

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

**Interim Condensed Consolidated
Financial Statements**
For the Nine Months Ended 30 September 2012

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012
(in thousands of US Dollars, except earnings per share)**

	Notes	Nine months ended 30 September 2012	Nine months ended 30 September 2011
REVENUE	5	785,882	782,041
COST OF SERVICES	6	<u>(319,358)</u>	<u>(378,953)</u>
GROSS PROFIT		466,524	403,088
Selling, general and administrative expenses	7	(57,109)	(54,736)
Gain on disposal of property, plant and equipment	10	161	446
Impairment of property, plant and equipment		<u>-</u>	<u>(2,742)</u>
OPERATING PROFIT		409,576	346,056
Interest income		7,269	3,275
Finance costs	8	(115,061)	(107,152)
Share of loss in joint venture, net	13	(1,863)	(4,208)
Foreign exchange gain/(loss), net		96,363	(149,986)
Other income, net		<u>470</u>	<u>1,876</u>
PROFIT BEFORE INCOME TAX		396,754	89,861
Income tax expense		<u>(77,084)</u>	<u>(18,085)</u>
PROFIT FOR THE PERIOD		319,670	71,776
OTHER COMPREHENSIVE INCOME/(LOSS)			
Effect of translation to presentation currency		<u>41,000</u>	<u>(39,613)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		360,670	32,163
Profit for the period attributable to:			
Equity shareholders of the parent company		315,587	69,279
Non-controlling interests		<u>4,083</u>	<u>2,497</u>
		319,670	71,776
Total comprehensive income attributable to:			
Equity shareholders of the parent company		355,501	30,958
Non-controlling interests		<u>5,169</u>	<u>1,205</u>
		360,670	32,163
Weighted average number of ordinary shares outstanding		18,743,128,904	19,202,405,789
BASIC AND DILUTED EARNINGS PER SHARE (US Dollars)		0.0168	0.0036


R. Antolovic
Chief Executive Officer


G.I. Kachan
Chief Financial Officer

21 December 2012

The notes on pages 5 to 25 are an integral part of these interim condensed consolidated financial statements.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012
(in thousands of US Dollars)**

	Notes	30 September 2012	31 December 2011
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	10	2,032,150	1,967,938
Goodwill	11	1,552,763	1,491,070
Mooring rights		7,872	7,980
Investments in securities and other financial assets	12	56,339	34,842
Investment in joint venture	13	7,629	9,425
Spare parts		6,017	5,007
Deferred tax assets		1,184	7,318
Other intangible assets		2,469	1,593
Other non-current assets		6,369	13,971
		<u>3,672,792</u>	<u>3,539,144</u>
CURRENT ASSETS:			
Inventories		9,334	11,258
Advances to suppliers		8,838	2,991
Trade and other receivables, net	14	44,940	47,796
VAT recoverable and other taxes receivable		23,232	41,132
Income tax receivable		15,841	41,209
Investments in securities and other financial assets	12	51,495	21,833
Cash and cash equivalents	15	132,392	127,522
		<u>286,072</u>	<u>293,741</u>
TOTAL ASSETS		<u>3,958,864</u>	<u>3,832,885</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		10,471	10,471
Treasury shares		(281)	(281)
Foreign currency translation reserve		(63,727)	(103,641)
Retained earnings		1,333,467	1,032,044
Equity attributable to shareholders of the parent company		<u>1,279,930</u>	<u>938,593</u>
Non-controlling interests		30,748	25,582
TOTAL EQUITY		1,310,678	964,175
NON-CURRENT LIABILITIES:			
Long-term debt	16	2,183,202	2,113,843
Cross-currency and interest rate swap liability	17	8,333	-
Defined benefit obligation		7,829	7,286
Deferred tax liabilities		289,149	266,907
Other non-current liabilities		687	2,864
		<u>2,489,200</u>	<u>2,390,900</u>
CURRENT LIABILITIES:			
Current portion of long-term debt	16	91,141	392,413
Trade and other payables		10,606	18,251
Advances received from customers		37,091	47,442
Taxes payable		5,335	4,292
Income tax payable		3,873	4,034
Accrued expenses		10,940	11,378
		<u>158,986</u>	<u>477,810</u>
TOTAL EQUITY AND LIABILITIES		<u>3,958,864</u>	<u>3,832,885</u>

The notes on pages 5 to 25 are an integral part of these interim condensed consolidated financial statements.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**

(in thousands of US Dollars)

	Notes	Attributable to shareholders of the parent company					Total	Non-controlling interests	Total
		Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings			
At 1 January 2011		10,471	-	9,255	(50,685)	996,330	965,371	23,927	989,298
Profit for the period		-	-	-	-	69,279	69,279	2,497	71,776
Effect of translation to presentation currency		-	-	-	(38,321)	-	(38,321)	(1,292)	(39,613)
Total comprehensive (loss)/ income for the period		-	-	-	(38,321)	69,279	30,958	1,205	32,163
Buy-back of shares		-	(281)	(9,255)	-	(78,604)	(88,140)	-	(88,140)
Dividends	9	-	-	-	-	(14,986)	(14,986)	(1)	(14,987)
At 30 September 2011		10,471	(281)	-	(89,006)	972,019	893,203	25,131	918,334
At 1 January 2012		10,471	(281)	-	(103,641)	1,032,044	938,593	25,582	964,175
Profit for the period		-	-	-	-	315,587	315,587	4,083	319,670
Effect of translation to presentation currency		-	-	-	39,914	-	39,914	1,086	41,000
Total comprehensive income for the period		-	-	-	39,914	315,587	355,501	5,169	360,670
Dividends	9	-	-	-	-	(14,164)	(14,164)	(3)	(14,167)
At 30 September 2012		10,471	(281)	-	(63,727)	1,333,467	1,279,930	30,748	1,310,678

The notes on pages 5 to 25 are an integral part of these interim condensed consolidated financial statements.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012
(in thousands of US Dollars)**

	Notes	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Cash flows from operating activities			
Cash from operations	19	480,059	384,084
Income tax paid		(32,033)	(83,526)
Interest paid		<u>(103,950)</u>	<u>(101,378)</u>
Net cash generated by operating activities		<u>344,076</u>	<u>199,180</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,186	651
Purchases of property, plant and equipment		(39,262)	(66,339)
Proceeds from investments in securities and other financial assets		307,934	161,624
Purchases of investments in securities and other financial assets		(357,934)	(140,533)
Acquisition of subsidiaries, net of cash acquired		-	(2,100,577)
Interest received		2,745	3,387
Purchases of other intangible assets		<u>(1,538)</u>	<u>(549)</u>
Net cash used in investing activities		<u>(86,869)</u>	<u>(2,142,336)</u>
Cash flows from financing activities			
Repayments of loans and borrowings		(373,020)	(100,838)
Proceeds from loans and borrowings		136,207	1,938,300
Dividends paid		(14,177)	(15,101)
Advances paid under lease contracts		(4,110)	-
Payment for buy-back of shares		-	(88,011)
Payment for shares buy-back costs		<u>-</u>	<u>(129)</u>
Net cash (used in)/generated by financing activities		<u>(255,100)</u>	<u>1,734,221</u>
Net increase/(decrease) in cash and cash equivalents		2,107	(208,935)
Cash and cash equivalents at the beginning of the period	15	127,522	265,017
Effect of translation into presentation currency on cash and cash equivalents		<u>2,763</u>	<u>(761)</u>
Cash and cash equivalents at the end of the period		<u>132,392</u>	<u>55,321</u>

The notes on pages 5 to 25 are an integral part of these interim condensed consolidated financial statements.

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

(in thousands of US Dollars)

1. GENERAL INFORMATION

Organisation

Public Joint Stock Company ("PJSC") Novorossiysk Commercial Sea Port ("NCSP") was founded in 1845. NCSP was transformed from a state-owned enterprise to a PJSC in December 1992. NCSP's principal activities include stevedoring, additional port services, and sea vessel services. NCSP and its subsidiaries (the "Group") primarily operate in the Russian Federation. The principal activities and significant entities of the Group as at 30 September 2012 were as follows:

Significant Subsidiaries	Nature of business
LLC Primorsk Trade Port	Stevedoring and additional port services
PJSC Novorossiysk Grain Terminal	Stevedoring and additional port services
OJSC Novoroslesexport	Stevedoring and additional port services
OJSC IPP	Stevedoring and additional port services
OJSC Novorossiysk Shipyard	Stevedoring and marine vessels repair services
LLC Baltic Stevedore Company	Stevedoring and additional port services
PJSC Fleet Novorossiysk Commercial Sea Port	Tug and towing services and bunkering
CJSC SoyuzFlot Port	Tug and towing services

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

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

LLC Primorsk Trade Port ("PTP")

PTP is involved in the transshipment of oil and oil products in the port of Primorsk, Leningrad District. The Group acquired 100% of the shares in PTP on 21 January 2011, in order to materially increase the scale of its operations and to become a market leader in port management in Russia's two key regions, the North-Western and Southern basins.

PJSC Novorossiysk Grain Terminal ("Grain Terminal")

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

OJSC Novoroslesexport ("Novoroslesexport")

Novoroslesexport provides stevedoring and storage services for the export of timber, containerised cargo, ferrous and nonferrous metals.

OJSC IPP ("IPP")

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

OJSC Novorossiysk Shipyard ("Shipyard")

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

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

(in thousands of US Dollars)

LLC Baltic Stevedore Company (“BSC”)

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

PJSC Fleet Novorossiysk Commercial Sea Port (“Fleet”)

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

CJSC SoyuzFlot Port (“SFP”)

SFP is a subsidiary of PTP. According to a decision of the shareholders’ meeting on 25 April 2012, the company’s name was changed from CJSC Sovfracht-Primorsk to the Joint Stock Company “SoyuzFlot Port”. SFP is the operator of towing, pilotage and tug and towing services in the Port of Primorsk in the Leningrad District.

Golden Share

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

Going concern assumption

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

Statement of compliance

These interim condensed consolidated financial statements of the Group have been prepared using accounting policies as set forth in the consolidated financial statements as at and for the year ended 31 December 2011 and in compliance with the requirements of International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. These financial statements do not include all of the information required for disclosure in annual financial statements and should be read in conjunction with the last issued audited consolidated financial statements as at and for the year ended 31 December 2011. These financial statements reflect all adjustments which are, in the opinion of Group management, necessary to fairly state the results of interim periods. Interim results are not necessarily indicative of results to be expected for the full year.

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

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**

(in thousands of US Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

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

Standards and Interpretations issued but not yet adopted

At the date of approval of the Group's interim condensed consolidated financial statements, the following new and revised Standards and Interpretations have been issued, but are not effective for the current year:

	Effective for periods annual periods beginning on or after
• IFRS 7 "Financial Instruments: Disclosures"	
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	1 January 2013
- Amendments requiring disclosures about the initial application of IFRS 9	1 January 2015
• IFRS 9 "Financial Instruments"	1 January 2013
• IFRS 10 "Consolidated Financial Statements" – New standard published in May 2011	1 January 2013
• IFRS 11 "Joint Arrangements" – New standard published in May 2011	1 January 2013
• IFRS 12 "Disclosure of Interests in Other Entities" – New standard published in May 2011	1 January 2013
• IFRS 13 "Fair Value Measurement" – New standard published in May 2011	1 January 2013
• IAS 1 "Presentation of financial statements" – Amendment to revise the presentation of other comprehensive income	1 July 2012
• IAS 19 "Employee Benefits" – Amendment regarding post-employment and termination benefits	1 July 2013
• IAS 27 "Consolidated and Separate Financial Statements" – Amendments to modify the consolidation principles in accordance with IFRS 10	1 January 2013
• IAS 28 "Investments in Associates" – Amendment to reissue as "Investments in Associates and Joint Ventures"	1 January 2013
• IAS 32 "Financial Instruments: Presentation" – Amendments to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014

Functional and presentation currency

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

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**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(in thousands of US Dollars)

Exchange rates

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

	30 September 2012	31 December 2011
Period-end rates		
RUR / 1 USD	30.9169	32.1961
RUR / 1 EUR	39.9786	41.6714
	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Average for the period		
RUR / 1 USD	31.0984	28.7664
RUR / 1 EUR	39.8329	40.4739

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments, estimates and assumptions made by management of the Group and applied in the accompanying interim condensed consolidated financial statements for the nine months ended 30 September 2012 are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2011.

Reclassifications

Certain comparative information, presented in the interim condensed consolidated financial statements for the nine months ended 30 September 2011, has been reclassified in order to achieve comparability with the presentation used in the interim condensed consolidated financial statements for the nine months ended 30 September 2012.

The reclassifications did not have any impact on equity or profit for the periods presented.

Valuation of financial instruments

As described in Note 17, the Group uses valuation techniques that include inputs that are based on observable market data to estimate the fair value of certain types of financial instruments. Note 17 provides detailed information about the key assumptions used in the determination of the fair value of cross-currency and interest rate swap, as well as the detailed sensitivity analysis for these assumptions. The management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

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NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**

(in thousands of US Dollars)

4. SEGMENT INFORMATION

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

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

Segment revenue and segment results

The segment revenue and results for the nine months ended 30 September 2012 and 30 September 2011 are as follows:

	Segment revenue		Inter-segments sales		Segment profit	
	Nine months ended		Nine months ended		Nine months ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Stevedoring and additional services	698,319	702,167	4,788	6,885	364,185	307,675
Fleet services	76,386	68,011	3,940	3,901	39,556	31,975
Other services	11,177	11,863	10,528	11,130	13,156	12,958
Total reportable segments	785,882	782,041	19,256	21,916	416,897	352,608
Adjustments and eliminations (see following table)					(20,143)	(262,747)
Consolidated profit before income tax					396,754	89,861

During the nine months ended 30 September 2012 and 30 September 2011, revenue from BIG PORT SERVICE of 104,388 and PORATH SERVICES LIMITED of 162,835, respectively, represents more than 10% of revenue included in the stevedoring and additional services segment. Management of the Group believes that it adequately manages the corresponding possible credit risk.

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

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**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**

(in thousands of US Dollars)

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Total segment profit	416,897	352,608
Unallocated amounts:		
Impairment of property, plant and equipment	-	(2,742)
Gain on disposal of property, plant and equipment	161	446
Defined benefit obligation expense	(240)	(601)
Differences between Russian statutory accounts and IFRS:		
Bank commission	(853)	10,967
Depreciation and amortisation	(14,998)	(15,567)
Repairs and maintenance	3,641	1,222
Professional services	973	835
Change in allowance for doubtful receivables	-	267
Intercompany purchases of property, plant and equipment	-	(2,919)
Other	3,995	1,540
Operating profit	409,576	346,056
Interest income	7,269	3,275
Finance costs	(115,061)	(107,152)
Share of loss in joint venture, net	(1,863)	(4,208)
Foreign exchange gain/(loss), net	96,363	(149,986)
Other income, net	470	1,876
Profit before income tax	396,754	89,861

Other segment information

	Depreciation and amortisation charge		Capital expenditures	
	Nine months ended		Nine months ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Stevedoring and additional services	46,871	44,463	41,083	64,383
Fleet services	4,927	5,319	689	1,542
Other services	4,323	5,376	436	405
Total reportable segments	56,121	55,158	42,208	66,330
Adjustments and eliminations	4,487	4,925	1,700	1,936
Consolidated	60,608	60,083	43,908	68,266

Capital expenditures consist of additions of property, plant and equipment, which include construction in progress and the related advances paid in the period (Note 10).

Geographical information

The Group's entities operate in different geographical regions. The following primary geographical locations were identified to demonstrate the financial results of the Group by region to the users of financial statements: Novorossiysk, Primorsk and Baltiysk (assuming the anticipated growth in this location).

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NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES**

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**

(in thousands of US Dollars)

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

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Revenue		
Novorossiysk	576,800	582,524
Primorsk	195,958	187,720
Baltiysk	11,259	9,929
Other	1,865	1,868
Total	785,882	782,041

5. REVENUE

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Stevedoring services	630,216	638,424
Fleet services	76,386	68,011
Additional port services	68,103	63,743
Other	11,177	11,863
Total	785,882	782,041

6. COST OF SERVICES

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Fuel	107,008	171,565
Depreciation and amortisation	57,638	57,018
Personnel expenses	51,844	48,463
Rent	49,306	51,280
Repairs and maintenance	15,856	11,371
Taxes directly attributable to salaries	13,804	14,707
Subcontractors	8,100	9,752
Raw materials	7,604	5,587
Energy and utilities	5,462	6,508
Defined benefit obligation expense	650	970
Insurance	539	447
Other	1,547	1,285
Total	319,358	378,953

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

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**

(in thousands of US Dollars)

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Personnel expenses	27,985	23,585
Taxes other than income tax	6,435	7,519
Taxes directly attributable to salaries	4,986	3,979
Security services	3,289	3,655
Depreciation and amortisation	2,970	3,065
Charitable donations	2,745	2,074
Travel and representation expenses	1,043	1,365
Rent	1,042	840
Bank charges	968	1,483
Raw materials	920	757
Professional services	913	1,834
Repairs and maintenance	897	881
Change in allowance for doubtful receivables	173	398
Other	2,743	3,301
Total	57,109	54,736

8. FINANCE COSTS

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Interest on loans and borrowings	106,777	107,152
Loss on cross-currency and interest rate swap	8,284	-
Total	115,061	107,152

The swap liability is recognised in statement of financial position as a cross-currency and interest rate swap liability (Note 17).

9. DIVIDENDS

During the nine months ended 30 September 2012, NCSP declared dividends for the year ended 31 December 2011 in the amount of 14,164 (0.0008 USD per 1 share).

During the nine months ended 30 September 2011, NCSP declared dividends for the year ended 31 December 2010 in the amount of 14,986 (0.0008 USD per 1 share).

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10. PROPERTY, PLANT AND EQUIPMENT

On 1 January 2012 and 1 January 2011, the net book value of assets of the Group amounted to 1,967,938 and 563,839, respectively. During the nine months ended 30 September 2012 and 30 September 2011, the Group acquired assets at a cost of 43,908 and 68,266, respectively, (excluding property, plant and equipment acquired through a business combination). During the same period, the Group disposed of assets with a net book value of 1,026 and 207, respectively, resulting in a net gain on disposal of 161 and 446, respectively.

For the nine months ended 30 September 2012 and 30 September 2011, depreciation expense amounted to 59,440 and 59,093, respectively, accumulated depreciation relating to assets that were disposed of amounted to 6,298 and 2,788, respectively.

As at 30 September 2012 construction in progress was 84,642 (31 December 2011: 73,931).

During the nine months ended 30 September 2012, no interest expenses were capitalised. The total amount of capitalised interest expenses for the nine months ended 30 September 2011 amounted to 801.

As at 30 September 2012 and as at 30 September 2011 the net book value of assets of the Group amounted to 2,032,150 and 1,973,550, respectively.

11. GOODWILL

	<u>30 September 2012</u>	<u>31 December 2011</u>
Cost	1,555,810	1,493,996
Accumulated impairment loss	(3,047)	(2,926)
Carrying amount	<u>1,552,763</u>	<u>1,491,070</u>
	<u>30 September 2012</u>	<u>31 December 2011</u>
Cost		
Balance at the beginning of the period	1,493,996	394,710
Acquired through business combinations	-	1,205,806
Effect of translation into presentation currency	61,814	(106,520)
Balance at the end of the period	<u>1,555,810</u>	<u>1,493,996</u>
Accumulated impairment loss		
Balance at the beginning of the period	(2,926)	(3,092)
Effect of translation into presentation currency	(121)	166
Balance at the end of the period	<u>(3,047)</u>	<u>(2,926)</u>

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

	<u>Carrying amount</u>	
	<u>30 September 2012</u>	<u>31 December 2011</u>
Stevedoring and additional services segment:		
PTP	794,081	762,531
Grain Terminal	153,586	147,484
Novoroslesexport	123,945	119,021
IPP	26,715	25,654
Shipyard	12,095	11,614
BSC	2,765	2,655
Fleet services segment:		
SFP	372,637	357,832
Fleet	69,986	67,205
Total	<u>1,555,810</u>	<u>1,493,996</u>

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Delay in the railway construction to port Primorsk which was caused by reasons beyond control of the Group led to the shift in the expected date of transshipment of the oil products from 2013 to 2015 year. It resulted in the decrease of the expected oil products transshipment forecasts used in the financial model. Based on that fact Management of the Group performed the impairment test as of 30 June 2012.

For the purpose of impairment testing as at 30 June 2012, management of the Group estimated the recoverable amount of PTP cash-generating unit.

The recoverable amount of cash-generating unit has been determined based on a value in use calculation, which uses cash flow projections based on actual operating results, business plans approved by management and a discount rate which reflects the time value of money and the risks associated with cash generating unit.

The most significant estimates and assumptions used by management in the value in use calculations on 30 June 2012 were as follows:

- Cash flows were projected based on the budgeted figures for the period from 2012 to 2016;
- Cash flow projections were prepared in RUR and based on both long-term price trends for sales prices and material costs, specific to each operating segment and geographic region;
- Cash flow projections were prepared based on RUR/USD currency rates projections from the Economist Intelligence Unit for each respective year;
- Cash flows beyond that five-year period have been extrapolated using a steady 2.2% per annum growth rate; and
- Discount rate of 9.77% was applied for each cash-generating unit and was estimated in nominal terms using the weighted average cost of capital basis.

The inflation rates used for the cash flow projections are as follows:

Year	Inflation expectations, %
2012	5.1
2013	5.9
2014	5.2
2015	5.1
2016	5.1
Thereafter	3.0

Values assigned to key assumptions and estimates used to measure the each unit's recoverable amount are consistent with external sources of information and historic data for each cash-generating unit. Management believes that the values assigned to the key assumptions and estimates represent the most probable assessment of future trends.

Based on the value in use calculation prepared to calculate the recoverable amount, no impairment was recognised on 30 June 2012.

No impairment testing was performed as of 30 September 2012.

Based on management's projections, a 10% decrease of the budgeted cash flows would cause the PTP carrying value to exceed its recoverable amounts by 75,859.

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12. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	<u>30 September 2012</u>	<u>31 December 2011</u>
Financial assets carried at amortised cost		
Current		
Deposits	47,518	18,976
Loans issued	<u>3,977</u>	<u>2,857</u>
Total current	<u>51,495</u>	<u>21,833</u>
Non-current		
Loans issued and other financial assets	56,317	34,842
Deposits with maturity period over year	<u>22</u>	<u>-</u>
Total non-current	<u>56,339</u>	<u>34,842</u>

Short-term deposits placed in Russian Agricultural Bank ("Rosselkhozbank") consist of short-term deposit denominated in RUR with an interest rate of 5.58% per annum. Short-term deposits placed in CJSC "Vneshprombank" ("Vneshprombank") consist of short-term deposits denominated in USD with an interest rate of 7% per annum.

Current loans issued in RUR include short-term loans given to employees of the Group and to other related parties with interest rates varying from 5% to 7% per annum. Current loans issued in USD include short-term loans given to other related parties with interest rate 5% per annum.

Non-current loans issued and other financial assets consist of long-term loans to third parties and other related parties, including long-term loans denominated in USD to LLC Novorossiysk Fuel Oil Terminal ("NFT"), a joint venture created in 2009 (Note 13), in the amount of 5,000 maturing in January 2019 with an interest rate of 7% per annum, in the amount of 14,600 maturing in August 2019 with an interest rate of 7% per annum, in the amount of 13,300 maturing in December 2019 with an interest rate of 7% per annum. On 8 August 2012 the Group granted to NFT an additional loan in the amount of 6,000 maturing in August 2015 and an interest rate of 7% per annum. According to the cession agreement No. 1274/12 dated 28 September 2012, NCSP redeemed CJSC "Transneft-Service" the principal amount of 17,250 and interest in the amount of 1,494 on behalf of NFT. As a result of this operation non-current loans issued as of 30 September 2012 included loan to NFT in the amount 17,250 maturing in October 2018 with an interest rate of 7% per annum. Other long-term loans are denominated in RUR with an interest rate 7% per annum.

Non-current deposits placed in CJSC "Raiffeisenbank" ("Raiffeisenbank") consist of non-current deposits denominated in RUR with an interest rate of 7.20% per annum.

13. INVESTMENT IN JOINT VENTURE

NFT is a fuel oil terminal with expected transshipment capacity of four million tons per year. The Group's share in the financial results of the joint venture for the nine months ended 30 September 2012 and 30 September 2011 amounted to (1,863) and (4,208), respectively.

	Ownership % held	
Joint venture	<u>30 September 2012</u>	<u>31 December 2011</u>
NFT	50.00%	50.00%

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Summarised financial information of NFT is represented below:

	<u>30 September 2012</u>	<u>31 December 2011</u>
Current assets	20,526	14,993
Non-current assets	159,398	145,291
Total assets	179,924	160,284
Current liabilities	(8,185)	(38,754)
Non-current liabilities	(153,796)	(100,700)
Total liabilities	(161,981)	(139,454)
Net assets	17,943	20,830
Group's share of joint venture net assets	8,972	10,415
Elimination of unrealised profit for the current period	(312)	(990)
Elimination of unrealised profit for the last period	(1,031)	-
Carrying value of investment	7,629	9,425

Loans issued to NFT in the total amount of 56,150 are disclosed in Note 12.

14. TRADE AND OTHER RECEIVABLES, NET

	<u>30 September 2012</u>	<u>31 December 2011</u>
Trade accounts receivable (RUR)	27,180	25,598
Trade accounts receivable (USD)	13,065	19,222
Trade accounts receivable (EUR)	-	58
Other receivables and prepayments	5,912	5,628
Interest receivables	2,761	1,069
Less: Allowance for doubtful receivables	(3,978)	(3,779)
Total	44,940	47,796

The movement in the allowance for doubtful trade and other receivables is as follows:

	<u>30 September 2012</u>	<u>31 December 2011</u>
As at beginning of the period	3,779	2,841
Recognised in the statement of comprehensive income	173	1,289
Amount recovered during the period	(131)	(96)
Effect of translation into presentation currency	157	(255)
As at end of the period	3,978	3,779

Trade receivables and other receivables between 45 and 365 days were provided for based on estimated irrecoverable amounts, which were determined by reference to past experience, and are regularly reassessed based on the facts and circumstances existing as at each reporting date. The Group has provided fully for all receivables with due dates over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

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15. CASH AND CASH EQUIVALENTS

	<u>30 September 2012</u>	<u>31 December 2011</u>
Bank deposits in USD	51,870	74,320
Bank deposits in RUR	49,673	24,132
Bank deposits in EUR	-	2
Current accounts in RUR	29,528	25,013
Current accounts in USD	1,269	4,018
Current accounts in EUR	14	13
Cash in hand	38	24
Total	<u>132,392</u>	<u>127,522</u>

Bank deposits as at 30 September 2012 mainly represent deposits with Sberbank of Russia ("Sberbank"), Raiffeisenbank, Rosselkhozbank and Vneshprombank with an original maturity of three months or less.

Bank deposits with an original maturity of three months or less, placed in Vneshprombank, are represented by deposits denominated in RUR with interest rates varying from 6.05% to 9.50% per annum and deposits denominated in USD with interest rates from 3.07% to 5.50% per annum. Deposits denominated in RUR are placed in Rosselkhozbank with an interest rate 5.58%. Sberbank charges interest on deposits denominated in RUR with an original maturity of three months an interest rate 5.50% per annum, in USD with an interest rate 0.17% per annum. Deposits denominated in RUR, placed in Raiffeisenbank, are represented by deposits with an interest rate 5.77% per annum, in USD with an interest rate 2.10% per annum.

16. DEBT

	<u>Interest rate</u>	<u>Maturity date</u>	<u>30 September 2012</u>	<u>31 December 2011</u>
<i>Unsecured borrowings</i>				
Loan Participation Notes (USD)	7%	May 2012	-	302,241
Rouble bonds (RUR)	9.0%	April 2015	133,838	-
<i>Unsecured bank loans (RUR)</i>				
Sberbank	8.5%	November 2014	189,823	250,908
Sberbank	8.5%	November 2014	6,476	9,331
Total unsecured borrowings			<u>330,137</u>	<u>562,480</u>
<i>Secured bank loans (USD)</i>				
Sberbank	LIBOR 3M + 4.85%	January 2018	1,944,206	1,943,776
Total debt			<u>2,274,343</u>	<u>2,506,256</u>
Current portion of long-term borrowings			(91,141)	(392,413)
Total non-current debt			<u>2,183,202</u>	<u>2,113,843</u>

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Sberbank

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

- The term of the facility is seven years;
- Floating interest rate of LIBOR 3M + 4.85% per annum is applied during the first three years of the loan;
- Fixed interest rate of 7.48% is applied during the remaining four years of the loan;
- A lump sum commission of 11,700 (or 0.6%) was payable for the receipt of the loan;
- No principal is due for the first 36 calendar months from the date of the loan agreement ("the grace period"), after which the principal amount of the loan is to be paid by equal quarterly instalments;
- The loan is secured by a pledge of 50.1% of NCSP shares and a guarantee of PTP; and
- Certain financial covenants are imposed on the Group (e.g. restrictions as to the Group's debt to equity ratio and net debt to earnings before interest, income taxes, depreciation and amortization ratio, and reduction of NCSP's share price, etc).

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

Loan Participation Notes

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

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

Rouble bonds

On 2 May 2012 the Group issued a Russian rouble bond tranche BO-02 with a par value of 4 billion roubles (USD 136 million) with a maturity up to 29 April 2015. The coupon on the bond tranche is 9% per annum, payable every 182 days with the first coupon payment due on 31 October 2012. The Group used the proceeds of the bond tranche to repay the Loan Participation Notes.

As at 30 September 2012, the average effective borrowing rate relating to the Group's debt was 5.82% per annum (31 December 2011: 5.73% per annum).

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The Group borrowings as of 30 September 2012 are repayable as follows:

	<u>Principal amount</u>	<u>Contractual interest liability</u>	<u>Total</u>
Due within three months	16,595	35,415	52,010
Due from three to nine months	22,552	28,891	51,443
Due from nine months to twelve months	44,296	63,869	108,165
	83,443	128,175	211,618
Between 1 and 2 years	362,382	145,762	508,144
Between 2 and 5 years	1,699,355	218,097	1,917,452
Over 5 years	121,464	2,998	124,462
Total	2,266,644	495,032	2,761,676

The contractual interest liability for future periods for variable rate borrowings was calculated based on the average effective borrowing rate relating to the Group's variable rate borrowings as at 30 September 2012 of 5.23%.

17. CROSS-CURRENCY AND INTEREST RATE SWAP LIABILITY

On 4 May 2012 in conjunction with the placement of the bond tranche BO-02 the Group entered into cross-currency and interest rate swap agreement with CJSC "Bank Credit Suisse (Moscow)" in which the Group agreed to pay USD 3.85% interest rate per annum based on notional of USD 135 million, in the exchange of Russian rouble 9% interest rate per annum based on notional of Russian rouble 4 billion over 3 years and to exchange USD 135 million for Russian rouble 4 billion at maturity of the bond tranche.

This swap contract was recorded as a derivative financial instrument recognised at fair value through profit and loss with the changes in fair value recorded within finance costs.

The fair value measurement is based on the applicable forward curves as determined based on the foreign currencies, interest rates and settlement dates of the swap contract. The discount rates were based on a zero coupon yield curve. The Group cannot determine the impact of the credit risk on measurement of the fair value of swap. Change in the fair value of swap is primarily due to the appreciation of USD forward rates against the rouble during the period (Note 8). As the fair value measurement is based on the inputs derived from quoted prices, the instrument is classified as Level 2 in the fair value hierarchy.

The most significant estimates and assumptions used in the fair value measurement are as follows:

Settlement dates (DD.MM.YYYY)	Expected rate, RUR / 1 USD	Discount rate, %
31.10.2012	31.25	0.21
01.05.2013	32.21	0.29
30.10.2013	33.16	0.32
30.04.2014	34.18	0.35
29.10.2014	35.19	0.39
29.04.2015	36.26	0.44

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The table below details the Group's sensitivity to depreciation and appreciation of currency exchange rates used in the fair value measurement (the Russian Rouble against the US Dollar by 3 roubles).

	30 September 2012	
	Depreciation by 3 roubles	Appreciation by 3 roubles
(Loss)/gain from cross-currency and interest rate swap	(10,942)	12,960

18. RELATED PARTY TRANSACTIONS

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

Given that the Federal Agency of the Russian Federation owns a 20% interest in NCSP, significant balances and transactions with state-controlled entities are considered to be transactions with related parties. During the nine months ended 30 September 2012 and 30 September 2011, the Group transacted with Sberbank, Rosselkhozbank, VTB bank, Rosneft, various military divisions of the Russian Federation, Russian Railways, and other state-controlled entities.

Transactions with state-controlled entities:

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Sales and income received from related parties		
Sales and income received from related parties	78,459	81,870
Interest income	2,589	1,799
Purchases from related parties		
Services rendered and materials received	19,563	78,427
Finance costs	93,586	90,031

Balances with state-controlled entities:

	30 September 2012	31 December 2011
Cash and cash equivalents		
Cash and cash equivalents	54,001	50,034
Deposits with related parties	18	4,840
Receivables from related parties		
Trade and other receivables	5,260	7,929
Advances to suppliers	929	437
Payables to related parties		
Trade and other payables	99	1,045
Advances received from customers	60	2,080
Financial debt to related parties		
Long-term debt	2,054,181	2,113,843
Current portion of long-term debt	86,324	90,172

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

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

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

NCSP and its subsidiaries in the ordinary course of business enter into various sales, purchases and service transactions with related parties, including NFT (Note 13), OJSC Transneft and its subsidiaries, etc.

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

Transactions with joint venture:

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Sales and income received from related parties		
Sales and income received from related parties	1,077	81
Interest income	1,476	794

Balances with joint venture:

	30 September 2012	31 December 2011
Receivables from related parties		
Trade and other receivables	8	6
Long-term loans given to related parties and interest receivable	62,191	35,655
Payables to related parties		
Advances received from customers	19	3

Transactions with other related parties:

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Sales and income received from related parties		
Sales and income received from related parties	67,018	65,407
Interest income	196	162
Purchases from related parties		
Services rendered and materials received	41,583	44,411
Capital expenditures	-	8

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Balances with other related parties:

	30 September 2012	31 December 2011
Receivables from related parties		
Trade and other receivables	1,343	2,917
Advances to suppliers	1,135	62
Short-term loans to related parties and interest receivable	4,405	3,353
Long-term loans to related parties and interest receivable	160	2,530
Payables to related parties		
Trade and other payables	3,590	2,154
Advances received from customers	9,579	14,700

Compensation of key management personnel

For the nine months ended 30 September 2012 and 30 September 2011, the remuneration of the directors and other members of key management was 12,560 (including termination benefits in amount of 1,369) and 8,170, respectively, which represented short-term employee benefits.

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

19. CASH FLOWS FROM OPERATING ACTIVITIES

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Profit for the period	319,670	71,776
Adjustments for:		
Depreciation and amortisation	60,608	60,083
Finance costs	115,061	107,152
Gain on disposal of property, plant and equipment	(161)	(446)
Impairment of property, plant and equipment	-	2,742
Foreign exchange (gain)/loss, net	(96,363)	149,986
Income tax expense	77,084	18,085
Change in retirement benefit obligation	240	601
Interest income	(7,269)	(3,275)
Change in allowance for doubtful receivables	173	398
Change in allowance for spare parts and slow-moving inventories	62	226
Share of loss in joint venture, net	1,863	4,208
Other adjustments	(124)	233
	<u>470,844</u>	<u>411,769</u>
Working capital changes:		
Decrease/(increase) in inventories	1,508	(1,908)
Decrease/(increase) in trade and other receivables	26,055	(60,183)
Decrease in long-term VAT receivables	-	909
(Decrease)/increase in trade and other payables and accruals	(18,348)	33,497
	<u>(18,348)</u>	<u>33,497</u>
Cash flows generated from operating activities	<u>480,059</u>	<u>384,084</u>

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20. COMMITMENTS AND CONTINGENCIES

Proceedings

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

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

Taxation contingencies in the Russian Federation

The Government of the Russian Federation has commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and overall tax burden on businesses and simplify tax legislation. However, these new tax laws continue to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with the practical implications of new legislation are unclear and complicate the Group's tax planning and related business decisions.

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

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

Russian Federation risk

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

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

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

Because the Russian Federation produces and exports large volumes of oil and gas, the Russian Federation's economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during the nine months ended 30 September 2012 and the year ended 31 December 2011.

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Environmental matters

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

Insurance

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

Operating lease arrangements

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

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

	30 September 2012
Within 1 year	73,100
Between 1 and 2 years	70,118
Between 2 and 3 years	69,185
Between 3 and 4 years	69,190
Between 4 and 5 years	64,366
Thereafter	1,080,357
Total	1,426,316

21. CAPITAL COMMITMENTS

At 30 September 2012, the Group had the following commitments for the acquisition of property, plant and equipment and construction works at:

	30 September 2012	31 December 2011
NCSP	47,667	8,062
IPP	9,806	8,366
Novoroslesexport	4,747	1,992
Grain Terminal	1,480	-
BSC	1,252	-
Shipyards	858	211
PTP	20	49
Total	65,830	18,680

Capital commitments of NCSP at 30 September 2012 include obligations under lease contracts for transshipment machinery and equipment in the amount of 33,135.

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

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**
(in thousands of US Dollars)

22. EVENTS AFTER THE BALANCE SHEET DATE

On 23 October 2012, Novoroslesexport entered into leasing agreement for 2 cranes with handling capacities of 104 tones. The total minimum lease payments amount to 10,491 with finance lease terms of 36 months.

The Group continues to enhance its handling machinery and equipment. On 5 December 2012 the first shipment of new cargo handling equipment has been delivered to NCSP: two mobile rubber-tire cranes LIEBHERR LHM 550 with a lifting capacity of 124 tonnes. The delivery of new, up-to-date cargo handling equipment is carried out under the leasing agreements for the purchase of nine cranes and two autoloader. The remaining equipment will be delivered during 2013.