates was prospectively recognized in profit or loss.

4. SEGMENT INFORMATION

The Group's reportable segments under IFRS 8 are as follows:

- Stevedoring services (liquid and bulk cargo transshipping services, including bunkering and storage services and other stevedoring services);
- Fleet services; and
- Ship repair services.

Other Group operations mainly comprise passenger transit, other services provided at the Port and resale of energy and utilities to external customers. Neither of these services constitutes a separate business segment.

Information regarding the Group's reportable segments as at 30 September 2008 and for the nine months then ended is presented below. Comparative information as at 30 September 2007 and for the nine months then ended could not be reliably produced by the management of the Group.

	<u>Stevedoring</u>	<u>Fleet</u>	<u>Ship repair</u>	<u>Other</u>	<u>Adjustments and eliminations</u>	<u>Consolidated</u>
Segment revenue						
Third parties	440,035	35,709	363	11,453	-	487,560
Inter-segments	4,574	2,296	-	7,462	(14,332)	-
Total revenue	444,609	38,005	363	18,915	(14,332)	487,560
Segment results						
Operating profit/(loss)	167,059	12,444	(131)	(6,891)	-	172,481
Unallocated						
Investment income						4,049
Finance costs						(29,039)
Foreign exchange gain						(15,243)
Other income, net						(833)
Profit before tax						131,415
Income tax expense						(25,080)
Profit for the year						106,335
Segment assets						
Inter-segment assets	-	1,063	-	66,473	(67,536)	-
Other segment assets	851,832	24,945	5,204	393,929	-	1,275,910
Unallocated assets	-	-	-	-	-	91,921
Total assets	851,832	26,008	5,204	460,402	(67,536)	1,367,831
Segment liabilities						
Inter-segment liabilities	-	-	-	67,536	(67,536)	-
Other segment liabilities	533,750	9,069	252	17,905	-	560,976
Unallocated liabilities	-	-	-	-	-	88,733
Total liabilities	533,750	9,069	252	85,441	(67,536)	649,709
Other segment information						
Depreciation and amortisation	68,880	866	982	19,911	-	90,639
Capital expenditures	58,454	206	608	15,076	-	74,344

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

5. REVENUE

	Nine months ended 30 September 2008	Nine months ended 30 September 2007
Stevedore services (including bunkering services)	440,035	281,946
Fleet services	35,709	34,072
Ship repair services	363	2,334
Other	11,453	13,638
Total	487,560	331,990

6. COST OF SERVICES

	Nine months ended 30 September 2008	Nine months ended 30 September 2007
Depreciation	85,170	30,080
Fuel	81,430	53,820
Payroll	45,940	45,769
Unified social tax	11,094	9,767
Repairs and maintenance	11,068	10,039
Raw materials	8,295	6,066
Rent	8,436	3,025
Subcontractors	4,660	3,147
Energy and utilities	4,317	1,615
Insurance	1,279	9,243
Change in allowance for slow-moving inventories	(757)	304
Other	3,804	5,166
Total	264,736	178,041

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended 30 September 2008	Nine months ended 30 September 2007
Payroll	20,218	13,363
Taxes other than income tax	6,626	6,350
Depreciation and amortisation	5,469	3,737
Security services	4,376	
Charity	2,586	3,017
Unified social tax	2,583	2,041
Representative expenses	1,902	1,335
Advertising	1,588	1,968
Rent	1,286	2,019
Bank charges	1,040	1,497
Repairs and maintenance	913	1,774
Information technology and communication services	749	568
Professional services	573	1,927
Raw materials	473	662
Energy and utilities	404	532
Insurance	224	169
Transport	183	2,758
Change in allowance for doubtful receivables	(1,364)	947
Other expenses	514	1,395
Total	50,343	46,059

8. FINANCE COSTS

	Nine months ended 30 September 2008	Nine months ended 30 September 2007
Interest on borrowings	26,112	29,372
Loss on early repayment of debt	-	4,496
Other	2,927	38
Total	29,039	33,906

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

9. OTHER EXPENSES, NET

	Nine months ended 30 September 2008	Nine months ended 30 September 2007
Loss on disposal of property, plant and equipment	(3,967)	(3,864)
Other income/(expenses), net	3,134	(1,398)
Total	<u>(833)</u>	<u>(5,262)</u>

10. DIVIDENDS

In 2008 the Company declared dividends in respect of the year ended 31 December 2007 in the amount of 14,818. As of 30 September 2008 the main part of the dividends was paid off.

In 2007 the Company declared dividends in respect of the year ended 31 December 2006 in the amount of 11,076. The main amount of the dividends was paid during the second half of 2007.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

11. 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 2008	20,770	266,757	245,881	78,516	26,632	20,793	61,565	154,441	875,355
Reclassification	1,968	1,691	(8,757)	169	-	(2,898)	7,719	108	-
Reclassified as at 01.01.2008	22,738	268,448	237,124	78,685	26,632	17,895	69,284	154,549	875,335
Additions	-	1,942	11,081	-	-	1,383	1,017	58,921	74,344
Transfer	-	57,082	35,875	72	-	81	1,228	(94,338)	-
Disposals	-	(5,979)	(305)	(855)	-	(258)	(132)	(537)	(8,066)
Disposal of subsidiary	-	-	-	-	(27,187)	-	-	-	(27,187)
Effect of translation into presentation currency	(631)	(9,969)	(8,796)	(2,145)	555	(555)	(2,022)	(2,574)	(26,137)
30 September 2008	22,107	311,524	274,979	75,757	-	18,546	69,375	116,021	888,309
Accumulated depreciation									
1 January 2008	-	(23,976)	(61,812)	(14,119)	(2,663)	(5,244)	(12,090)	-	(119,904)
Reclassification	-	(8)	1,115	(154)	-	533	(1,486)	-	-
Reclassified as at 01.01.2008	-	(23,984)	(60,697)	(14,273)	(2,663)	(4,711)	(13,576)	-	(119,904)
Depreciation charge	-	(21,327)	(42,760)	(9,428)	(906)	(2,806)	(12,428)	-	(89,655)
Disposals	-	2,206	282	855	-	138	47	-	3,528
Disposal of subsidiary	-	-	-	-	3,625	-	-	-	3,625
Effect of translation into presentation currency	-	1,574	3,704	804	(56)	258	966	-	7,250
30 September 2008	-	(41,531)	(99,471)	(22,042)	-	(7,121)	(24,991)	-	(195,156)
Net book value									
1 January 2008	22,738	244,464	176,427	64,412	23,969	13,184	55,708	154,549	755,451
30 September 2008	22,107	269,993	175,508	53,715	-	11,425	44,384	116,021	693,153

At 30 September 2008, construction in progress included 52,406 (31 December 2007: 18,834) of advances paid for property, plant and equipment. Plant and equipment with carrying value of 31,518 (31 December 2007:35,111) were pledged to secure bank overdrafts and loans granted to the Group (Note 16).

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

12. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	<u>30 September 2008</u>	<u>31 December 2007</u>
Current		
Financial assets carried at amortised cost		
Promissory notes	6,586	3,259
Deposits	1,980	-
Loans issued	1,243	-
Other	-	740
	<u> </u>	<u> </u>
Total current	<u>9,809</u>	<u>3,999</u>
Non-current		
Available-for-sale investments (unquoted)		
Office centre Pokrovsky	-	8,250
City Park	-	5,500
	<u> </u>	<u> </u>
Financial assets carried at amortised cost		
Promissory notes	685	-
Loans issued	436	687
Other	4	-
Deposits	-	1,426
	<u> </u>	<u> </u>
Total non-current	<u>1,125</u>	<u>15,863</u>

Promissory notes consist of Sberbank promissory notes with maturity on demand and interest rate 7.5%-10% p.a.

Shares of the OJSC «Office Centre Pokrovsky» were sold to a related party of the Group, for cost of the investment. No income or expense was recognized as a result of this operation.

Loans issued include loans given to employees of the Group and to related parties.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

13. INVENTORIES

	30 September 2008	31 December 2007
Raw materials and low value items	8,712	9,451
Goods for resale	3,252	1,257
Fuel	1,160	877
Other	1,165	143
Less: allowance for slow-moving inventories	(2,268)	(3,853)
Total	12,021	7,875

14. TRADE AND OTHER RECEIVABLES

	30 September 2008	31 December 2007
Trade accounts receivables	30,411	23,265
Other taxes receivable	24,952	9,983
VAT recoverable	6,766	26,997
Advances to suppliers	4,870	3,468
Other receivables and prepayments	8,942	10,075
Less: allowance for doubtful receivables	(225)	(2,604)
Total	75,716	71,184

15. CASH AND CASH EQUIVALENTS

	30 September 2008	31 December 2007
Bank deposits	54,578	43,790
Current accounts in RUR	8,454	20,032
Current accounts in USD	5,691	2,836
Cash in hand	24	2
Total	68,747	66,660

Bank deposits at 30 September 2008 mainly represent deposits with Open Joint Stock Company Commercial Savings Bank of the Russian Federation ("Sberbank") with 8% p.a.

Current accounts in USD as of 31 December 2007 included 1,160 of cash to guarantee a letter of credit. Current accounts in RUR as of 30 September 2008 included 893 of cash to guarantee a letter of credit. As of 30 September 2008 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 with LLC Novorostekhfлот dated 17 April 2008 for reconstruction of berth №1 at district "Shesharis".

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

16. DEBT

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>30 September 2008</u>	<u>31 December 2007</u>
Long-term				
Unsecured bank loans (USD)				
Loan participation notes UniCredit Bank+ Bank Austria Creditanstalt AG	7.0%	May 2012	295,965	294,741
Sberbank(USD)	LIBOR + 1.6%	July 2010	117,386	117,219
Sberbank(USD)	8.2%	November 2010	14,925	-
Sberbank(USD)	8.2%	June 2010	8,388	-
Sberbank(USD)	8.2%	September 2011	5,673	-
Sberbank(USD)	8.0%	March 2010	3,810	-
Sberbank(USD)	8.2%	August 2011	1,445	-
Sberbank (USD)	8.0%	December 2009	631	-
Secured bank loans				
Sberbank (USD)	8.04%-8.2%	August 2011	34,255	40,335
Sberbank (USD)	8.2%	December 2011	2,718	3,624
UniCredit Bank(USD)	8.95%	September 2011	1,735	2,365
Sberbank (USD)	8.2%	December 2011	1,065	1,420
Sberbank (USD)	8.2%	August 2011	-	1,700
Sberbank (USD)	8.2%	November 2010	-	17,804
Sberbank (USD)	8.2%	June 2010	-	9,268
Sberbank (USD)	8.2%	September 2011	-	7,800
Sberbank (USD)	8.0%	March 2010	-	6,350
Sberbank (USD)	8.2%	July 2011	-	3,043
Sberbank (USD)	8.0%	December 2009	-	2,520
Total long-term			<u>487,996</u>	<u>508,189</u>
Short-term				
Current portion of long-term loans			32,386	29,650
Current portion of finance lease liability			-	776
Total short-term			<u>32,386</u>	<u>30,426</u>
Total debt			<u>520,382</u>	<u>538,615</u>

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

Interest on the Loan Participation Notes is payable semi-annually on 17 November and 17 May of each year, commencing on 17 May 2012. 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.

In July 2007, the Group entered into an agreement for a 118,000 syndicated term loan facility (the "Facility") provided by CJSC UniCredit Bank+ Bank Austria Creditanstalt AG. The Group drew down the Facility in full on 19 July 2007, and used the proceeds to repay a portion of the outstanding principal amount of the loan under the Sberbank loan. 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 5.0 thousand increments above a minimum prepayment of 10.0 thousand. 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 signed the interest rate swap agreement for the Facility what changed the LIBOR rate plus 1.6% to the fixed rate of 4.8%. The Group is subject to certain financial covenants measured which are to be computed as defined in the Facility agreement with amounts in the Group's IFRS audited consolidated financial statements, including:

- (i) 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 Loan Participation Notes and Facility, the proceeds of the Facility and our own funds, and the loan agreement was terminated in July 2007. The part of Group's debt is secured by property, plant and equipment. At 30 September 2008 and 31 December 2007, property, plant and equipment with a carrying value of 31,518 and 35,111, respectively, were pledged to secure bank overdrafts and loans granted to the Group. The Group borrowings are repayable as follows:

	<u>30 September 2008</u>	<u>31 December 2007</u>
Due within three months	16,750	11,600
Due from three to six months	4,069	8,740
Due from six months to twelve months	<u>11,567</u>	<u>10,086</u>
	32,386	30,426
Due in 2009 and 2011 years	192,030	213,835
Due in 2012 and 2014 years	<u>295,966</u>	<u>294,354</u>
Total	<u>520,382</u>	<u>538,615</u>

As of 30 September 2008 and 30 September 2007, the average effective borrowing rates were 6.7% and 7.9%, respectively. Most of interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk is limited.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

17. OTHER PAYABLES AND ACCRUALS

	30 September 2008	31 December 2007
Advances received from customers	14,285	9,053
Payroll accruals	7,430	6,324
Taxes payable	3,068	5,240
Dividends payable	2,713	402
Financial liability	2,500	-
Payables for property, plant and equipment	1,636	2,620
Other accounts payable and accruals	4,284	1,274
Total	35,917	24,913

For the 9 months ended 30 September 2008 no derivatives were designated as cash flow hedges. A net loss of 2,625 relating to a change in fair value of currency swap contract was included in finance costs in the consolidated interim statement of income.

18. ACQUISITIONS AND DISPOSALS

Increase of ownership in subsidiaries during the nine months ended 30 September 2008

During 2008, the Group acquired additional 22.57% of interest in IPP, 0.108% of interest of Shipyard and 50% Baltic stevedore for a cash consideration of 104,127, increasing its ownership to 95.22%, 65.18% and 100%, respectively. The carrying value of IPP, Shipyard and Baltic stevedore net assets in the consolidated financial statements on the dates of acquisition of additional interests was 80,240. As a result of this transaction, the Group recognized a decrease in net assets attributable to minority interest in the amount of 10,466. Excess of consideration paid over the Group's share in net assets acquired in the amount of 93,388 was recognized in the statement of changes in equity as a decrease of retained earnings. The Group made an investing at equity capital of BSSC at the amount of 7.48 and became a shareholder of 51%.

Minority interest liability

In accordance with the Russian Joint Stock Company Law, minority shareholders may require the Group to purchase their voting shares and securities convertible into voting shares (put option), or the Group may require the remaining minority shareholders to sell such securities to the Group (minority squeeze-out) following the acquisition of more than 95% of the voting shares of a company during the period.

On 27 May 2008, the Group increased its ownership in IPP to greater than 95% of the voting shares. In accordance with IFRS, the Group derecognized minority interest in the amount of 2,589 and recognized a liability for the unavoidable cash obligation in the amount of 18,876. The difference between the carrying value of the minority interest derecognized in the statement of changes in equity and the fair value of the put option was recognized as decrease of retain earnings.

The Group made an offer of 21 per IPP share to the remaining minority shareholders to purchase their shares in cash.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

Disposal of subsidiaries

On 24 July 2008, the Group sold 100% of its subsidiary NR Air for a cash consideration of 27,869. Net assets of the subsidiary at the date of disposal equal to 25,151 and was mainly presented by property, plant and equipment. As a result of this transaction income at the amount of 2,718 was recognized at other income.

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 controlling party is 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:

	30 September 2008	31 December 2007
<i>Loans from related parties</i>		
Long-term		
Sberbank	96,491	123,019
<i>Long-term loans to related parties</i>		
Other related parties	436	-
<i>Long-term promissory notes</i>		
Sberbank	685	3,259
<i>Short-term loans to related parties</i>		
Other related parties	1,243	274
<i>Short-term promissory notes</i>		
Sberbank	792	-
<i>Short-term deposits</i>		
Sberbank	30,762	1,426
<i>Cash and cash equivalents</i>		
Sberbank	13,188	12,779

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008**

(in thousands of US Dollars)

Material transactions with related parties were as follows:

	Nine months ended 30 September 2008	Nine months ended 30 September 2007
<i>Sales</i>		
Military divisions	212	3,142
Russian Railways	47	48
Rosneft	10,906	-
Transneft	2,271	2,969
Transneft-terminal	10,244	-
Other related parties	2,374	-
	26,054	6,159
<i>Interest on borrowings</i>		
Sberbank	2,121	22,767
Other related parties	-	153
	2,121	22,920

Sales of services to related parties were made using tariffs similar to those that were used in the third parties transactions.

Loans to related parties were issued at market terms.

Compensation of key management personnel

For the nine months ended 30 September 2008 and 2007 the remuneration of the directors and other members of key management was 5,260 and 950, 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.

During 2008 «The Federal computer centre of a share and commodity information technology» applied to court to impose a penalty on IPP. On 20 November 2008 penalties were paid in the amount of 676.

During 2008 Shipyard received a claim from OJSC AKB «Rosbank» amounting of 2,925 related to Guarantee issued by Shipyard in favour of related party. Shipyard did not recognize the liability related to the above claim. The management estimates the probability of successful results as high.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

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.

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 2008, the Group has insurance coverage in respect of potential damage of its major facilities. NCSP has business interruption insurance and 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, ships 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. Also there are lease contracts for locomotives with indefinite period of using.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(in thousands of US Dollars)**

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

	30 September 2008
2008	2,040
2009	8,022
2010	5,598
2011	4,686
2012	4,599
Thereafter	<u>149,820</u>
Total	<u><u>174,765</u></u>

21. CAPITAL COMMITMENTS

At 30 September 2008, the Group had the following capital commitments to purchase items which will increase the transshipment capacities:

	30 September 2008
Commitments for acquisition of property, plant and equipment and construction works:	
IPP	32,519
NCSP	30,174
NLE	414
NSRZ	<u>103</u>
Total	<u><u>63,210</u></u>

22. EVENTS AFTER THE BALANCE SHEET DATE

In November 2008 the Board approved a decision to create a company OJSC «The Black Sea Ship-repair Company».

During the period from 1 October 2008 till 5 December 2008 NCSP has additionally acquired shares IPP in amount of 483 pieces under the binding offer. 5 December 2008 NCSP has in the property 20,102 shares of Open Joint Stock Company IPP, that makes 97,564 % of equity capital.