

Annual Report 2011

**HARBOUR
OF PROSPEROUS BUSINESS**



NCSP GROUP
www.nmtp.info

NCSP Group in Figures

Nº 1

PORT OPERATOR IN RUSSIA

Nº 3

PORT OPERATOR IN EUROPE



157

MLN TONNES CARGO
TURNOVER IN 2011

Nº 1

BY TRANSSHIPMENT
OF CRUDE OIL

BY TRANSSHIPMENT
OF OIL PRODUCTS

BY TRANSSHIPMENT
OF GRAIN

29.3%

of cargo turnover through
Russian seaports



58.6%

of oil shipped through Russian
seaports in 2011



2.3%

growth of total NCSP Group cargo turn-
over in 2011 versus 1.8% growth by all
Russian seaports



44.0%

growth of container turnover
at Novorossiysk terminals in TEU



13.8 pp

growth of market share in cargo
turnover through Russian seaports

29.7 pp

growth in share of oil exports
from Russia

46.9%

of oil exported from Russia in 2011



29.6%

of grain shipped through
Russian seaports in 2011



29.3%

growth of NCSP Group container
turnover in tonnes



Credit Rating

Rating from Moody's:
Ba3, Outlook Stable
Rating from Standard & Poor's:
BB-, Outlook Negative

0.9 pp

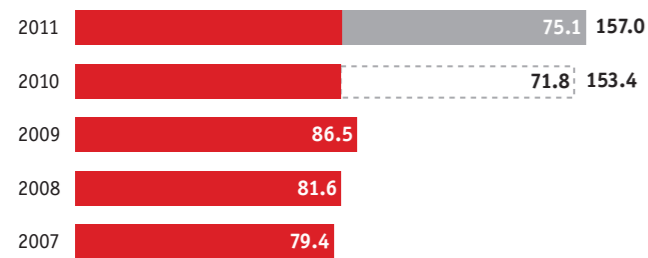
growth of share in container turnover
through Russian seaports

3.3 pp

growth of share in oil product turnover
through Russian seaports

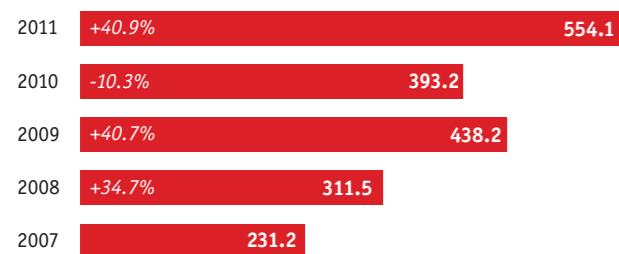
NCSP Group in Figures

Cargo turnover, mln tonnes



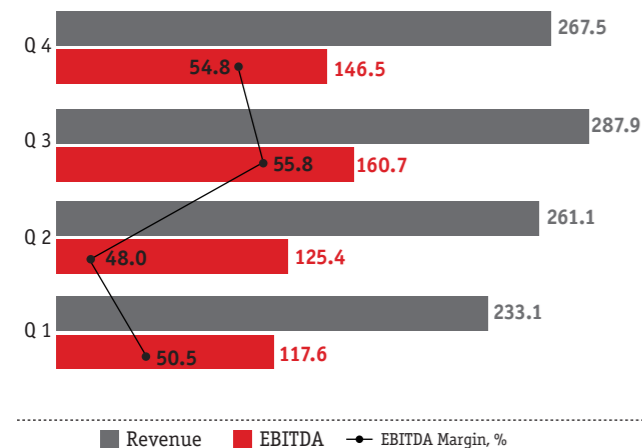
Source: NCSP Group data.

Gross profit, \$mln



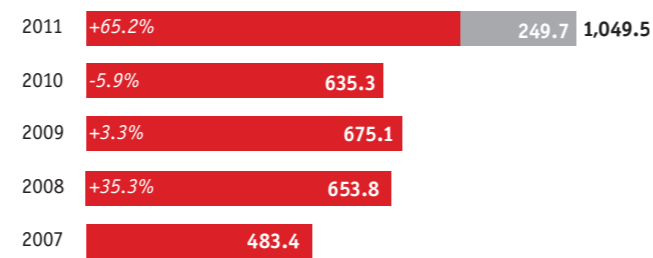
Source: NCSP Group data.

Quarterly change in NCSP Group revenue and EBITDA in 2011, \$mln



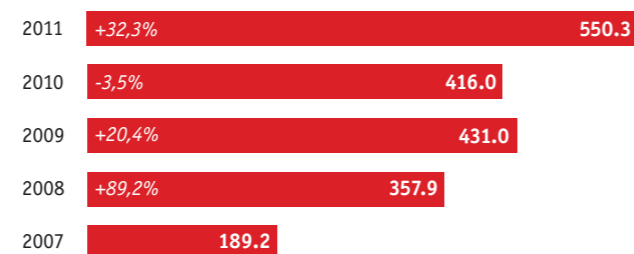
Source: NCSP Group data.

Revenue, \$mln



Source: NCSP Group data.

EBITDA*, \$mln



* The amount is either a non-IFRS measure or according to management reporting data
Source: NCSP Group data.

Forward-looking statements

This annual report was written using the information available to NCSP Group (PJSC NCSP and its subsidiaries) (hereinafter also the Group) at the time of its preparation. Some of the statements in this Annual Report regarding the Group's business activities, economic indicators, financial position, business and operating performance, plans, projects and expected results, as well as tariff trends, costs, anticipated expenses, development prospects, industry and market forecasts, individual projects and other factors are forward-looking statements, i.e. they are not established facts.

The forward-looking statements which the Group may make from time to time (but which are not included in this document) may also contain planned or expected data on revenue, profits (losses), dividends and other financial indicators and ratios. The words «intends», «aims», «projects», «expects», «estimates», «plans», «believes», «assumes», «may», «should», «will», «will continue» and similar expressions usually indicate forward-looking statements. However, this is not the only way to denote the forward-looking character of information.

Due to their specific nature, forward-looking statements are associated with inherent risk and uncertainty, both general and specific, and there is the danger that assumptions, forecasts and other forward-looking statements will not actually come to pass. In light of these risks, uncertainties and assumptions, the Group cautions that, owing to the influence of a wide range of material factors, actual results may differ from those indicated, directly or indirectly, in the forward-looking statements, which are only valid as at the time of preparation of this Annual Report. NCSP Group neither affirms nor guarantees that the performance results set forth in the forward-looking statements will be achieved.

The Group accepts no liability for losses which may be incurred by individuals or legal entities who act on the basis of the forward-looking statements. In each particular case, the forward-looking statements represent only one of many possible development scenarios, and should not be seen as the most probable. Except in those cases directly stipulated by applicable legislation and the Listing Rules of the UK Listing Authority, the Group assumes no obligation to publish updates and amendments to the forward-looking statements to reflect new information or subsequent events.

Source of operating data and certain financial information

Operating data and certain financial information (e.g. cargo turnover analysis, storage volumes, capacities, EBITDA and number of personnel) used in this Annual financial report and are based on the Group management accounting data which is subject to the management judgment and presentation.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables and charts in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Abbreviations

PJSC NCSP – Public Joint Stock Company Novorossiysk Commercial Sea Port
OJSC NLE – Open Joint Stock Company Novoroslesexport
PJSC NGT – Public Joint Stock Company Novorossiysk Grain Terminal
OJSC IPP – Open Joint Stock Company IPP
OJSC Novorossiysk Shipyard – Open Joint Stock Company Novorossiysk Shipyard
PJSC Fleet NCSP - Public Joint Stock Company Fleet Novorossiysk Commercial Sea Port
LLC Baltic Stevedore Company – Limited Liability Company Baltic Stevedore Company
LLC PTP - Limited Liability Company Primorsk Trade Port
CJSC Sovfracht-Primorsk – Closed Joint Stock Company Sovfracht-Primorsk
LLC NFT - LLC Novorossiysk Fuel Oil Terminal
\$ – US dollar

New executive team – a year at the helm

New management team

NCSP Group opened a new chapter in its history in 2011, as the controlling stake in the Company was acquired by – OJSC AK Transneft and Ziyavudin Magomedov. Major changes were made in the Group's management composition. A new management team with a broad experience, including international, took the helm. The new team is determined to turn NCSP Group into Russia's largest and Europe's leading port operator, with an emphasis on long-term growth of shareholder value.



Rado Antolovic

Acting CEO of PJSC NCSP

Rado Antolovic is a highly qualified professional in marine transport. He has been working in the port industry since 1976, and has been managing container terminals since 1997. In 2009-2010 he was managing director of CSCT Romania, the largest container terminal on the Black Sea; from 2005 he worked at DP World Group, one of the world's largest port operators.

Mr. Antolovic graduated from the Edward Kordeli University in Ljubljana with a specialization in marine engineering, and later earned a bachelor's degree in transport at Sydney University. In 2008-2010 he earned an MBA at Macquarie University in Sydney and completed the Terminal Business Management program at the DP World Institute.

In April 2011- April 2012 Rado Antolovic was deputy CEO of PJSC NCSP for marketing and sales.



Marat Shaydaev

First Deputy CEO

Marat Shaydaev handled operational management at Summa Group in 2009-2011. In 2005-2009, he was head of CJSC Trans Flot, where he ran the management company of the Primorsk Port in Leningrad Region and oversaw the construction of the oil and oil products terminals at the port.



Yury Matvienko

Executive Director

Yury Matvienko is one of the most experienced managers in Russia's port industry. He was general director of LLC BaltTransService in 2009-2011. In 2005-2009 he was general director of LLC Primorsk Trade Port, and in 2003-2005 he was first deputy general director and then general director of CJSC Sea Port Service.



Petr Maximov

Deputy CEO for Legal and Corporate Affairs

Petr Maximov is a specialist in mergers and acquisitions, cross-border M&A transactions and corporate governance. He has steered the acquisition and sale of a number of major assets in Russia and abroad. Mr. Maximov has experience working at a number of leading international law firms: Milbank, Tweed, Hadley&McCloy, Coudert Brothers, Debevoise&Plimpton and Squire, Sanders&Dempsey. In 2004-2005 he headed the legal department at investment firm Coalco AG and served on the board of mining company OJSC Mikhailovsky GOK, and from 2005 he was director of corporate assets and headed the legal department at investment group EastOne (Interpipe).

Mr. Maximov graduated with honors from Moscow State University with a specialization in law, and earned an LL.M degree at Columbia Law School in New York.

German Kachan

Chief Accountant

Has been NCSP's Chief Accountant since 2005. Mr. Kachan served as NCSP's Accountant from 1999 until 2004 and as the First Deputy of the Chief Accountant until 2005. Mr. Kachan graduated from Minsk Radio Technical Institute with a specialisation in semi-conductors and dielectrics and from Kabardino-Balkarsky State University with a degree in auditing and accounting.



Andrey Bubnov

Deputy CEO for Finance and Economics

Andrey Bubnov joined NCSP in May 2011. Starting from 2003, Mr. Bubnov held various positions at Morgan Stanley, including head of fixed income capital markets in Moscow. He has led projects to raise debt and equity financing for leading Russian and international companies, and provided advisory services on capital structure, ratings and derivatives.

Andrey Bubnov has considerable experience working with NCSP as a financial adviser. He was involved in the process of obtaining credit ratings and placing Eurobonds, as well as the Group's IPO preparations, and led the process of soliciting consent from the Company's bondholders as part of the acquisition of PTP.

Sergey Kireev

Deputy CEO for Development

For the past four years Sergey Kireev headed various companies affiliated with Transneft: CJSC Transneft Service, LLC Transneft Service and LLC Transneft Terminal. In 1994-2007, he held various executive positions, including director of Eurasia Bunker, general director of CJSC Aquatrade, and general director of LLC Yug Trans Oil in Moscow. Over the course of his career, Mr. Kireev has executed dozens of various projects, and has done a great deal to promote the development of marine port services.



Mikhail Sidorov

Deputy CEO for Internal Communications and Public Relations

Mikhail Sidorov joined NCSP Group in 2011. In 2009, he became director of public relations at Summa Capital, where he led projects such as information support for the opening of the State Academic Bolshoi Theater of Russia.

In 2006-2009, Mr. Sidorov held various positions at Russian communications holding IMA Group, where he was responsible for developing and implementing national media campaigns for major private and state companies, as well as government agencies. He has strong experience implementing information and advertising campaigns in Russia and abroad. He has been involved in providing information support for major projects such as the rebranding of VTB, priority national projects for Education and Revival of the Agribusiness Sector, and the promotion of Russia's image in European countries.

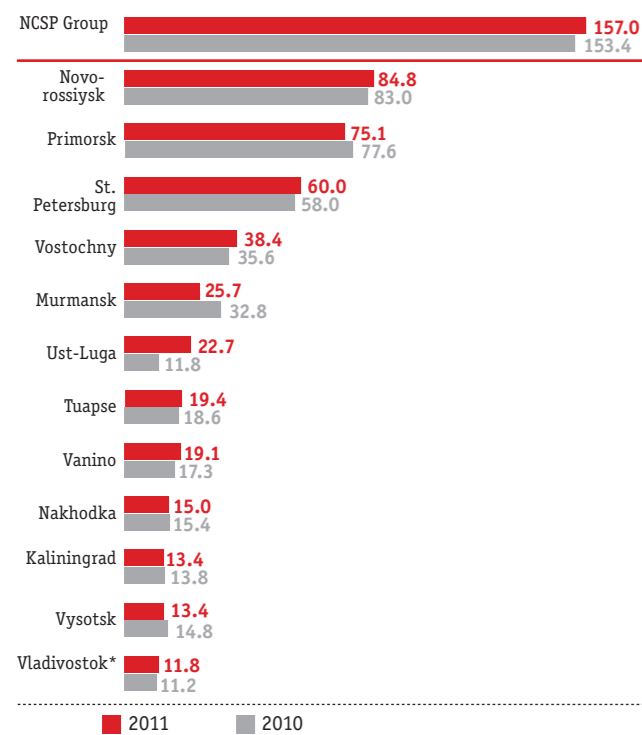
Strengthening leading positions on the stevedoring services market

NCSP Group is one of the largest European providers of stevedoring and port services. The Group is the third largest port operator in Europe by cargo turnover, and the undisputed leader in the Russian market.

In 2011, the Group strengthened its market positions by completing the acquisition of Primorsk Trade Port (PTP), the largest and most advanced oil terminal in Russia and the country's second largest port by cargo turnover after Novorossiysk itself. As a result of the deal, the Group not only became the owner of two of the country's key port assets, but also significantly expanded geographic diversification of its business, while simultaneously setting the stage for future growth in the Baltic Sea.

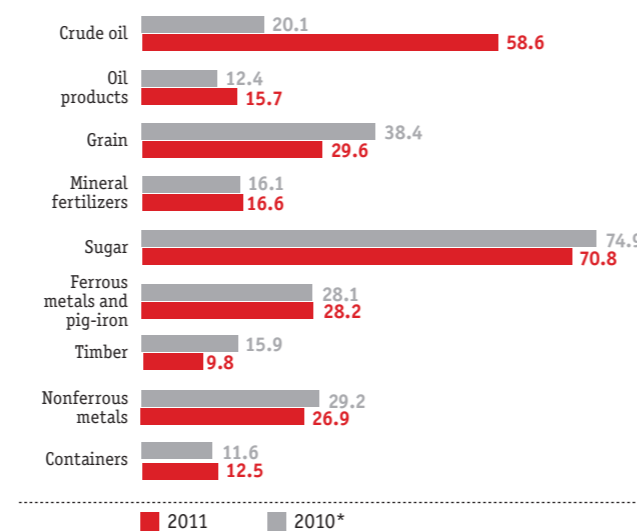
The Group accounts for 29.3% of all cargo turnover through Russian seaports. The Company exceeded the country's second largest port by turnover, the Big Port of St. Petersburg, by nearly three times in 2011. The Company holds leading positions in transfer of crude oil (58.6% of total), sugar (70.8%), grain (29.6%), oil products (15.7%), ferrous metals (28.2%) and nonferrous metals (26.9%).

Largest Russian Seaports by Cargo Turnover in 2011, mln tonnes



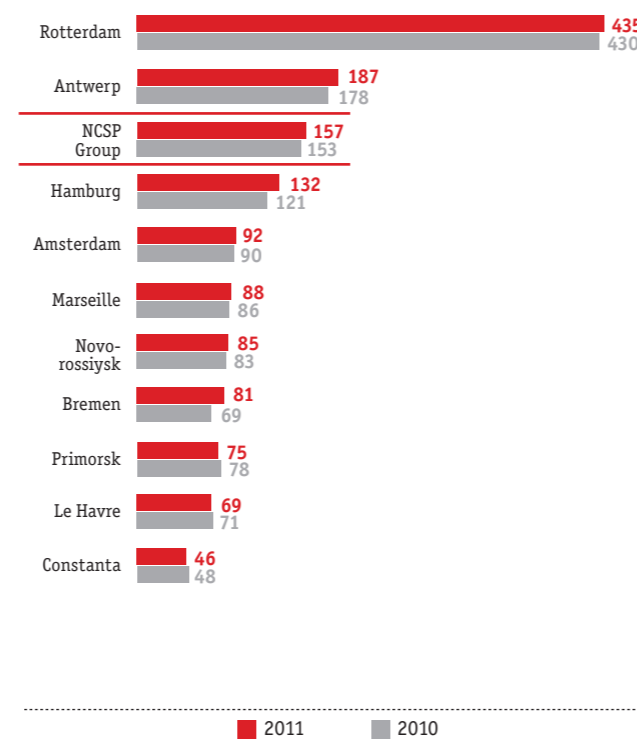
* - Not including Poset.
Source: Association of Commercial Seaports.

Change in NCSP Group share of cargo turnover through Russian seaports, %



* - Not including PTP
Source: NCSP Group and the Association of Commercial Seaports

Largest European Seaports by Cargo Turnover in 2011, mln tonnes



Source: ports figures.

Geographic expansion

Acquisition of PTP enabled the Group to dramatically expand the scale of its business, increase geographic diversification and become the port industry leader in two key regions of Russia – the Northwest and the South.

The Company's subsidiaries are located in Krasnodar Territory (Novorossiysk), Kaliningrad Region (Baltiysk) and Leningrad Region (Primorsk).

The port in Novorossiysk, which is a key gateway for Russian import and export cargo, handles about 52% of the Group's cargo turnover. NCSP Group accounts for 96% of the combined cargo turnover of stevedoring companies operating in Novorossiysk.

The port in Novorossiysk, which is a key gateway for Russian import and export cargo, handles about

52%

of the Group's cargo turnover. NCSP Group accounts for

96%

of the combined cargo turnover of stevedoring companies operating in Novorossiysk.

Novorossiysk Port

is located in the eastern part of the Black Sea, in the Novorossiysk (Tsemes) Bay.

Competitive advantages of Novorossiysk Port:

- *Good location.* The port lies at the crossroads of international transport corridors that connect Russia to the Mediterranean Sea, the Middle East, Africa, South and Southeast Asia, and North and South America
- *The only deepwater port in southern Russia.* NCSP Group operates the deepest berths in the CIS and the Baltic region: the maximum depth is 24,5 meters at oil loading terminal and 14.5 meters at berths for transshipment of bulk, general and container cargo
- *Favorable natural conditions.* Ice-free Tsemes Bay allows year-round operations, and the port's system of seawalls and breakwaters provides sufficient protection for port facilities, minimizing downtime due to weather conditions
- *Ample covered and open storage facilities*
- *State-of-the-art handling equipment*
- *Own fleet*
- *Extensive road, rail and pipeline infrastructure*
- *Assets flexible to enable timely response to shifts in trends on the Russian and global shipping markets*

Primorsk Port

is located on the mainland coast of the Bjerkesund Strait on the Gulf of Finland in the Baltic Sea.

Competitive advantages of Primorsk Port:

- *Largest port for handling crude oil and oil products in the Russia's Northwest.* The port is the end point of the Baltic Pipeline System that transports oil from fields in the Timan-Pechora, Western Siberia and Volga-Urals regions of Russia
- *A modern and promising transport hub in the Russia's Northwest.* The port was built in 2001-2005 and therefore does not require major expenditures on capital repairs and upgrades
- *Good location.* The port is close to Western and Northern Europe, at the crossroads of European foreign trade and transit cargo shipments
- *Favorable natural conditions* allow year-round operations of the port and shipping with a short period of ice channeling
- *Natural depth.* Maximum depth at berths is 17.8 meters
- *Own fleet*

Baltiysk Port

is located on the Strait of Baltiysk, connecting the Gulf of Kaliningrad (Vislin) with the Baltic Sea, at the entrance to the Kaliningrad Sea Canal, which provides access from the Baltic Sea to the Kaliningrad Seaport.

Competitive advantages of Baltiysk Port:

- *Good location.* The port is located in the center of the Baltic Sea, close to Western and Northern Europe
- *Natural depth.* The port is located at the entrance to the Kaliningrad Sea Canal, in its deepwater section, which enables it to accommodate large ships with a draft of up to 9.2 meters
- *Favorable natural conditions.* The ice-free waters allow year-round operation of the port. Unlike the port of Kaliningrad, Baltiysk's access to the open sea provides favorable navigation conditions for liner traffic, as it eliminates the need for pilot- ing ships through the Kaliningrad Sea Canal
- *Ample storage facilities*
- *Developed transport infrastructure.* The port has a developed network of transport links with the European part of Russia and countries in Central and Eastern Europe, including the ability to ship cargo by railroad with Russian and European gage. A direct road link to Kaliningrad significantly accelerates cargo delivery.

NCSP Group

No 1

PORT OPERATOR
IN RUSSIA

157

MLN TONNES CARGO
TURNOVER IN 2011

\$1,049.5

MLN REVENUE IN 2011



LLC PTP

> p 55

Oil,
Oil products.



75,124.8

Cargo Turnover
in 2011

47.9%

of the Group's
cargo turnover



LLC BSC

> p 55

Containers.



834.7

Cargo Turnover
in 2011

0.5%

of the Group's
cargo turnover

PJSC NCSP Fleet

> p 55

Towing services,
Bunkering services

**Bunkering –
477,400**

tonnes

**Towing
services –
515.8**

mln m³

OJSC NSRZ

> p 55

Metals,
Ship repair,
Cement,
Other.

2,143.9

Cargo Turnover
in 2011



1.4%

of the Group's
cargo turnover

PJSC NCSP

> p 55

Liquid cargo,
Bulk cargo,
General cargo,
Containers.

65,796.4*

Cargo Turnover
in 2011



41.9%

of the Group's
cargo turnover

PJSC NGT

> p 55

Grain.

3,318.5

Cargo Turnover
in 2011



2.1%

of the Group's
cargo turnover

OJSC IPP

> p 55

Oil products,
Liquid fertilizers.

5 990.3

Cargo Turnover
in 2011



3.8%

of the Group's
cargo turnover

OJSC NLE

> p 55

Timber cargo,
Containers.

3,486.9

Cargo Turnover
in 2011



2.2%

of the Group's
cargo turnover



* - Not including data for IPP and NGT, which use NCSP dock infrastructure.

Novorossiysk at the Crossroads of International Transport Routes

Main container lines served by NCSP Group:

- Mediterranean Shipping Company is one of the world's largest container lines. Novorossiysk is in the rotation of two MSC services:
 - A) Egypt & Israel to Turkey and Russia service (Alexandria - Ashdod - Novorossiysk);
 - B) Tyrrhenian//Turkey line (Naples - Genoa - La Spezia - Gioia Tauro - Gebze - Gemlik - Istanbul - Novorossiysk)
- Baltiysk is in the rotation of one MSC service: Antwerp - Bremerhaven - Baltiysk - Rauma - Antwerp
- Maersk is one of the world's leading container lines. Baltiysk is in the rotation of the following service: Bremerhaven - Baltiysk - Gdansk - Kotka - Bremerhaven
- ARKAS is a Turkish line that sails between ports in the Black and the Mediterranean seas. Novorossiysk is in the rotation of the East Med - Russia Express service, which calls on the ports of Novorossiysk, Marport, Alexandria, Mersin, Izmir and Evyap.
- ZIM Integrated Shipping & Services is an Israeli container line. Novorossiysk is in the rotation of the ocean service linking ports in Southeast Asia and Novorossiysk. Containers on this route are carried by vessels with capacity of up to 4250 TEU (ports of call: Shanghai (Sh) - Ningbo (Zj) - Shenzhen-Da Cha - Port Kelang - Colombo - Haifa - Ambarli - Istan - Novorossiysk - Constanta - Gemlik - Ambarli - Istan - Haifa - Mundra - Colombo - Port Kelang - Pusan).
- Grand Alliance (OOCL, NYK Line, Hapag Lloyd) and China Shipping are major container lines that provide container cargo delivery services to Novorossiysk on the ships of ZIM Integrated Shipping & Services.

Distance from Novorossiysk to certain world seaports, nautical miles



Success in 2011

Strong growth of cargo turnover

NCSP Group demonstrated strong operating results in 2011. Thanks to the efforts of the new management team, the key indicators exceeded the industry average. Cargo turnover increased by 2.3%, as opposed to 1.8% at Russian seaports overall.

Under the new management team, the Company managed to successfully tackle challenges such as global economic and political instability, as well as the ban on grain exports from Russia that was in effect from August 2010 until July 2011. Growth of container handling, which represented 29.3%, and the record performance of the Group's grain handling facilities in the second half of 2011 played a key role in this.

Cargo turnover increased by

2.3%

as opposed to

1.8%

at Russian seaports overall.

Growth of container represented

29.3%

as opposed to

19.8%

at Russian seaports overall

The Group also managed to maintain stable oil transshipment volumes amid a general reduction in Russian oil exports, and increase of oil products and iron ore turnover in the face of competition.

With the acquisition of Primorsk Trade Port the share of crude oil in NCSP Group's cargo turnover jumped to 72.2% in 2011. Transshipment of oil is the foundation of the Company's stable operations which supports investments in the development of other areas of business.

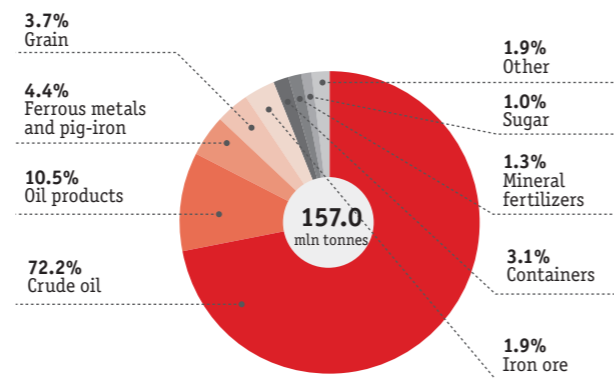
NCSP Group cargo turnover in comparison with cargo turnover through Russian seaports, mln tonnes



* Including PTP.

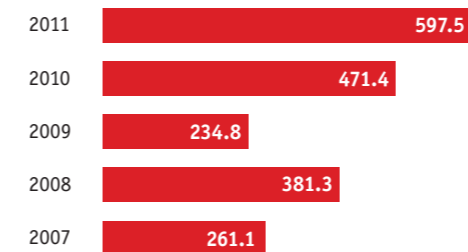
Source: NCSP Group data, Association of Commercial Seaports

NCSP Group Cargo Turnover Structure in 2011



Source: NCSP Group data.

NCSP Group Container Cargo Turnover, thousand TEU



Source: NCSP Group data.

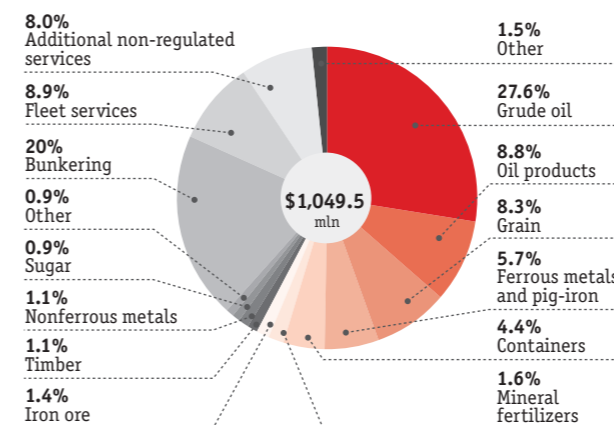
Strong financial results

NCSP Group's consolidated revenue totaled \$1.05 billion in 2011. This represents a \$414 million or a 65.2% increase compared to 2010 (\$635.3 million). Factors that had the greatest impact on revenue growth:

- Consolidation of LLC Primorsk Trade Port (PTP)
- Growth of bunkering operations and prices for bunker fuel in Novorossiysk.

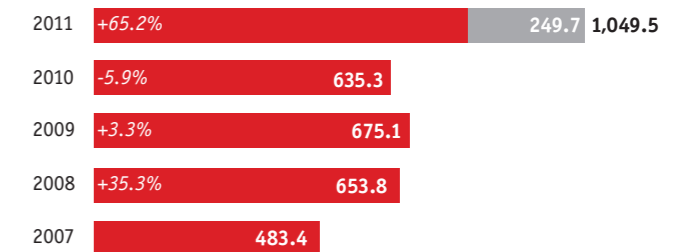
Revenue from stevedoring services increased by 73.3% to \$857.4 million in 2011. The main contribution to revenue growth from stevedoring services came from crude oil handling (by \$182.4* million or 31.6%*), and from oil products (by \$22.2* million or 31.6%*), both primarily due to the consolidation of PTP.

NCSP Group revenue by type of cargo and service in 2011*



Source: NCSP Group data.

Revenue of NCSP Group, \$mln



Source: NCSP Group data.

NCSP Group's consolidated revenue totaled

\$1.05

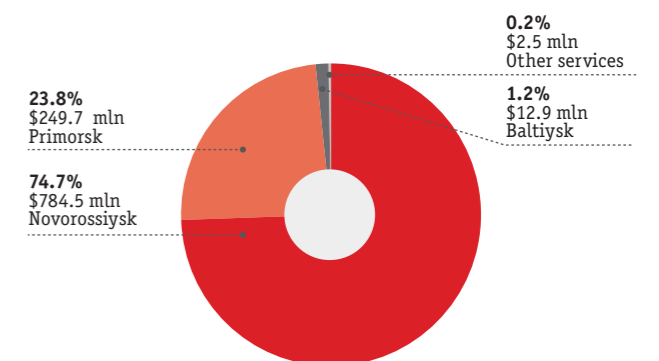
billion in 2011.

Revenue from stevedoring services increased by

73.3%

to \$857.4 million in 2011.

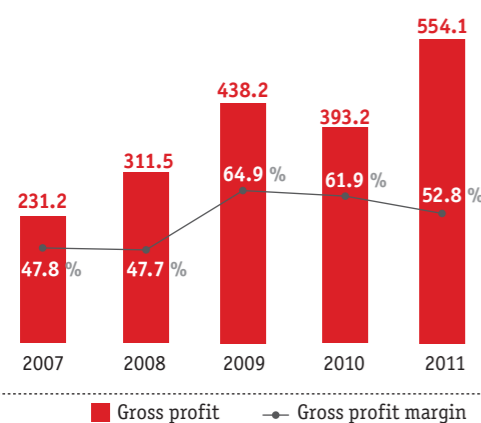
Geographic breakdown of NCSP Group revenue



Source: NCSP Group data.

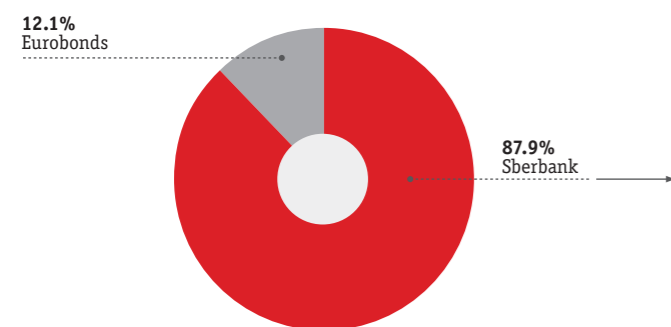
* - The amount is either a non-IFRS measure or according to management reporting data.

Gross profit of NCSP Group, \$mln



Source: NCSP Group data.

NCSP Group credit portfolio on December 31, 2011

* PTP loans received prior to the company's acquisition
Source: NCSP Group data.

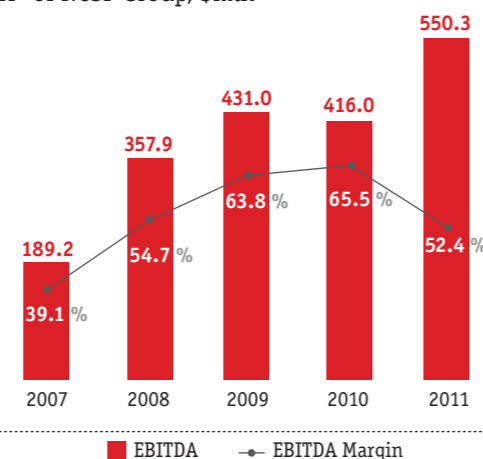
The Group's EBITDA increased by 32.3%* to \$550.3* million in 2011, resulting in an EBITDA margin of 52.4%*. EBITDA margin net of bunkering operations amounted to 64.8%*.

EBITDA marginality significantly increased during the course of the year from 49.2%* in the first half to 55.3%* in the second half of 2011.

The Group's debt increased at the beginning of 2011 due to financing of the acquisition of PTP and its consolidation. On 21 January 2011, NCSP raised a loan in the amount of \$1,950,000 from Sberbank.

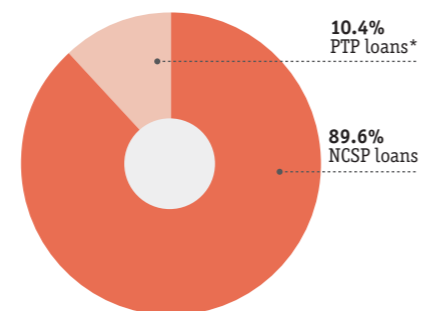
In November 2010, PTP entered into two loan agreements with Sberbank under a new credit line to be used for the acquisition of Sovfracht-Primorsk

EBITDA* of NCSP Group, \$mln



Source: NCSP Group data.

NCSP Group credit portfolio on December 31, 2011

* PTP loans received prior to the company's acquisition
Source: NCSP Group data.

in the amount of \$349 million and for financing and refinancing costs associated with the construction of a bunkering complex in the amount of \$13 million.

As a result, the Group's total debt at the end of the first quarter of 2011 reached \$2.632 billion, and net debt reached \$2.588 billion. In the subsequent three quarters, the Group steadily reduced the debt, and by the end of the year the total debt had shrunk to \$2.506 billion and net debt had dropped to \$2.379 million.

Over the course of the year the Group steadily improved the key leverage indicators. The net debt/EBITDA ratio (for the preceding 12 months) dropped from 6.3 at the end of the first quarter of 2011 to 4.3 at the end of the year, giving the Group sufficient room under the loan covenants.

* - The amount is either a non-IFRS measure or according to management reporting data.

New team – new strategy

The NCSP Group Development Strategy to 2020 drafted by the new management team will seek to turn NCSP into Russia's largest and Europe's leading port operator, with an emphasis on long-term growth of shareholder value.

Objectives

- To become the most effective port operator in Russia
- To strengthen the Group's positions as the largest port-logistics company in Russia and one of the largest in the world
- NCSP is the etalon in terms of quality of services, advanced technologies integration, as well as in social and ecological responsibility
- Growth of capitalization of the company

Tasks

- To ensure equal access to the Port infrastructure for all freight forwarders
- To achieve maximum efficiency of current assets
- Cargo turnover growth
- To ensure high rate of return on investments
- Attracting and retaining professional personnel
- Partnership with key clients based on mutual trust and long-term cooperation
- Strict adherence to best corporate governance principles
- Responsibility and initiative in respect of health, safety and environment
- Social and economic prosperity in regions of presence

Elements of Strategy

- Transition from specialization of stevedoring companies to specialization by production area
- Focus on fast-growing high-profitable cargoes while retaining universal nature of the assets
- New terminals
- Investments in new technologies development, production processes improvement

NCSP Group's strategy for 2011-2020 consists of three successive stages

- Short-term strategy (2011-2012). Increasing the operational efficiency of existing assets
- Medium-term strategy (2012-2015). Capital investment in infrastructure, as a prerequisite for modernization of cargo transshipment technology
- Long-term strategy (2015-2020). Development of terminal specialization for handling containers, oil products and bulk cargo

Investment program: best of the old plus new objectives

NCSP Group's investment program has two aspects:

I. Continuity

The Group is continuing to implement the investment program that was adopted by the previous team, which made an emphasis on construction of new terminals (Terminal A of the Sheskhari Oil Terminal, Novorossiysk Fuel Oil Terminal, BSC). As of the end of 2011, \$416 million of the planned \$538 million had been invested. The program will expand the Group's capacity by 5.5 million-20.5 million tonnes and 238,000 TEU.

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\$538

million had been invested

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NCSP Group investment projects approved and in progress

Project	Construction period		Investments (\$ mln)	Invested to date (\$ mln)	Additional Capacity
	Start	End			
Novorossiysk					
Reconstruction of Sheskhari Oil Terminal	2006	2013	145.7	113.8	up to 15 mln tonnes
Construction of Fuel Oil Terminal ¹	April 2010	Q1 2012	173.6	153.0	+4 mln tonnes
Pier 4 reconstruction	April 2010	Q1 2012	50.0	47.1	
Bunkering terminal expansion at IPP	Feb. 2012	Sept. 2012	2.2	0.2	+96 thousand tonnes
IPP reconstruction, storage facilities replacement	Sept. 2010	Q4 2012	18.3	5.0	+1 mln tonnes
Primorsk, Baltiysk					
Bunkering complex (Primorsk)	March 2010	Q1 2012	61.0	55.8	+410 thousand tonnes
Container terminal (Baltiysk)	Jan. 2010	Q4 2013	87.5	40.8	+238.0 ² thousand TEU
Total			538.3	415.7	+5.5-20.5 mln tonnes +238.0 thousand TEU

1 - NCSP Group's stake in the project is 50%.

2 - The cost of building the greenfield terminal is \$87.5 million. Actual transshipments in 2011 totaled 162,000 TEU. The remaining \$46.7 million of investment will be needed to bring the volume to 400,000 TEU

Source: NCSP Group data.

II. New objectives

NCSP Group's new development strategy calls for transition from specialization by stevedoring company to specialization by production area, with a focus on high-margin cargo.

The development of the container business will remain one of the Company's priorities. The Group also plans to

strengthen its positions on the grain and iron ore markets, which are expected to grow in the next few years. The Company plans to transform Primorsk Trade Port from an oil port into a universal port with the construction of terminals to handle cargo delivered by railroad.

Projects under NCSP Group's new development strategy

Project	Construction period		Investments (\$ mln)	Additional Capacity
	Start	End		
Construction of specialized container terminal on the basis of NLE facilities	2012	2014	207.1	+ 500 thousand TEU (including modernization of current NLE and Port infrastructure)
Grain terminal expansion	2012 ¹	2014	52.9	+ 2 mln tons
Container terminal construction (Novorossiysk), NCSP	2015	2018	350.0	+ 530 thousand TEU
Construction of terminal for iron ore and ore concentrate /coal transshipment (Novorossiysk)	2015	2016	250.0-290.0	+ 12 mln tons of iron ore and ore concentrate
Modernizing equipment at NSRZ and Western Area of NCSP	2013	2016	30.0-40.0	Required for maintaining current levels of handling volumes and for increasing revenues
Construction of terminal/s to handle containers, general and bulk cargo. Development of railroad infrastructure (Primorsk)			Under consideration	+ 11 mln tons + 1.0 – 1.2 mln TEU
Construction of oil transshipment terminal (Primorsk)			138.0	+ 22 mln tons
Acquisition of land for further development			30.0-40.0	
Total			1.058 – 1.118	+ 2.03 – 2.23 mln TEU + 47 mln tons

1 -Project subject to technical audit.

Source: NCSP Group data

Contents



20	Message from the Chairman of the Board	41	Investment Program
21	Message from the Acting Chief Executive Officer	44	NCSP Group Assets
22	Management Report	64	Corporate Governance
22	Highlights	72	Shareholder Equity and Securities
25	Russia's Stevedoring Services Market and NCSP Group's Position in the Industry	74	Social Responsibility
28	Operating Results	78	Environmental Protection
34	Financial Results	81	Consolidated Financial Statements
40	NCSP Group Strategy and Future Growth	117	Contact Information

MESSAGE FROM THE CHAIRMAN OF THE BOARD



Ziyavudin Magomedov
The Chairman of the Board

Ladies and gentlemen!

NCSP Group began 2011 with the largest and perhaps most promising deal in its history. The Group bought Primorsk Trade Port, the largest and most advanced oil terminal in the country. This acquisition brought the Group another step closer to its strategic objective of becoming an efficient and diversified operator of port assets in Russia and securing its position as one of the largest logistics companies in Europe.

As a result of the deal, the Group's business expanded far beyond Novorossiysk, and revenue for the year topped \$1 billion for the first time ever.

The new shareholders are intent on the rapid development of the business, increasing its efficiency and growing the shareholder value. Almost entire management team was replaced in the course of the year with top professionals with a wealth of experience, including international, joining the Group. An important development was the recruitment of Rado Antolovic, one of the most experienced professionals in the marine transport industry, and his subsequent appointment to the position of PJSC NCSP acting chief executive officer.

The new management team developed and presented a new long-term growth strategy for the Group that sets out the key objectives of its development in the period to 2020. The strategy calls for optimizing the Group's organizational structure, modernizing the infrastructure, and improving cargo processing technology, which should result in significant efficiency gains.

The Group's management reviewed the previous investment program in 2011. The updated investment program combines the most promising projects considered earlier with new projects that will enable the Group to focus on the most profitable and fastest growing areas of business. We expect that this will enable the company to expand the range of services it offers, increase the number of clients and grow the shareholder value.

The Group's cargo turnover grew faster than the market in 2011, which along with steps to

improve operational efficiency enabled it to increase revenue and EBITDA even before consolidating the results of Primorsk Trade Port. The Group also reduced its leverage in the course of the year.

The company continues to adhere to the principles of partnership with its minority shareholders. Despite implementing an ambitious investment program, the company continued to pay dividends. The Board recommended that shareholders approve dividends of 2.35 kopecks per share for 2011, which was higher than dividends for 2010 in both absolute and relative terms.

I am confident that the company's Board of Directors and management will be able to make the most of the new opportunities that have opened up for the Group, and that the expectations of shareholders who supported the merger of Russia's two largest and fastest growing ports will be fully realized.

MESSAGE FROM THE ACTING CHIEF EXECUTIVE OFFICER



Rado Antolovic
Acting Chief Executive Officer

Dear shareholders, colleagues and partners!

Last year was a time of extremely important and difficult events for NCSP Group. The company's business was affected by political and economic turmoil in countries that traditionally import goods through NCSP Group ports and the grain export ban that lasted during the first half of the year, but we can nonetheless say that the year was successful.

Thanks to the professional work of the new management team that joined the company in the course of 2011, as well as the high degree of business diversification, NCSP Group managed to strengthen its positions on the stevedoring services market and achieve strong operating results.

We successfully integrated PTP into the Group's corporate structure, which brought immediate results. NCSP Group's cargo turnover grew 2.3% last year, which exceeded the industry average, and reached 157 million tonnes. In terms of total cargo turnover, the Group secured its position as the undisputed leader in Russia and became the third largest in Europe. Our company handled almost 30% of all cargo turnover at Russian seaports last year.

The primary drivers of growth last year were transshipments of grain, container cargo and oil products. The Group achieved record grain turnover in the second half of 2011.

The Group's financial condition is improving. Revenue in 2011 exceeded one billion dollars for the first time in the Group's history, reaching \$1.05 billion, up 65 % from 2010. NCSP Group's EBITDA rose 32.3 % to \$550.3 million. It is also important to note that NCSP Group's revenue organic growth (not including PTP's contribution) measured 25.9 % last year.

The Group continues to maintain high operating margins, despite the fact that Federal Tariff Service's rates in Novorossiysk have not been reviewed since February 2010.

Despite the increased leverage due to the acquisition of Primorsk Trade Port, the company is meeting its debt obligations with sufficient headroom and plans to continue to gradually reduce leverage.

NCSP Group continued to implement the investment program that was approved by the former shareholders. Projects to build a fuel oil terminal in Novorossiysk and a bunkering facility in Primorsk were completed. By the end of 2011 the Group had invested \$416 million out of the \$538 million investment program.

Last year we created a Master Plan Strategy for the Development of NCSP Group to 2020. The long-term development strategy for the company calls for a transition from specialization by stevedoring company to specialization by production area. We plan to focus on fast growing, high-margin cargo, particularly containers, while maintaining the overall universal nature of assets, open new terminals, and invest in new technologies and improvement of operating processes.

One of the key objectives that PJSC NCSP's Board of Directors set for management was improving the living standards of the company's employees. With this aim in mind, we are working on developing and implementing a Unified Social Program for NCSP Group. Already in 2012, thanks to the optimization of the management structure, the company for the first time in five years began to index wages for operational staff by 10% to 30 %.

I would like to thank the Board of Directors for the confidence and support that they have demonstrated to the team, and I will make every effort to use my knowledge and experience to help implement NCSP Group's plans for continued growth.

Management Report

Highlights

“I hereby confirm that to the best of my knowledge this Management Report includes a fair review of the development and performance of the business and the position of PJSC NCSP and the undertakings included in the consolidation taken as a whole (NCSP Group), together with a description of the principal risks and uncertainties that the Group faces.”



Rado Antolovic

Acting CEO of PJSC NCSP

January 2011

NCSP closes deal to acquire LLC Primorsk Trade Port

NCSP Group on January 21, 2011 acquired 100% of LLC Primorsk Trade Port from Omirico Limited for \$2.153 million. The Group raised a seven-year loan of \$1.95 billion from Sberbank to finance the deal. The acquisition of Russia's second largest port by cargo turnover enabled the Company to diversify its geographic presence, reduce the volatility of cargo traffic and increase the stability of its business, and gain access to new markets and new opportunities for organic growth.

Marat Shaydaev appointed first deputy chief executive of PJSC NCSP

Marat Shaydaev was appointed first deputy chief executive of PJSC NCSP. Mr. Shaydaev was in charge of operational management at Summa Group in 2009-2011. In 2005-2009, he was head of CJSC Trans Flot, where he ran the management company of the Primorsk Port in Leningrad Region and oversaw the construction of the oil and oil products terminal at the port.

March 2011

PJSC NCSP completes buyback of shares

PJSC NCSP in the period from February 24 to March 2, 2011 bought back 516,686,496 of its own shares from shareholders at a price of 4.90 rubles per share for a total of 2,531,763,000 rubles. The shares were bought back under the Federal Law On Joint-stock Companies from shareholders who did not participate in voting or voted against the decision to approve the acquisition of LLC PTP.

PJSC NCSP elects new board of directors

PJSC NCSP shareholders at an extraordinary general meeting on March 25, 2011 elected a new Board of Directors that included representatives of OJSC AK Transneft, Summa Group, NCSP Group, the government and an independent director.

April 2011

Rado Antolovic appointed NCSP Group vice president

Rado Antolovic, one of the world's leading experts in marine transport, was appointed NCSP Group vice president for marketing, sales and development. Within the Group, Mr. Antolovic is responsible for increasing efficiency and strategic business development.

He is also be responsible for bringing in new clients, streamlining cargo traffic, development and implementation of new projects and integrated management of the investment program.

PJSC NCSP ends quotation on RTS

PJSC NCSP shares were removed from the RTS stock exchange's Quotation List B on April 26, 2011 and transferred to the category of securities admitted to trading without undergoing listing procedures in accordance with a company request filed earlier with the aim of concentrating liquidity on the Russian market.

New Board of PJSC NCSP elects chairman

The Board of Directors of PJSC NCSP on April 7, 2011 elected Ziyavudin Magomedov Chairman of the Board.

May 2011

Russian Federation exercised its right of a «golden share» in regard to PJSC NCSP

PJSC NCSP made amendments to the Charter of the Company based on Russian Government Decree No. 1343-r, dated August 12, 2010. These changes reflect the additional rights of the Russian Government under the concept of a “golden share”, including the right to appoint one government representative to the Board of Directors and the Audit Commission.

June 2011

New management begins working on NCSP Group long-term strategy

The new management team began to work on the Master Plan, the strategy for NCSP Group's long-term development. The new strategy was developed with input from international experts and business consultants, including McKinsey, Boston Consulting Group and Royal Haskoning.

Yury Matvienko appointed PJSC NCSP executive director

Yury Matvienko, one of the most experienced managers in Russia's port industry, was appointed executive director at PJSC NCSP.

PJSC NCSP holds annual general meeting of shareholders

The annual general meeting of PJSC NCSP shareholders voted on June 30, 2011 to pay dividends for 2010 in the amount of 0.023 rubles per share. The Company paid total dividends of 431.1 million rubles.

July 2011

Russia lifts ban on grain exports

The ban on grain exports from Russia was lifted on July 1, 2011. The ban was imposed on August 15, 2010 as a temporary measure to ease domestic grain shortages resulting from drought in most of the country.

Federal Property Agency official, deputy transport minister join PJSC NCSP Board

The deputy head of the Federal Property Management Agency, Pavel Potapov joined the Board of Directors of PJSC NCSP, and Deputy Transport Minister Viktor Olersky was appointed to the PJSC NCSP Board of Directors as a representative of the government by right of the golden share.

Summa Group Chairman Ziyavudin Magomedov, LLC Primorsk Trade Port General Director Boris Tikhonenko, OJSC Transneft Senior Vice President Mikhail Arustamov, Transneft legal department director Vitaly Kisenko and VTB Capital President Yury Soloviev retained their seats on the Board.

August 2011

Ziyavudin Magomedov reelected chairman of PJSC NCSP Board

The Board of Directors of PJSC NCSP on August 11, 2011 elected Ziyavudin Magomedov as Chairman of the Company's Board of Directors. The Board confirmed Yury Matvienko as executive director of PJSC NCSP.

September 2011

Novorossiysk Fuel Oil Terminal releases results of independent environmental audit

A presentation was held on September 14, 2011 for the results of an independent environmental audit of the Novorossiysk Fuel Oil Terminal that was conducted by order of the Krasnodar Territory Administration in execution of an order from Russian President Dmitry Medvedev.

The report from environmental auditor A. Shmal, deputy chairman of the board at the Environmental Audit Chamber and member of the Russian Academy of Natural Sciences, showed that Novorossiysk Fuel Oil Terminal complies with the standards and rules established by Russian legislation in regard to environmental and industrial safety.

PJSC NCSP Board completes formation of Group's new management team

The PJSC NCSP Board of Directors on September 14, 2011 confirmed Deputy CEO for Marketing and Sales Rado Antolovic; Deputy CEO for Finance and Economics Andrey Bubnov; Deputy CEO for Legal and Corporate Affairs Petr Maximov; Deputy CEO for Development Sergey Kireev; and Deputy CEO for Internal Communications and Public Relations Mikhail Sidorov.

October 2011

IPP general director appointed

IPP shareholders, at an extraordinary general meeting on October 26, 2011, appointed Nikolai Darma general director of IPP. Mr. Darma formerly held the position of acting general director.

November 2011

PJSC NCSP begins loading capesize bulk carriers

PJSC NCSP on November 4, 2011 completed loading its first capesize bulk carrier with iron ore concentrate from Russian miner OJSC Lebedinsky GOK for export to China. The ship Nord Pisces, with capacity of 114,500 tonnes (built in 2010), was loaded at the fifth berth of NCSP's Eastern Pier. Work with capesize vessels opens new opportunities for the Group to strengthen its position on the market for transshipment of iron ore products.

Public hearings held at LLC Novorossiysk Fuel Oil Terminal

The Novorossiysk City Duma, in compliance with an order from President Dmitry Medvedev, held public hearings on November 8, 2011 on the environmental risks of the project to build a fuel oil terminal in Novorossiysk. The hearings were attended by city residents, representatives of public and environmental organizations, and representatives of the municipal and regional administrations.

NCSP Group named most profitable transport company in Southern Russia Federal District in 2010 by the magazine Expert Yug.

The selection of the largest companies is determined by the Expert Yug-250 annual ranking of the largest companies in Southern Russia, which Expert Yug has been compiling since 2007 according to the methods

of rating agency Expert RA, affirmed by PricewaterhouseCoopers Audit.

December 2011

NCSP Group begins work on registering PJSC NCSP bond program totaling 18 bln rubles

The total face value of PJSC NCSP's program of ruble bonds will be 18 billion rubles. The Group decided on a program of this size to give the Company maximum flexibility in future decisions on the placement of tranches. The decision on the placement of each tranche will be made depending on PJSC NCSP's specific requirements.

The ruble bonds will be placed within the context of the Company's strategy to diversify available sources of financing.

NCSP Group reorganizes Moscow office

NCSP Group reorganized its Moscow office in November-December 2011, downsizing middle level management by 50% and improving the quality of asset management by transferring a number of top managers to regions.

Subsequent events

January 2012

NCSP Group cargo turnover grows 6.9% in January despite bad weather in Novorossiysk

Weather conditions in Novorossiysk had a significant impact on the Group's results in January. There were eight storm warnings in the month lasting a total of more than 12 days. Such weather conditions had not been seen since December 1997.

However, despite the bad weather, NCSP Group's team managed to increase cargo turnover by 6.9% year-on-year to 13.8 million tonnes in January 2012.

NGT shareholders confirm general director

An extraordinary general meeting of Novorossiysk Grain Terminal shareholders on January 23, 2012 confirmed Igor Andreev as general director of the company.

NLE shareholders confirm general director

An extraordinary general meeting of Novorossiysk export shareholders on January 25, 2012 confirmed Albert Likholet as general director of the company.

February 2012

PJSC NCSP completes conversion of treasury shares into GDRs

PJSC NCSP completed conversion of the Company's 2.68% of treasury shares into Global Depository Receipts. The conversion was carried out within the context of the existing GDR program on the basis of a decision made by the Company's Board of Directors on February 17, 2012.

NCSP Group streamlines organizational structure of management

NCSP Group in December 2011 – February 2012 reduced the number of management layers and personnel in order to improve efficiency. It also established clear vertical and lateral communication to ensure effective communications, planning, an optimal decision making process and timely control over results.

NCSP Group begins audit of infrastructure

dit of its infrastructure in order to identify investment priorities and maximize returns on investment aimed at maintaining uninterrupted support of operations and growth by bringing additional cargo traffic to Novorossiysk, Primorsk and Kaliningrad. The audit will include an assessment of the energy security of operations and the possibility of introducing additional sources of power supply.

NCSP Group's cargo turnover grows 3 times faster than market in Jan-Feb 2012

NCSP Group's combined cargo turnover grew 15% year-on-year to 26.9 million tonnes in January-February 2012, nearly three times faster than the average rate of growth in the industry as a whole.

In the face of extreme weather conditions, the Company managed to maintain growth of cargo turnover in both Novorossiysk and Primorsk. Average daily cargo turnover in February 2012 was up 20% from a year earlier.

The operating results for the first months of 2012 demonstrate the Company's improved operational efficiency.

Novorossiysk Ship Repair Yard appoints general director

The shareholders of Novorossiysk Ship Repair Yard appointed Alexander Brezhnev general director of the company. He was formerly acting general director.

March 2012

NCSP Fleet shareholders elect general director

NCSP Fleet shareholders at an extraordinary general meeting on February 9, 2012 elected Alexander Ovodovsky general director of the company. He was formerly acting general director of NCSP Fleet.

PJSC NCSP Board approves ruble bond program

PJSC NCSP's Board of Directors on March 4, 2012 approved a ruble bond program consisting of five series. The size of bond series BO-01, BO-02, BO-03, BO-04 and BO-05 is 5 billion rubles, 4 billion rubles, 4 billion rubles, 3 billion rubles and 2 billion rubles, respectively.

Expanding the range of credit instruments available to PJSC NCSP will enable the Company to balance its credit portfolio in the future.

Reorganization of PJSC NCSP operations management sets stage for record productivity

PJSC NCSP began reorganization of its operations management in March 2012 to eliminate overlapping functions among management, and improve efficiency and quality of customer service. As a result, the Company can now quickly redistribute human resources and more flexibly manage cargo traffic when warehousing goods and berthing vessels.

The restructuring of operations management had an almost immediate effect: on March 9 PJSC NCSP achieved record daily productivity, handling 123,000 tonnes of cargo (not including oil and oil products).

PJSC NCSP shareholders elect Board of Directors

PJSC NCSP shareholders at an extraordinary general meeting on March 5, 2012 elected a new Board of Directors: Mikhail Barkov, Alexander Vinokurov, Yevgeny Gavrilin, Maxim Grishanin, Ziyavudin Magomedov and Marat Shaydaev.

Master Plan presentation of NCSP Group Development Strategy to 2020

NCSP Group held its first ever Analyst Day on March 13, 2012, when it presented a long-term strategy for the Group's development that is aimed at transforming NCSP into Russia's largest and Europe's leading port operator, with an emphasis on long-term growth of shareholder value.

The primary goal of NCSP Group's new management team is to become the most efficient operator of port assets in Russia, and secure its position as the largest logistics company in Russia and one of the largest in the world.

Under the Master Plan, management is proposing a new concept for NCSP Group's development, calling for a transition from specialization by stevedoring company to specialization by production area, with a focus on high-margin cargo.

The stock market reaction to the publication of the Master Plan was supportive, sending the price of the Group's GDR on the London Stock Exchange up 7.06% in the two days after the publication.

For more on the Master Plan for NCSP Group's Development Strategy to 2020, see the PJSC NCSP website.

PJSC NCSP handles vessel with record number of containers

PJSC NCSP's container terminal on March 14, 2012 completed processing a record number of containers on a single ship. The terminal, at Berth No. 18 of Wide Pier No. 1, unloaded 1,112 containers (1,844 TEU) from the ZIM Colombo and loaded 1,664 containers (2,769 TEU) onto the ship, handling a total 2,776 containers (4,613 TEU). The ship was reloaded in 85 hours.

Meeting held on development of Novorossiysk transport hub

PJSC NCSP management on March 22, 2012 took part in a meeting with representatives of state companies Rostransmodernizatsia Russian Railways, and the Novorossiysk city administration on the implementation of the project for the Integrated Development of the Novorossiysk Transport Hub.

The project was developed within the context of the federal program for the Development of Russia's Transport System in 2010-2015, and includes plans to expand the facilities of the Novorossiysk port.

The implementation of the project to develop the Novorossiysk transport hub will facilitate the implementation of NCSP Group's long-term development strategy to 2020.

Moody's affirms PJSC NCSP credit rating

Moody's Investors Service on March 21, 2012 affirmed the Ba3 credit rating of PJSC NCSP with a stable outlook.

Against the backdrop of volatile global credit markets and rating downgrades for a number of corporate and sovereign issuers, the affirmation of the Company's credit rating at the current level with a stable outlook can be regarded as a reflection of NCSP Group's strong performance.

Ziyavudin Magomedov elected chairman of PJSC NCSP Board

The Board of Directors of PJSC NCSP on March 27, 2012 elected Ziyavudin Magomedov Chairman of the Company's Board of Directors.

April 2012

Board of Directors of PJSC NCSP unanimously approved Rado Antolovic as acting CEO

On April 10, 2012 the Board of Directors of PJSC NCSP decided to terminate the powers of CEO Igor Vilinov and to appoint Rado Antolovic as acting CEO, former deputy CEO of PJSC NCSP for marketing and sales.

RUSSIA'S STEVEDORING SERVICES MARKET AND NCSP GROUP'S POSITION IN THE INDUSTRY

Cargo turnover through all Russian seaports grew by 1.8% in 2011. There was a downward trend in cargo turnover in the first half of the year, but in August the stevedoring services market began to gradually recover.

The main reasons for the unfavorable situation at the beginning of the year was increasing global instability with a possible recession looming in the leading European economies, and the political turmoil in North Africa and the Middle East. This led to a slump in exports of crude oil, ferrous metals and timber products. The ban on grain exports from Russia also had its negative impact on export volumes in the first half of 2011.

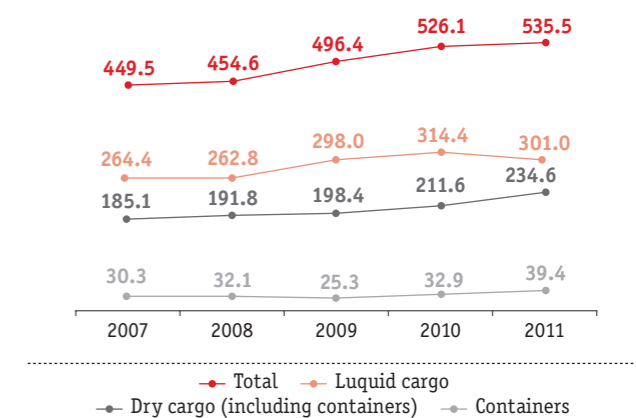
Russian seaports handled 535.5 million tonnes of cargo in 2011, according to the Association of Commercial Seaports. Export cargo rose 1.4% to 409.7 million tonnes, import cargo jumped 13.4% to 44.6 million tonnes and transit cargo grew 7.3% to 49.4 million tonnes, while coasting cargo fell 13.0% to 31.8 million tonnes. Due to the stronger growth of import cargo, there was a continuation of the trend seen in 2010, with the share of import cargo growing (by 0.9 percentage points to 8.3% of total cargo turnover in 2011) and that of export cargo shrinking (by 0.3 percentage points to 76.5%).

Liquid cargo turnover fell 4.3% to 301.0 million tonnes in 2011, including 238.8 million tonnes of export cargo. Transshipments of crude oil for export fell 7.7% to 139.4 million tonnes, while oil product volumes rose 2.5% to 98.1 million tonnes.

Transshipments of dry cargo rose 10.8% to 234.6 million tonnes, including 171 million tonnes of export cargo and 43.9 million tonnes of import cargo. Handling of export dry goods grew 9.5%, as volume jumped 53.1% for ore, 31.4% for scrap metal, 31.9% for grain, 18.8% for container cargo and 14.5% for coal and coke, while transshipments of timber products, ferrous metals and mineral fertilizers fell 13.6%, 14.0% and 1.4% respectively.

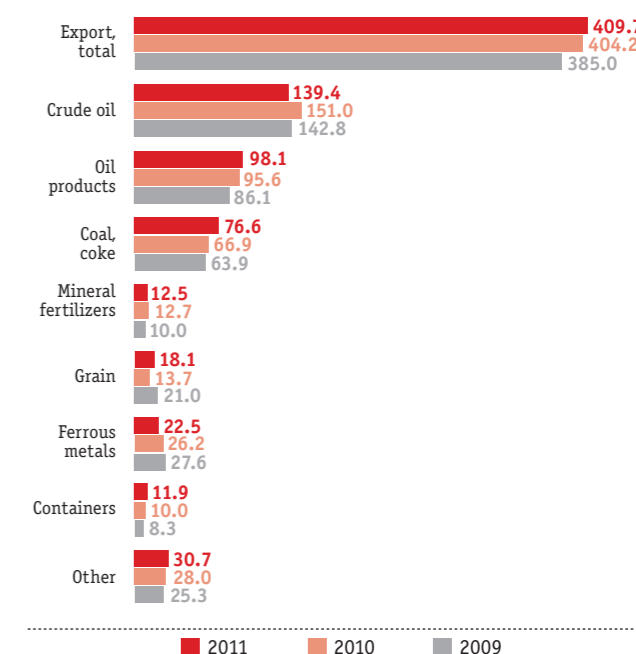
Seaports in the Baltic Sea, Black Sea and Pacific regions handled respectively 34.7%, 32.3% and 23.4% of total cargo in 2011. Strongest growth in cargo turnover was 6.8% in the Pacific, followed by 4.8% in the Baltic and 2.1% in the Black Sea. Ports in each of these regions have certain specializations in terms of cargo type and geography of export and import shipments, so they cannot be viewed as direct competitors. Ports in the Baltic, for example, predominantly handle oil/oil products and cargo in containers, and lead the Russian stevedoring services market in these types of cargo, handling 38% of total oil cargo and 59% of containers. Ports in the Black Sea, meanwhile, handle 92% of grain shipments and 36% of oil cargo.

Cargo turnover through Russian seaports, mln tonnes



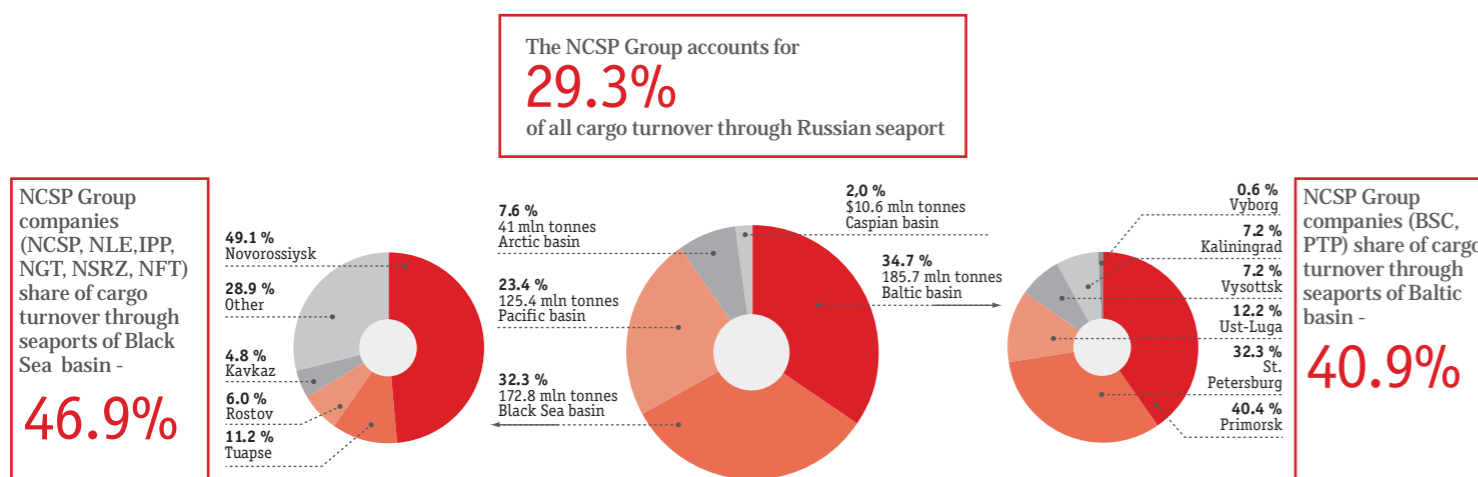
Source: Association of Commercial Seaports

Transshipment of key export cargo through Russian seaports, mln tonnes



Source: Association of Commercial Seaports

Share of cargo turnover through Russian seaports in 2011 by region and port

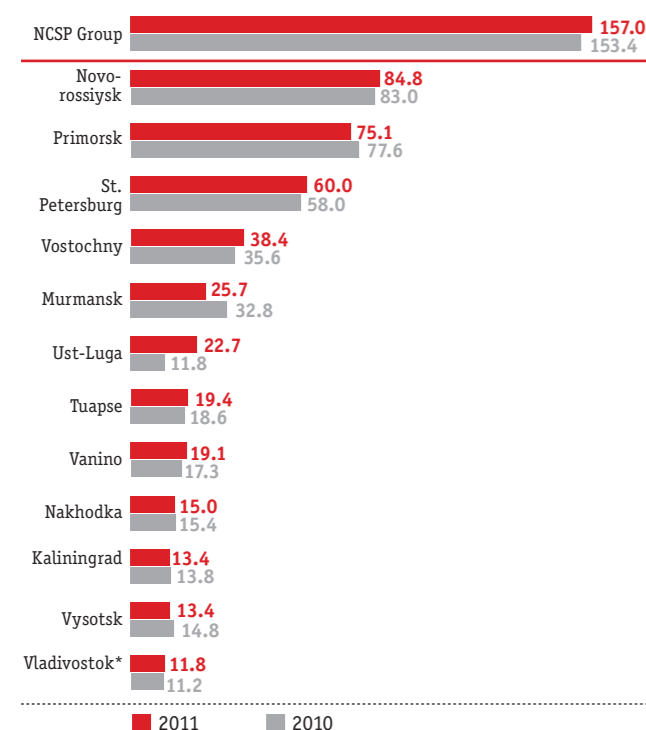


Source: Association of Commercial Seaports and NCSP Group

Novorossiysk

is the largest port in the Black Sea basin and in Russia as a whole, handling 15.8%** of all cargo turnover through Russian seaports and 49.1%** of turnover at ports in the Black Sea.

Largest Russian Seaports by Cargo Turnover in 2011, mln tonnes



Source: Association of Commercial Seaports

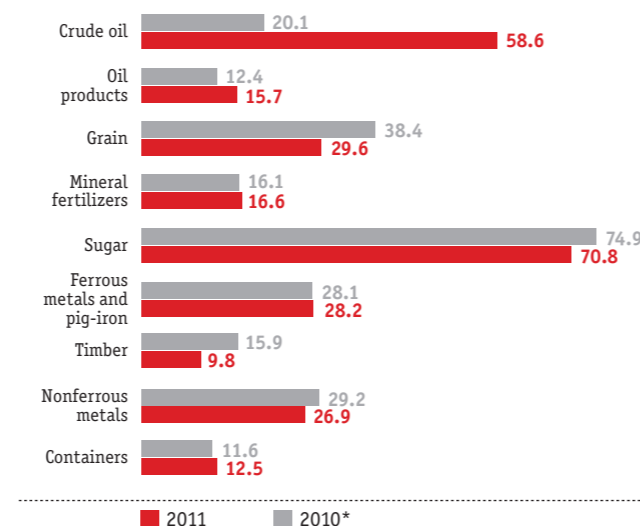
* - Not including Poset

** - Not including CJSC CPC-R.

Primorsk

Russia's second largest port by turnover, holds leading positions in the Baltic. It handles 14% of all cargo turnover through Russian seaports, and 40.4% of cargo at ports in the Baltic basin.

Change in NCSP Group share of cargo turnover through Russian seaports, %



* - Not including PTP

Source: NCSP Group and the Association of Commercial Seaports

NCSP Group companies handle most of the cargo turnover at Russia's two largest ports, giving it leading positions in the country's stevedoring services market. With the acquisition of Russia's largest oil port operator – Primorsk Port – in January 2011, the Group's share of total cargo turnover through Russian seaports nearly doubled to 29.3% from 15.5%.

NCSP Group leads the industry in handling of crude oil (58.6% of all oil handled by Russian ports), sugar (70.8%), grain (29.6%), oil products (15.7%), ferrous metals (28.2%) and nonferrous metals (26.9%).

NCSP Group competes in the Black Sea basin with the Tuapse Port and other smaller ports in southern Russia (Temryuk, Yeisk, Taganrog, Azov, Rostov and Kavkaz), as well as with Ukrainian ports. **However, there are no rivals to Novorossiysk Port in terms of a single offer for the entire range of cargo handled at the port.** Tuapse, for example, specializes in handling oil products from Rosneft's Tuapse Oil Refinery, while Azov ports have natural limitations, in terms of the draft of ships entering the Azov Sea and due to difficult ice conditions in the winter.

NCSP Group's year-round operation of the Novorossiysk Port, the depth of port waters, extensive waterfront, ample warehouse space and modern loading equipment make the Group very competitive in the Azov and Black Sea region.

Novorossiysk Port's main competitive advantages over Ukrainian ports in servicing Russian cargo shipments include the high productivity of loading and unloading operations, high level of service and the convenience of not having to cross national borders to deliver cargo to the port. The only real competition from Ukrainian ports comes from the Yuzhny Port in Odessa Region, and then only in handling of iron ore products. Yuzhny Port has deep waters, accommodating a draft of 15.5 meters compared to Novorossiysk's 13.1 meters, which enable it to load bulk carriers with deadweight of 100,000-110,000 tonnes. However, at the end of 2011 NCSP Group also began serving capesize vessels. The port loaded the 114,500-tonne NordPisces with iron ore concentrate from Russian miner Lebedinsky GOK for export to China. With Novorossiysk beginning to serve such large vessels, Russian iron ore concentrate producers now have an alternative to shipping their cargo through Ukrainian ports.

Novorossiysk Port has strong potential for growth. Modernization of the Novorossiysk and Rostov transport hubs in terms of road and railroad accesses to the port and the expansion of their carrying capacity will give a push to the further development of the Novorossiysk Port.

In the Baltic, NCSP Group subsidiary LLC Primorsk Trade Port competes with the Big Port of St. Petersburg and the ports of Vysotsk and Ust-Luga.

Primorsk's main competitive advantages are year-round operation and shipping, sufficient natural depth (17.8 meters), convenient access, short length of navigational channel, and convenient berths for large vessels with deadweight up to 150,000 tonnes. In addition, the port is an integral part of the BPS-1 pipeline system. The availability of land for specialized marine port facilities and their future development creates additional potential for growth of Primorsk Port and NCSP Group as a whole. The main question at the moment is the lack of a rail link to Russia's biggest oil terminal. Crude oil is shipped to Primorsk by pipeline, while oil products are delivered by pipeline, by sea and by road (bunkering fuel).

In order to resolve this question, there are plans to build the new Losevo-Kamennogorsk railroad and modernize the Ruchyi-Losevo and Vyborg-Primorsk-Yermilovo sections of railroad. The Losevo-Kamennogorsk line is intended to take cargo trains going to ports on the Gulf of Finland (Primorsk and Vysotsk) to the Ruchyi-Petyayarvi-Losevo-Kamennogorsk-Vyborg line in light of the launch of high-speed passenger services on the St. Petersburg-Helsinki line. The project is being implemented by Russian Railways (RZD), and the federal budget for 2012 allocates 7.5 billion rubles to increase RZD's charter capital for this purpose. The Federal Railroad Transport Agency reached an agreement with the Defense Ministry in February 2011 on the transfer of land needed for the construction of the Losevo-Kamennogorsk line, and active construction began on this section of railroad.

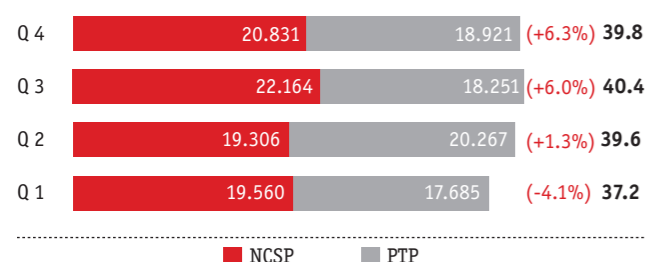
OPERATING RESULTS

NCSP Group successfully closed 2011 under the helm of the new management team. Despite the downturn on the stevedoring services market due to global political and economic instability, the new team managed to offset losses resulting from a drop in volume for some cargos and achieve annual results that in a number of cases exceeded industry average. The Group's cargo turnover grew by 2.3% in 2011, compared to 1.8% through all Russian seaports.

Cargo turnover¹

The Group saw steady growth of quarterly cargo turnover in 2011 compared to the same periods of 2010. Quarterly growth peaked at 6.3% in the fourth quarter.

NCSP Group quarterly growth in 2011, mln tonnes*



* Compared to same period of 2010
Source: NCSP Group

The 4.1% drop in cargo turnover in the first quarter was due to a number of reasons, including the ban on grain exports from Russia, and a decline in demand for ferrous metals and timber products in North Africa and the Middle East. In addition, Primorsk Port was forced to reduce oil transshipments in January-February due to difficult ice conditions.

Subsequently, measures taken by the Group's management enabled the Company to timely respond to the changing market situation and reduce losses by growing container shipments and handling of oil products, and developing new areas of cargo processing. The drop in grain volumes, for example, was partially offset by increasing handling of iron ore and iron ore concentrate, mineral fertilizers, sugar and cement.

In the third quarter of 2011, the lifting of the ban on grain exports had the biggest impact on the growth of cargo turnover. In July-September, the Group handled a quarterly record of 3 million tonnes of grain. In the fourth quarter, grain volumes reached 2.7 million tonnes, the second highest quarterly figure in the Group's history.

NCSP Group's total cargo turnover grew 2.3% to 157 million tonnes in 2011, with bulk cargo growing 6.5% over 2010 and liquid cargo increasing 2.5%, while general cargo dropped 14.5%.

1 - Cargo volume at Primorsk Trade Port, which NCSP Group acquired in January 2011, has been included in order to maintain comparability of results when calculating cargo turnover for past periods.

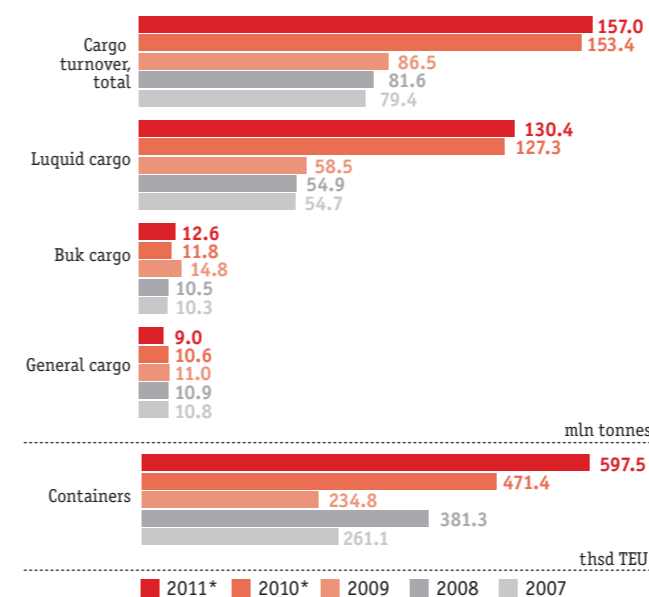
NCSP Group cargo turnover in 2010-2011, mln tonnes²

	2011	2010	Change, %
Cargo turnover, total	157.0	153.4	2.3%
Liquid cargo, total	130.4	127.3	2.5%
Crude oil	113.4	113.9	-0.4%
Oil products	16.5	12.7	29.8%
UAN	0.4	0.5	-16.2%
Seed oils	0.1	0.1	-11.0%
Bulk cargo, total	12.6	11.8	6.5%
Grain	5.8	5.8	0.3%
Mineral fertilizers	2.1	2.1	1.2%
Sugar	1.6	1.7	-5.0%
Iron ore products	2.9	2.3	25.2%
Scrap metal	0.1	0.0	0.0%
Cement	0.1	0.0	0.0%
General cargo, total	9.0	10.6	-14.5%
Ferrous metals and pig iron	6.9	7.9	-13.1%
Timber products	0.6	1.1	-43.0%
Timber products, thousand cubic meters	1.1	1.9	-41.9%
Nonferrous metals	1.1	1.1	-3.1%
Perishable cargo	0.4	0.2	81.2%
Other	0.1	0.3	-59.8%
Containers	4.9	3.8	29.3%
Containers, thousand TEU	597.5	471.4	26.7%

UAN – urea-ammonium nitrate (liquid inorganic fertilizer).
Source: NCSP Group

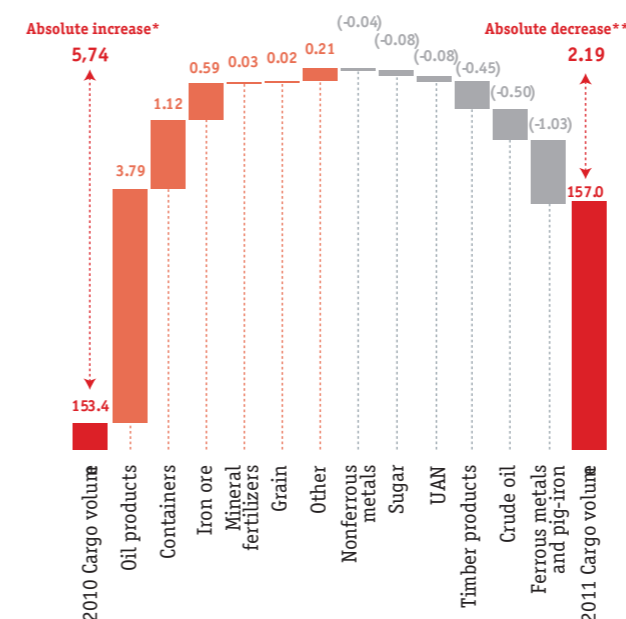
2 - Certain percentages presented in the table reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Cargo turnover of NCSP Group



* - Including PTP
Source: NCSP Group

Change in cargo turnover in 2011 compared to 2010, mln tonnes



Source: NCSP Group

* - Total increase in turnover of cargo that demonstrated growth
** - Total decrease in turnover of cargo that declined in volume

The key factors that had a positive impact on NCSP Group operating results in 2011 were a 26.7% increase in container cargo turnover, the record performance of the Company's grain loading facilities in July-December (up 0.3% YoY), 25.2% growth in ore and iron ore concentrate, 1.2% growth for mineral fertilizers and 81.2% increase in the volume of perishable goods. There was also a 29.8% increase in the volume of oil products handled.

Other types of cargo saw a decline in volume. The 43% drop in timber products and 13.1% decline for ferrous metals were due to the general volatility of global markets and the resulting slump in demand in the main markets for these Russian commodities.

However, the new management team succeeded in maintaining stable oil transshipments in the face of a general decline in oil exports from Russia. The Group's crude oil turnover slipped just 0.4% in 2011, compared to an overall drop of 7.8% through all Russian seaports.

Geographic structure of cargo turnover¹

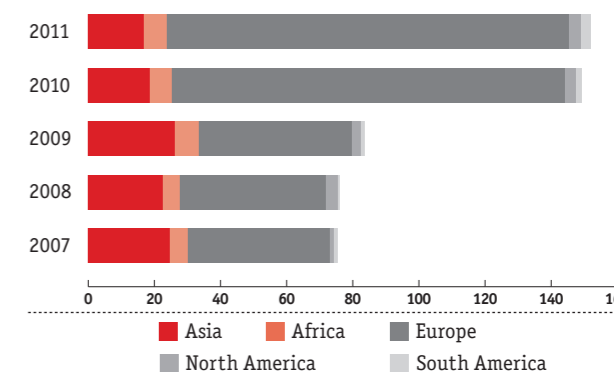
Exports are the mainstay of NCSP Group's cargo turnover. In 2011, they made up 96.7% of total turnover. Crude oil accounted for 74.7% of export cargo, oil products (diesel fuel and fuel oil) made up 10.9%, grain accounted for 3.8%, and the products of Russian metallurgical plants are another major component.

The key destination for exports is Europe, which accounted for 80% or 121.4 million tonnes of export cargo. Primarily crude oil and oil products are shipped to European countries. Following the acquisition of Russia's biggest oil terminal, Primorsk Trade Port, the share of European destinations in NCSP Group's export cargo jumped nearly 20 percentage points.

The second most important export destination, with 11.2% or 17 million tonnes of cargo in 2011, is Asia, where Russia exports primarily oil products, ferrous metals, pig iron, ore and iron ore products.

Import cargos traditionally handled by the Company are goods in containers and raw sugar from Asia, which is then shipped to sugar refineries in Krasnodar Territory.

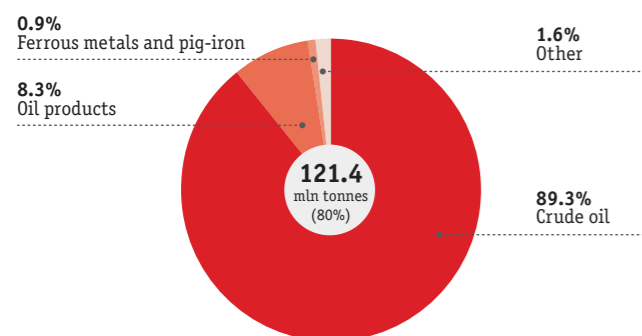
Geographic structure of exports through NCSP Group companies, mln tonnes



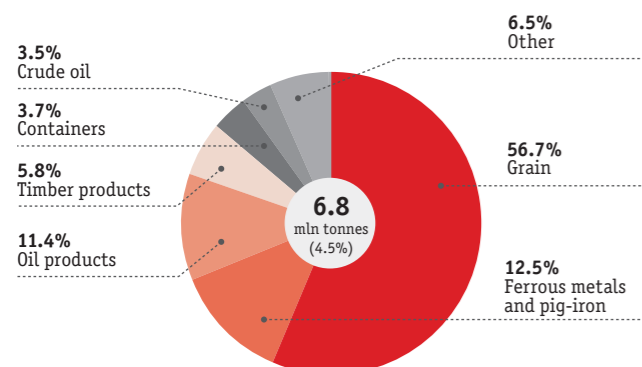
1 - Information on cargo traffic is based on cargo documents. However, due to the specifics of the market, actual destinations (port/country) could differ from those stated in documents.

Structure of export cargo turnover by destination in 2011

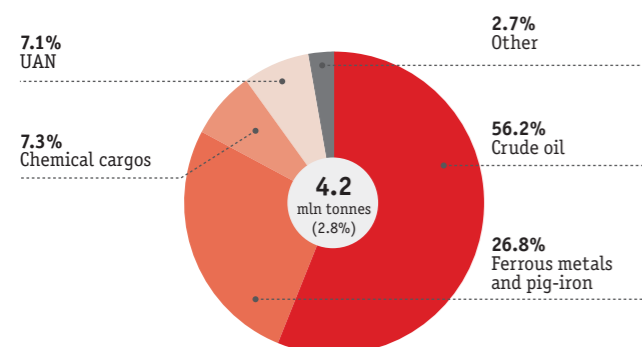
Europe



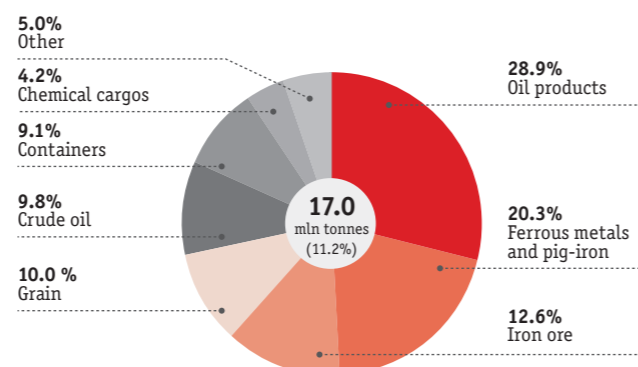
Africa



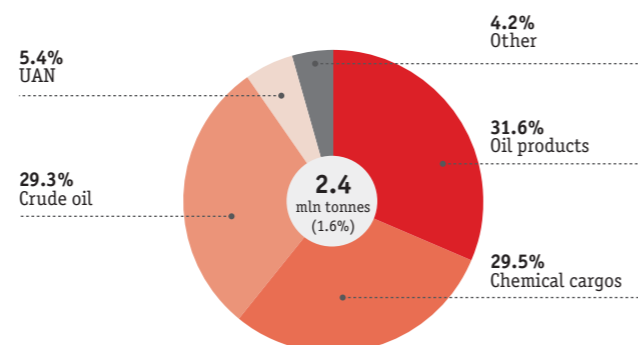
North America



Asia



South America



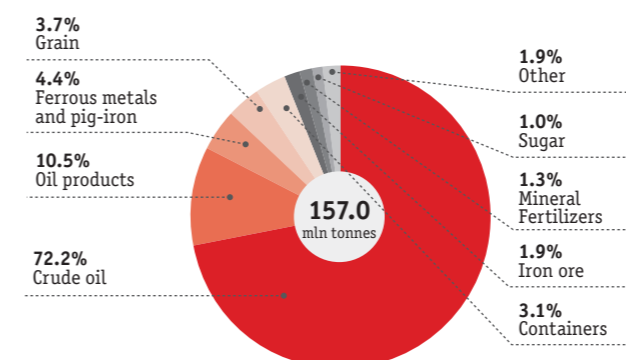
Structure of cargo turnover by cargo

Although much of NCSP Group's turnover comes from oil cargo, the Company is gradually increasing its diversification within the context of its development strategy. Comparable figures for 2010 and 2011 show that there was a 2 percentage point decline in crude oil's share in total shipments, while the share of oil products grew 2.2 percentage points, containers gained 0.7 percentage points and ore and iron ore concentrate edged up by 0.3 percentage points.

These changes are consistent with the new strategy for NCSP Group's development, which calls for more aggressive growth in strategic business areas such as containers, grain, oil products and iron ore products.

Source: NCSP Group

NCSP Group Cargo Turnover Structure in 2011



Source: NCSP Group

Crude oil

Russia reduced crude oil exports by 4.3% in 2011, according to the Federal Customs Service. **Despite this downturn, NCSP Group managed to maintain stable oil volumes**, handling 113.4 million tonnes, just 0.4% less than in 2010 while crude oil turnover in the sector as a whole dropped 7.8%.

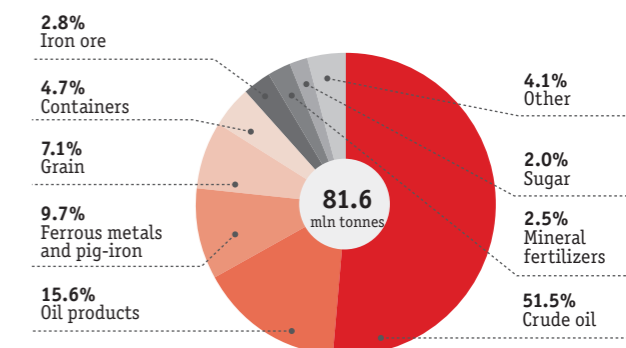
The Group's oil export cargo traffic by destination breaks down as follows: 108.4 million tonnes, or 95.6% of the total volume shipped to European ports; 2.4 million tonnes or 2.1% to North American ports; 1.7 million tonnes or 1.5% to Asian ports; and 939,000 tonnes or 0.9% to ports in Africa and South America. In 2011, exports to Asia plunged by half and exports to North America dropped 8.3%, while exports to European countries rose 0.9%.

Crude oil as a share of the Company's total cargo turnover shrank by 2 percentage points in 2011, to 72.2% from 74.2%.

PTP handles about 62% of all the Company's oil, and NCSP's Sheskhari Oil Terminal handles the remainder.

Russia's leading oil companies export oil through the Group's terminals, including Transneft, Rosneft, Surgutneftegas, Lukoil, Tatneft, TNK-BP Holding and Gazprom Neft.

NCSP Group Cargo Turnover Structure in 2010*



* Not including PTP
Source: NCSP Group

Oil products

NCSP Group's oil product turnover surged 29.8% to 16.5 million tonnes in 2011, far outstripping the market average of 2.5%. This growth was driven by the lease of diesel fuel transfer facilities at the Primorsk Port and the growth of fuel oil volume at Sheskhari.

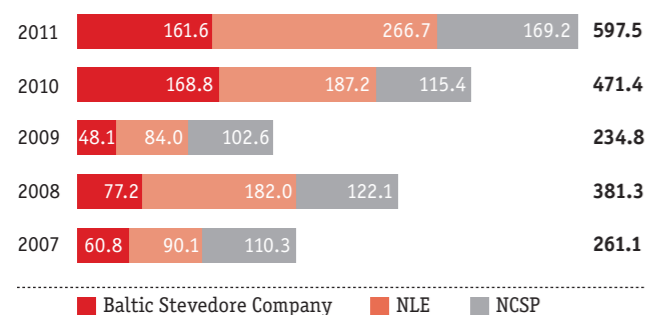
Oil product cargo destined for European countries grew 34.5% and made up 60.8% of the total, while oil product cargo shipped to Asia, which accounted for 29.7% of the total, was down 0.4% due to the start of shipments along the Eastern Siberia – Pacific Ocean oil pipeline.

Oil product cargo is currently handled by PTP, NCSP (Sheskhari Oil Terminal), IPP. PTP handled 5 million tonnes of diesel fuel in 2011; Sheskhari handled 1.9 million tonnes of diesel and 3.7 million tonnes of fuel oil, respectively 46.3% less and 7.0% more; IPP handled 5 million tonnes of diesel, up 0.3%. In addition, bunkering of diesel and fuel oil through IPP capacities totaled respectively 32,400 tonnes and 569,900 tonnes, down 10% and 10.9%.

Oil products as a share of Group cargo turnover grew by 2.2 percentage points to 10.5%.

Oil product shippers include major Russian oil companies and refiners such as Rosneft, Lukoil, TNK-BP Holding, Gazprom Neft and RussNeft.

Container Cargo Turnover for NCSP Group Subsidiaries, thousand TEU



Source: NCSP Group

Containers

Containers remained one of NCSP Group's fastest growing segments throughout 2011. The Company's container turnover grew 26.7% to 597,500 TEU (Twenty-foot equivalent units).

Both NCSP and NLE showed strong growth of 46.6% and 42.5% respectively for the year, far outstripping the average growth of 28.5% for Russian seaports overall and demonstrating the effective development of one of the Group's priority business segments.

BSC saw a 4.3% drop in container cargo due to a decline in shipments of components for automobile assembly plants in the Kaliningrad Region.

The share of containers in Group cargo turnover grew by 0.66 percentage points to 3.14% in 2011 from 2.48% in the previous year.

NCSP Group container terminals handle vessels from the world's leading shipping lines, including Mediterranean Shipping Company (MSC), ZIM, Maersk, Arkas, Grand Alliance (OOCL, NYK Line, Hapag Lloyd) and China Shipping.

Grain

The government ban on certain grain exports from Russia, imposed on August 15, 2010, was lifted on July 1, 2011. During the forced downtime, the Company did not stop working with suppliers, so when the ban was lifted granaries were sufficiently stocked in order to quickly reach design capacity for grain handling. Grain transshipments peaked at 1.166 million tonnes in September.

Thanks to the intensive utilization of grain facilities, the Group managed to increase grain handling by 0.3% in 2011, despite the fact that the export ban was in effect for six months of the year compared to 4.5 months in 2010.

Grain turnover totaled 5.8 million tonnes, of which NGT handled 3.319 million tonnes. NCSP handled 2.245 million tonnes of grain from the elevator of OJSC NKKhP (not part of the Group) and transferred 213,100 tonnes directly from railcar to ship.

Most of the grain from Novorossiysk – 3.8 million tonnes (up 4.4%) – was exported to Africa (including Egypt, Morocco and Tunisia), and 1.7 million tonnes (down 13.7%) went to the Middle East (UAE, Saudi Arabia, among others).

Grain as a share of Group cargo turnover slipped to 3.7% in 2011 from 3.8% a year earlier.

Major Russian and international companies such as International Grain Company, Bunge CIS, Cargill South, Louis Dreyfus Commodities Vostok, United Grain Company, Glencore Grain Trade, Valars, Aston Agro-Industrial Corporation, Vitalmar and Razgulyai are the principal suppliers of the grain handled by the Group.

Ore and iron ore products

NCSP Group ore and iron ore products turnover grew 25.2% to 2.9 million tonnes in 2011 from 2.3 million tonnes a year earlier on the back of a favorable situation on the world market. Of this volume, 2.1 million tonnes were shipped to Asia, up 24.6%; 560,400 tonnes to Europe, up 15.5%; and 197,000 tonnes to Africa, up 150%.

As a result of this strong growth, ore and iron ore products as a share of Group cargo turnover grew 0.4 percentage points to 1.9% from 1.5%.

All of this cargo was handled by PJSC NCSP.

Iron ore products handled by the Group were shipped by miners Lebedinsky GOK, Oskol Metallurgical Plant, Mikhailovsky GOK and Kachkanarsky GOK.

Ferrous and nonferrous metals

Transshipments of ferrous metals and pig iron fell by 13.1% to 6.856 million tonnes in 2011 from 7.890 million tonnes a year earlier. Nonferrous metals turnover dropped 3.1% to 1.105 million tonnes from 1.141 million tonnes.

The decline was due to the unfavorable situation on the world market for these commodities, a slump in investment and demand for metals in a number of industries. As a result ferrous metal exports handled by the Group dropped 10.1% to ports in Asia and 33.9% to ports in Europe, while the figures for nonferrous metals were down 8.1% and 4.3% respectively.

The steepest drop in ferrous metal cargo turnover was 29.6% to 1.777 million tonnes at NSRZ, while volume at PJSC NCSP fell 4.3% to 5.078 million tonnes (including pig iron).

Nonferrous metals are handled by PJSC NCSP and NLE, which saw turnover drop 1.9% to 880,100 tonnes and 7.7% to 225,100 tonnes, respectively.

Ferrous metals and pig iron accounted for 4.4% of NCSP Group cargo turnover in 2011, and nonferrous metals made up 0.70%, down from 5.1% and 0.74% respectively in 2010.

Major exporters of ferrous metals include Novolipetsk Steel, Metalloinvest, Magnitogorsk Iron & Steel Works, Chelyabinsk Tube Rolling Plant, Pervouralsk Novotrubny Pipe Works and OMK Steel, among others.

Shippers of nonferrous metals include UC Rusal, MMC Norilsk Nickel, Uralelectromed, Almalyk Mining & Metallurgical Complex, Kazakhmys PLC and Electrozin.

Others

In this cargo group, there was growth in mineral fertilizers and perishable goods. Chemical cargo turnover rose 1.2% as shipments to North and South America surged nearly 40%. Transshipments of perishable goods rose 81.2%.

In addition, after a break of more than a year, NCSP Group resumed transshipment of cement in March 2011 and handled 149,000 tonnes in ten months.

The decline in transshipment of timber products (down 43%), UAN (down 16.2%) and vegetable oil (down 11%) was due to a drop in demand from consumers of these products.

Imported sugar volumes were also down 5% compared to 2010.

Port services

NCSP Group also provides a broad range of other port services, such as storage, forwarding, repacking and customs documentation processing, as well as bunkering, tug and mooring services.

In 2011 fuel bunkering made 602,300 tonnes.

Towing services (nominal total volume of ships) grew to 515.8 million cubic meters in 2011 from 501.2 million cubic meters in 2010, which corresponds to the growth of cargo turnover. Firefighting services for ships totaled 135.6 million cubic meters in 2011.

NCSP Group's shipyard repaired 21 ships in 2011.

Cargo turnover by subsidiary

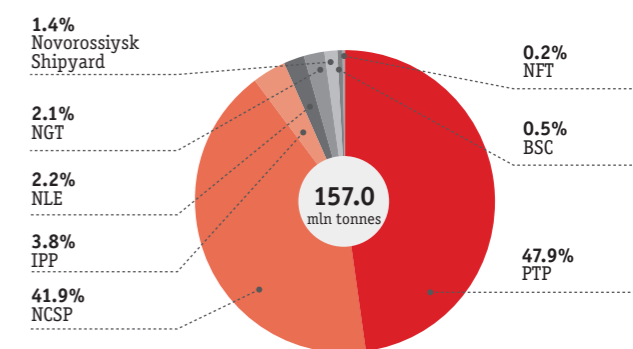
The structure of NCSP Group's cargo turnover changed dramatically in 2011 following the acquisition of Primorsk Trade Port. While in 2010 PJSC NCSP handled 80.1% of the Group's cargo turnover, **in 2011 PTP took the lead**, handling 47.9% of the total compared to PJSC NCSP's 41.9%.

Looking at comparable cargo turnover figures (including PTP in 2010 figures), the change in Group structure will expectedly be less dramatic. As the share of PTP rose by 1 percentage point and that of NLE edged up 0.1 percentage points in 2011, the share of other subsidiaries declined. PTP's share increased as the port began handling diesel fuel, while NLE improved its position by boosting container turnover by nearly 50%.

A decline in transshipments of key cargos for PJSC NCSP, NGT, IPP and NSRZ had a negative impact on their contribution to the Group's operating results. PJSC NCSP's share shrank by 0.7 percentage points, NSRZ's by 0.4 percentage points, IPP's by 0.2 percentage points and NGT's by 0.1 percentage points.

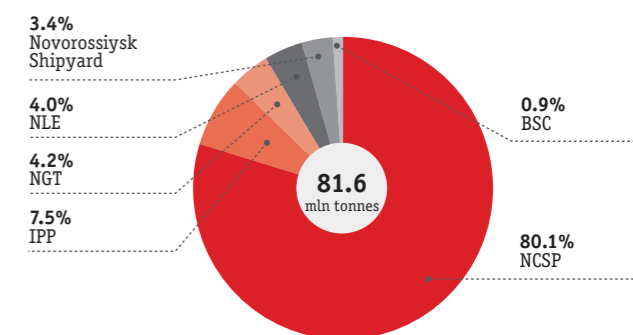
BCS's share of Group cargo turnover remained unchanged in 2011.

Subsidiaries as a share of total NCSP Group cargo turnover in 2011



Source: NCSP Group

Subsidiaries as a share of total NCSP Group cargo turnover in 2010*



* Not including PTP
Source: NCSP Group

FINANCIAL RESULTS

Financial highlights of NCSP Group, \$mln

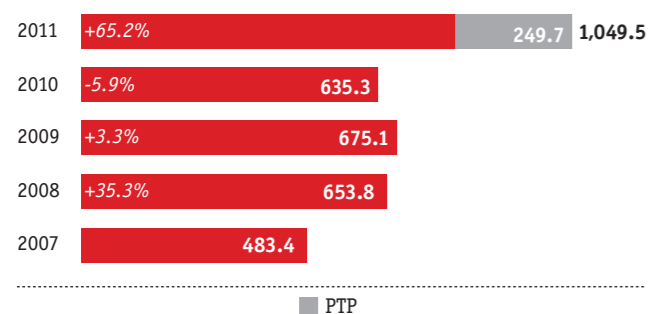
Indicator	2011	2010	Change
Revenue	1,049.5	635.3	65.2%
Cost of sales	(495.4)	(242.1)	104.7%
Gross profit	554.1	393.2	40.9%
EBITDA*	550.3	416.0	32.3%

Source: NCSP Group

Revenue

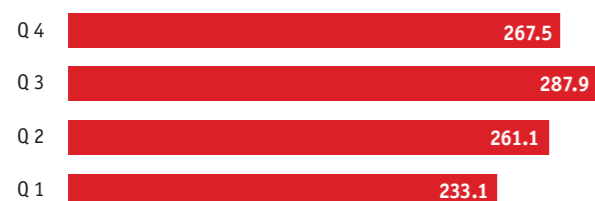
NCSP Group's consolidated revenue totaled \$1.05 billion in 2011. This represents a \$414 million or a 65.2% increase compared to 2010 (\$635.3 million).

NCSP Group revenue, \$mln



Source: NCSP Group data.

Quarterly change in NCSP Group revenue in 2011, \$mln

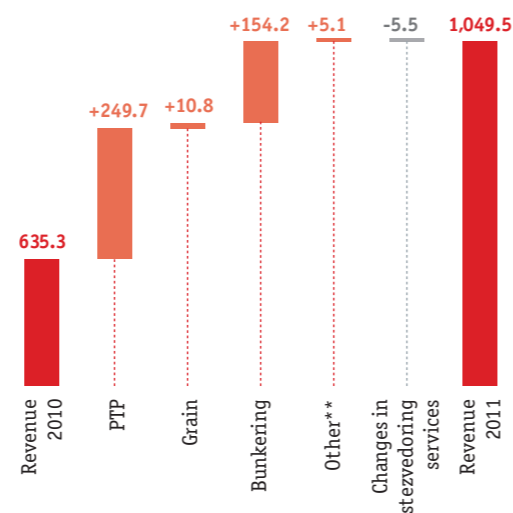


Source: NCSP Group data.

Factors that had the greatest impact on revenue growth:

- Consolidation of LLC Primorsk Trade Port (PTP). PTP represents \$249.7 million of the NCSP Group's consolidated revenue (\$201.5* million – oil & oil products transshipment, \$45.3* million – fleet services, \$2.9* million – other services). Consolidation of PTP accounted for 60.3%* of Group revenue growth. Net of PTP contribution, the Group's revenue increased by \$164.5* million, or by 25.9%*;
- Growth of bunkering operations and prices for bunker fuel in Novorossiysk. Additional revenue from bunkering operations of \$154.2* million or 24.17%* relative to 2010. 37.2%* of NCSP Group's consolidated revenue growth came from increasing revenue from bunkering operations.
- Other factors contributed 2.5%* of total revenue growth in 2011.

Revenue reconciliation 2010 to 2011*, \$mln

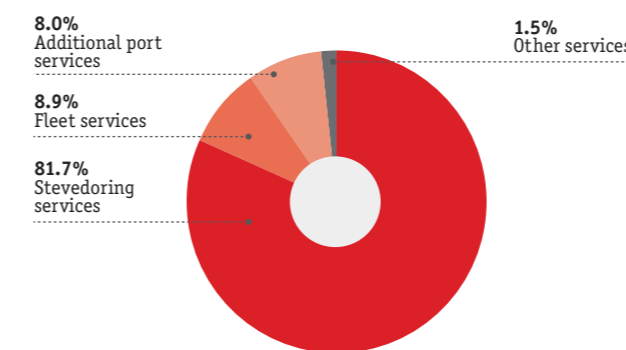


** Additional services and other sales
Source: NCSP Group data.

Net of PTP contribution and bunkering services, the Group's revenue grew by \$10.3* million or by 1.6%* in 2011. Taking into account that the Group's cargo turnover, net of PTP and bunkering, fell by 3 million tonnes or by 3.7%* in 2011, growth in revenue amid declining cargo volumes points to the effect of management efforts to maximize revenue from every ton of cargo handled.

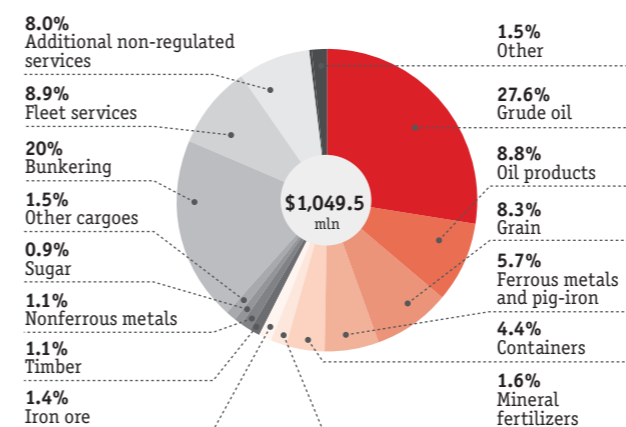
* - The amount is either a non-IFRS measure or according to management reporting data.

Structure of Group revenue by type of services in 2011



Source: NCSP Group data.

NCSP Group revenue by type of cargo and service in 2011*



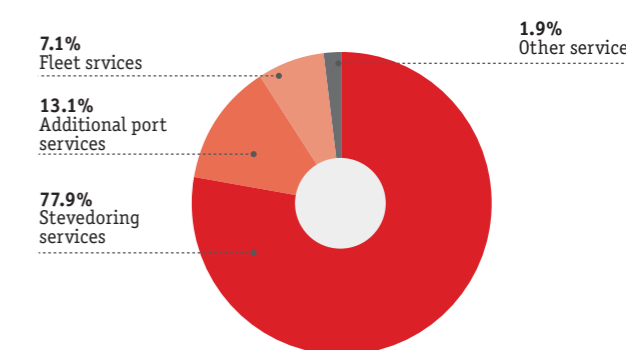
Source: NCSP Group data.

Revenue from stevedoring services increased by 73.3%* or by \$362.6* million to \$857.5* million in 2011. The main contribution to revenue growth from stevedoring services came from crude oil handling (by \$182.4* million or 31.6%*), and from oil products (by \$22.2* million or 31.6%*), both primarily due to the consolidation of PTP. Revenue from stevedoring services attributable to PTP totaled \$201.5* million.

Revenue from grain transshipment in 2011 represents 10.2%* of total revenue from stevedoring services of the Group. During the six months of 2011, after the lift of the grain export ban, the Group handled 0.3%*

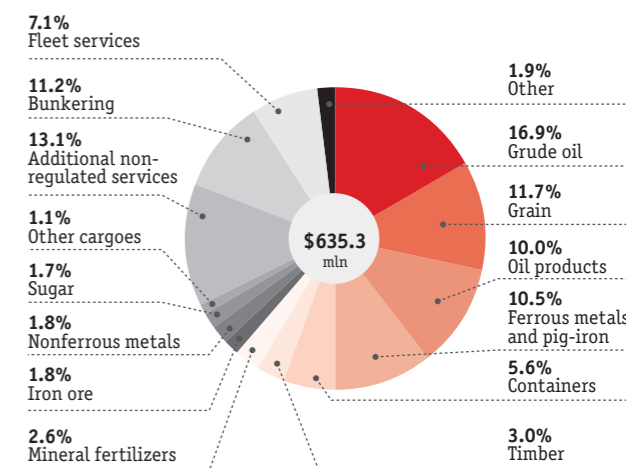
* - The amount is either a non-IFRS measure or according to management reporting data.

Structure of Group revenue by type of services in 2010



Source: NCSP Group data.

NCSP Group revenue by type of cargo and service in 2010*



Source: NCSP Group data.

more grain than in the 7.5 months of 2010. This additional volume and increased tariffs generated \$13* million or 17.5%* more revenue than in 2010.

In 2011 NCSP Group handled 597.5 TEU of container cargo. Growth in revenue from container handling (up by 30.5%* versus 2010) also exceeded growth of container volumes (up by 26.7% in TEU), which is a reflection of higher rate charged per every TEU handled. Furthermore, despite a 4.3% decline in container turnover volumes at Baltiysk Stevedoring Company, revenue from container handling grew by 13.6%* in 2011.

Decline in revenues from ferrous metals and pig iron transshipment of 10.7%* in 2011 was a function of decreasing transshipment volumes (down by 12.8%*). This decline was partially compensated by 30.6%* growth of revenues from handling iron ore and ore concentrate.

Changes in revenue from stevedoring services for other types of cargo did not exceed 1%* of the total change in revenue from stevedoring services in 2011.

Revenue from additional port services (including storage, forwarding, re-packing, customs processing, etc.) edged up 0.1% to \$83.6 million in 2011.

Revenue from fleet services grew 2.1 times – to \$92.9 million in 2011, with 95%* of this growth attributable to the consolidation of PTP. Revenue from fleet services in Novorossiysk grew by 5.7%*.

Cost of sales

Cost of sales totaled \$495.4 million in 2011 which represents a \$253.4 million increase relative to 2010. Of this increase \$88.6* million or 35%* is attributable to the consolidation of PTP, and \$150* million or 59.2%* to the growth of fuel purchases predominantly due to the growth of bunkering operations. Expenditures on fuel purchased for bunkering increased by \$141.7* million, which was equivalent to 56%* of the total growth of costs. Growth of bunkering operations enabled the Group to increase margin from this business by \$12.5* million (+250%*) compared to 2010.

Without the consolidation of PTP and growth of costs associated with bunkering, NCSP Group's cost of sales rose by 9.2%* in 2011, which is generally comparable to the rate of inflation. Consolidation of PTP and growth of bunkering operations accounted for 91%* of the total increase in costs in 2011 compared to 2010.

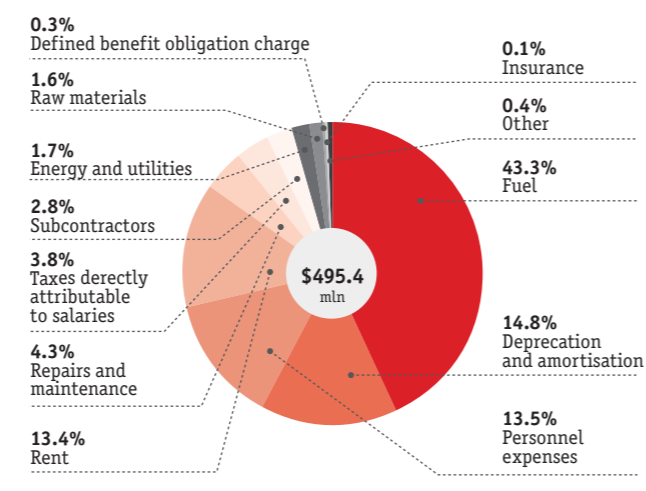
Costs were also affected by the appreciation of the Russian ruble, which increases the Group's ruble expenditures expressed in US dollars. Management estimates the overall effect of the stronger ruble on costs to be \$13.1* million. Therefore, factoring out the effect of the exchange rate, growth of bunkering operations and consolidation of PTP, cost of sales grew by an estimated 6.8%* in 2011, which attests to tighter control of costs at NCSP Group.

Personnel costs rose by \$15.9 million or 31% to \$66.7 million. Total personnel costs amounted to \$66.7* million in 2011 including \$9.1* million attributable to PTP. Without the consolidation of PTP, personnel costs increased by 13%* in 2011, which is generally comparable with the growth of labor costs in the industry and the inflation rate in the country.

Taxes directly attributable to salaries increased by \$5.8 million or 44% to \$19 million. Consolidation of PTP accounted for \$2* million of the increase, and the remaining growth was primarily due to changes in legislation.

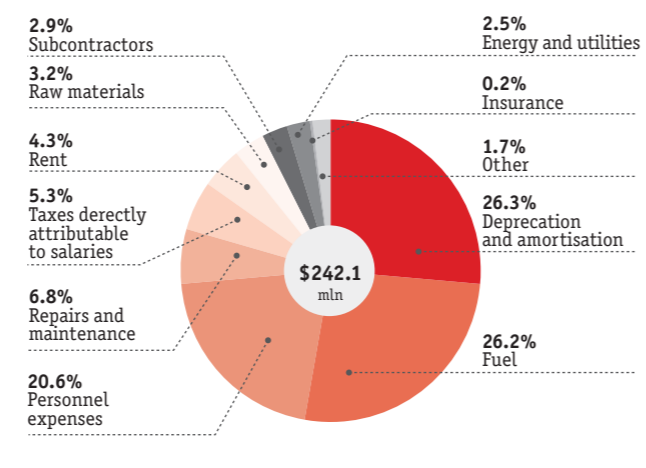
Increasing of Rent costs is connected with PTP consolidation. Rent costs increased 6.2 times to \$66.5 million, of which \$54* million was attributable to PTP.

Structure of NCSP Group costs in 2011



Source: NCSP Group data.

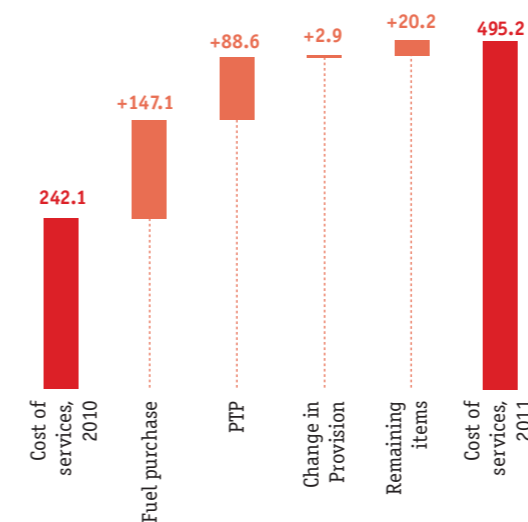
Structure of NCSP Group costs in 2010**



** The breakdown's calculation does not take into account the change in defined benefit obligation (credit)/charge as well as the change in provision for payable to lessor.

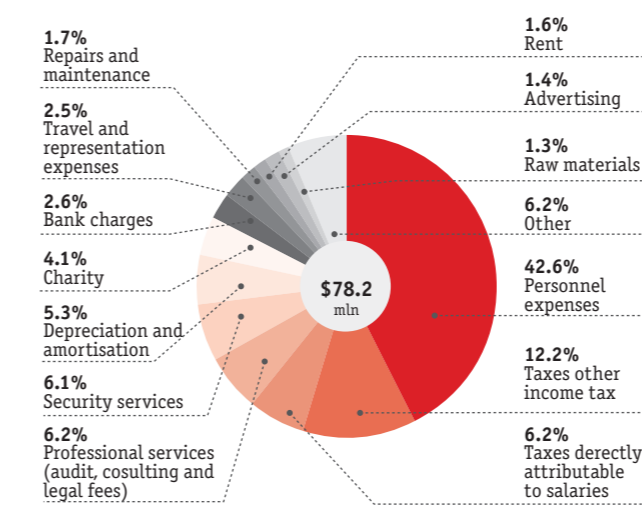
Source: NCSP Group data.

Cost of services reconciliation 2010 to 2011*, \$mln



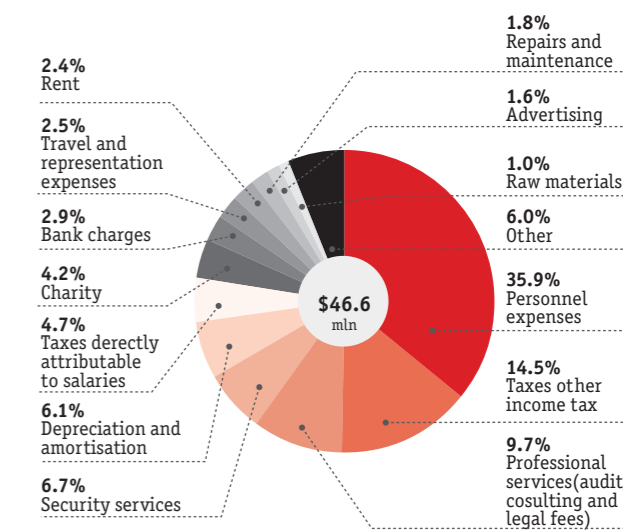
Source: NCSP Group data.

Structure of the Group's commercial, general business and administrative expenses in 2011



Source: NCSP Group data.

Structure of the Group's commercial, general business and administrative expenses in 2010**



** The breakdown's calculation does not take into account the (reversal of loss)/ loss on advances for property, plant and equipment, the change in provision for payable to customer and the change in allowance for spare parts and slow-moving inventories

Source: NCSP Group data.

Commercial, general business and administrative expenses

Selling, general and administrative expenses increased by 67.6% to \$78.2 million in 2011. The main reasons for this increase were the following:

- consolidation of PTP SG&A expenses in the amount of \$18.4* million, which accounted for 58%* of the growth of total SG&A expenses
- reversal in 2010 of loss on advances for property, plant and equipment in the amount of \$8.5* million, and in changes in provisions - \$2.7* million. Both factors led to reduction of the base of comparison. This factor accounted for 35.4%* of the growth in commercial, general business and administrative expenses
- weakening of the presentation currency (US dollar), which contributed \$1.9* million or 6%* of SG&A growth.

Net of these factors, commercial, general business and administrative expenses increased by 0.1%* in 2011, which was lower than the rate of inflation in Russia and indicates the Group management's increased control over expenses.

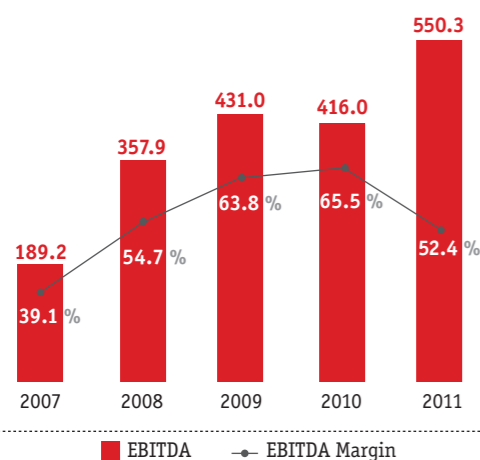
EBITDA*

The Group's EBITDA increased by 32.3%* to \$550.3* million in 2011, resulting in an EBITDA margin of 52.4%*. EBITDA margin net of bunkering operations amounted to 64.8%*.

PTP consolidation contributed \$154.3* million to the consolidated EBITDA of the Group.

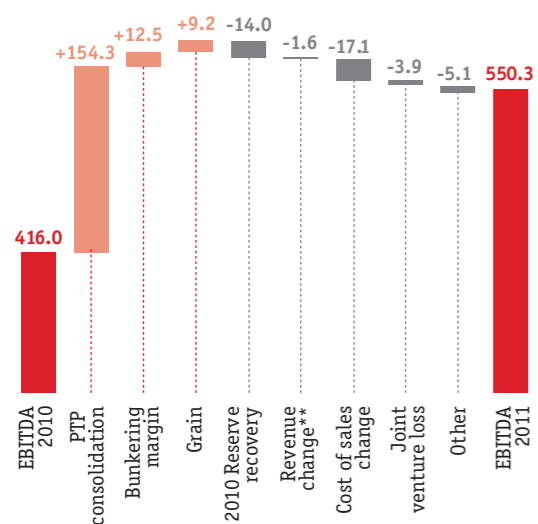
EBITDA marginality significantly increased during the course of the year from 49.2%* in the first half to 55.3%* in the second half of 2011.

NCSP Group EBITDA*, \$mln



Source: NCSP Group data.

EBITDA reconciliation 2010 to 2011*, \$mln



Source: NCSP Group data.

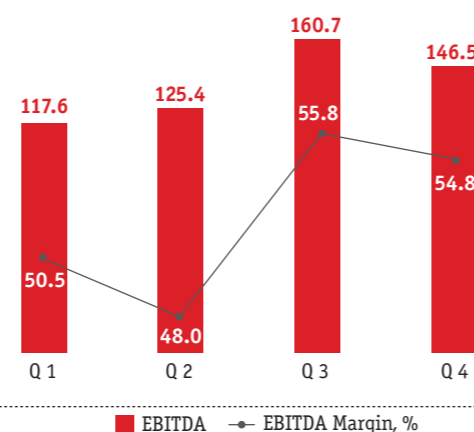
* The amount is either a non-IFRS measure or according to management reporting data

** Net of PTP, bunkering and grain export ban effectreporting data

The Group's EBITDA increased by **32.3%*** to **\$550.3*** million in 2011

PTP consolidation contributed **\$154.3*** million to the consolidated EBITDA of the Group.

Quarterly change in NCSP EBITDA in 2011*, \$mln



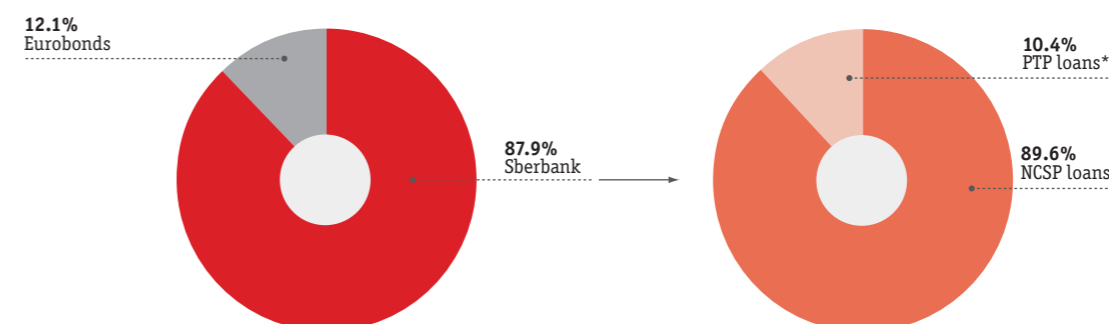
Source: NCSP Group data.

Leverage

The Group's debt increased at the beginning of 2011 due to financing of the acquisition of PTP and its consolidation. On 21 January 2011, NCSP raised a loan in the amount of \$1,950,000 from Sberbank. The loan was provided on the following terms:

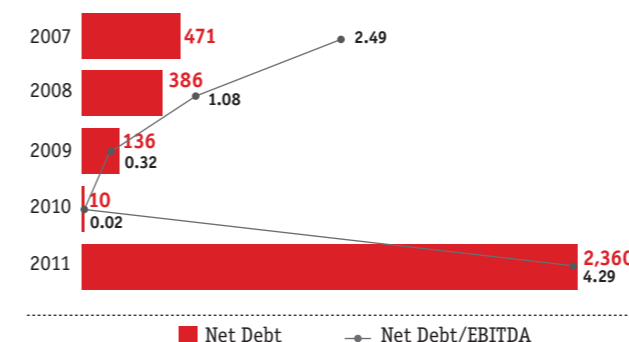
- The term of the facility is seven years;
- Floating interest rate of LIBOR 3M + 4.85% per annum is applied during the first three years of the loan;
- Fixed interest rate of 7.48% is applied during the remaining four years of the loan;
- Grace period for the first 36 calendar months from the date of the loan agreement,
- after which the principal amount of the loan is to be paid in equal quarterly installments;
- Certain financial covenants are imposed on the Group (e.g. restrictions as to the Group's net debt to EBITDA, and reduction of NCSP's share price, etc).

NCSP Group loan portfolio as of December 31, 2011



* - PTP loans raised prior to acquisition of company
Source: NCSP Group data.

NCSP Group net debt, \$mln
NCSP Group Net Debt/EBITDA*



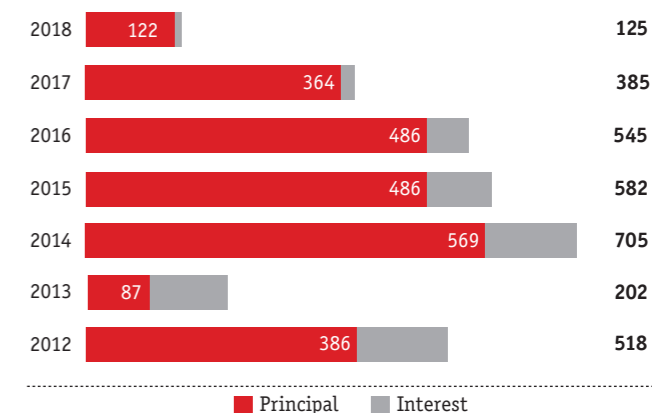
* Not including PTP's EBITDA in 2010
Source: NCSP Group data.

In November 2010, PTP entered into two loan agreements with Sberbank under a new credit line to be used for the acquisition of Sovfracht-Primorsk in the amount of \$349 million and for financing and refinancing costs associated with the construction of a bunkering complex in the amount of \$13 million, each with an interest rate of 8.5% per annum. The principal amounts of the loans are payable in equal installments at the end of each quarter beginning 31 March 2011 with maturity in November 2014. The loan interest for each is calculated and payable on a monthly basis.

As a result, the Group's total debt at the end of the first quarter of 2011 reached \$2.632 billion, and net debt reached \$2.588 billion. In the subsequent three quarters, the Group steadily reduced the leverage, and by the end of the year total debt had shrunk by \$126 million to \$2.506 billion and net debt had dropped by \$209 million to \$2.379 billion.

1 - Not including EBITDA of PTP in 2010.

NCSP Group debt payment schedule, \$mln



Source: NCSP Group data.

Over the course of the year the Group steadily improved its key leverage indicators. Net debt/EBITDA ratio (for the preceding 12 months) dropped from 6.3¹ at the end of the first quarter of 2011 to 4.3 at the end of the year, giving the Group sufficient room under the loan covenants.

Management is seeking to expand the range of instruments available to the Company for financing operations and investment, as well as refinancing of existing debt. As part of this effort in March 2012 the Group completed registration of five series of exchange-traded ruble bonds with combined face value of 18 billion rubles.

NCSP Group Strategy and Future Growth

NCSP Group strategic development objectives

On March 13, 2012 NCSP Group published the Master Plan – a presentation of NCSP Group's Development Strategy to 2020. It took almost a year to complete the document as the main objectives for the Group's long-term development strategy were crystalized.

The strategy is aimed at transforming NCSP into Russia's largest and Europe's leading port operator, with an emphasis on long-term growth of shareholder value.

The primary goal for the Group is to become the most efficient operator of port assets in Russia, and secure its position as the largest logistics company in the country and one of the largest in the world. NCSP Group will become the benchmark in terms of quality of service, application of the latest technologies, and social and environmental responsibility.

Current Areas of Efficiency Improvement of NCSP Group

STRATEGY
<ul style="list-style-type: none"> Master Plan developed for the period of 2012-2020 providing clear roadmap for long-term sustainable business growth.
ORGANIZATIONAL CHANGE
<ul style="list-style-type: none"> Senior management at subsidiaries has been replaced. A new team of highly professional senior managers has been appointed; Moscow Representative Office reorganized with over 50% middle level staff reduction. The Group improved support for its business by transferring most senior managers to the regions of operations; Launched restructuring and optimization process of all NCSP business units in order to achieve high standard management efficiency and effectiveness; Reduced number of administration levels and overall management headcount, set up vertical & horizontal organization structure providing effective communication, proper work planning, efficient decision making process and timely control of results.
OPERATION EFFICIENCY
<ul style="list-style-type: none"> Integrated commercial department was created. As the next step, matrix organizational structure of the Group's key functions; The Group began implementing McKinsey's 28-point action plan to increase operational efficiency, which could boost productivity by up to 14% with little additional cost; Organized technical audit and implementation of long-term action plan in order to achieve maximum utilization of existing resources and to explore new business activities. Review of all business processes is being conducted to identify ways to improve productivity and reduce cost; Launched an audit of existing port infrastructure to design a road map for most cost efficient investments in modern facilities that would enable uninterrupted operations and sustainable business growth by attracting new cargoes to the ports of Novorossiysk, Primorsk and Kaliningrad. Energy safety of production processes review is being carried out to identify possibility to introduce additional energy sources. Implementation of energy saving processes. Personnel training on the energy consumption reduction technologies;

- Restructured operation functions. Decreased number and headcount of departments. Eliminated two management levels. Gained ability to switch workforce among port facilities on demand. Increased flexibility in controlling and managing cargo flow. Increased effectiveness of mobile equipment: PMK, locomotives, cargo lifting road transport. Implementation of internal logistics, resulting in more efficient use of the Port's storage facilities and reducing internal movement of cargo.

HR ACTIVITIES

- The Group has implemented a standard incentive system for its companies based on KPI and their relation to strategic development objectives;
- Setting up KPI system for top managers based on their goals achievement and considering the Shareholders' interests;
- The Group has developed measures to reduce current operating expenses, and mechanisms for assessment, planning, budgeting and approval of labor economics indicators at Group companies;
- Development and implementation of work quotas at the Group; productivity increase through introduction of progressive forms and systems of labor financial incentives. Introduction of standards for main and auxiliary personnel and management;
- Compensation & benefits system in accordance with operational performance;
- Enhanced focus on training & development, recruitment, for employees and management by introducing world best practices and innovative technologies;
- Growth of talented and loyal personnel reserve to supply the business with management resources;
- Wages indexation for engineers/technical staff and workers on the ground;
- Closer interaction with unions.

CORPORATE AFFAIRS

- Working with city and regional authorities. Creation of one dispatch center together with regional rail, resulting in increase in daily railcar handling productivity;
- Conducting jointly with RZD personnel planning, training and certification, increased control over traffic safety in the Port;
- IT audit and implementation of consolidated IT hardware & software based on latest architecture providing operating and management data, and also problem solving in real time and a centralized database for detailed analysis of processes;
- Focus on improving the Port image and reputation as a reliable business partner. The strategy of business development by means of long term collaboration with clients and attraction of new clients by providing higher quality and widening scope of services;
- Best corporate governance practices developed and adopted.

HSE

- Introduction of the highest safety, health and environment standards to protect employees health, prevent accidents and to protect environment;
- Obligatory introduction of HSE KPI's for top- and middle management, engineering/technical personnel;
- Establishing of competition between departments for the title of the best department with highest HSE standards. Trade Unions and press involvement in the event.

NCSP Group Strategy for 2011-2020

	Short-term strategy (2011-2012)	Medium-term strategy (2012-2015)	Long-term strategy (2015-2020)
Organization	» New organizational structure approval	» Pilot projects for consolidation of certain functions	» Capitalizing on pilot projects' experience to consolidate various functions of the Group
Operations	» Cargo inventory according to profitability and volatility	» Retaining strategic clients and attracting new clients based on offering of unique services	» NCSP is the leader in Russian port & logistics sector and a globally recognized port operator
» Clients and cargo	» Strategic cargo market model approval » Attracting high-margin and long-term cargoes	» Expand range of services	» Focus on perspective and high-marginal cargo services » Value added along the logistics chain
» Quality of service and effectiveness	» McKinsey program implementation ¹	» KPI for all functions and processes » Achieving efficiency rates higher than market averages	» № 1 in KPIs for quality and effectiveness
» Personnel	» Target salary indexation » Unified approach to compensation throughout the Group	» Attracting and retaining professional personnel	» NCSP is the best employer in the region
OTHER	» Start of Master Plan implementation	» Creating infrastructure capable to meet expansion plans	» Diversification throughout the logistics chain

¹ - An analysis of opportunities for increasing NCSP Group's operational efficiency was conducted in 2011 together with McKinsey. A program consisting of 28 recommendations was developed, some of which have been taken into implementation

Investment program

Implementation of projects under existing investment program

As part of the continued implementation of the investment program that was adopted by NCSP Group's previous management, \$416 million of the planned \$538 million had been spent by the end of 2011. The program focused on construction of new terminals (Sheskhari's Oil Terminal, Novorossiysk Fuel Oil Terminal, BSC). This program will expand capacity across the Group by 5.5 million-20.5 million tonnes and 238,000 TEU.

Reconstruction of Sheskhari's Oil Terminal (Stages 1 and 2)

Project Highlights	
Construction period – 2006-2013 Planned capacity – +15 mln tonnes p/a Investments – \$145.7 mln Invested to date – \$113.8 mln Planned investments in 2012 – \$23.2 mln Planned investments in 2013 – \$8.7 mln	
Objective	Planned results
<ul style="list-style-type: none"> Construction of the terminal A with capacity of 50 mln tons to ensure capital repairs at the terminal B Possibility to admit vessels with 150 thousand tons DWT, which are currently served at the berth B Automatization of oil control and metering system 	<ul style="list-style-type: none"> Terminal capacity to increase up to 65 mln tons of oil per annum (65 mln tons = main pipeline limitation) Possibility to reconstruct terminal B with no adverse effect on throughput volumes

1 - NCSP Group's stake in the project is 50%.

Construction of Fuel Oil Terminal¹, Pier 4 reconstruction

Project Highlights	
Construction period – April 2010-Q1 2012 Capacity – 4 mln tonnes p/a Investments – \$223.6 mln Invested to date – \$200.1 mln Planned investments in 2012 – \$23.5mln	
Objective	Planned results
<ul style="list-style-type: none"> Construction of a modern fuel oil terminal with capacity of 4 mln tons per annum through a 50–50 joint venture with a major international oil trader Dredging up to 13.5 m and reconstruction of Pier №4, to enable to admit vessels with 45 thousand tons DWT(the pier was previously not in operation) 	<ul style="list-style-type: none"> Redirection of Russian oil products going through the ports of Ukraine 278 additional jobs created

Construction of bunkering complex in Primorsk

Project Highlights	
Construction period – March 2010 - Q1 2012 Capacity - 410 thousand tonnes p/a Investments - \$61.0 mln Invested to date - \$55.8 mln	
Objective	Planned results
<ul style="list-style-type: none"> Construction of bunkering complex with the capacity of 410 thousand tons per annum has been completed Before the launch of the complex, bunkering services were offered by other operators' vessels, which resulted in additional costs and environmental risks 	<ul style="list-style-type: none"> To decrease mooring time at berth – cost reduction for cargo owners To reduce risk of interaction of two ships with hazardous cargoes (bunkering vessel and tanker) To reduce costs for hiring pilots and for implementation of oil spill prevention measures To increase transshipment volumes due to beginning of a) supply of bunkering fuel for export and b) delivery of bunkering fuel by railway The project will allow PTP to obtain higher return on existing assets and to become more technologically advanced and attractive port for counterparts
Current Situation	
<ul style="list-style-type: none"> Construction of bunkering facility completed Potential to start loading fuel for export 	

IPP reconstruction, storage facilities replacement; bunkering terminal expansion at IPP

Bunkering terminal expansion at IPP	IPP reconstruction, storage facilities replacement
Project Highlights	Project Highlights
Construction period – Feb. 2012.- Sept. 2012 Planned capacity - +96 thousand tonnes p/a Investments - \$2.2 mln Invested to date - \$0.2 mln	Construction period – Sept. 2010 – Nov. 2012 Planned capacity - +1 mln tonnes Investments - \$18.3 mln Invested to date - \$5.0 mln
Objective	Objective
<ul style="list-style-type: none"> Expansion of the existing storage park via construction of a new tank with capacity of 5 thousand cubic meters 	<ul style="list-style-type: none"> Increase of existing capacities of IPP by replacing old tanks with new higher-volume diesel fuel tanks and reconstruction of other technological equipment
Planned results	Planned results
<ul style="list-style-type: none"> Increase of bunkering volumes by 96 thousand tons per annum Multi-purpose of the the bunkering complex, export perspectives Creation of additional competitive advantages for IPP on the bunkering market of Novorossiysk 	<ul style="list-style-type: none"> Replacement of 4 worn-out tanks with capacity of 20 000 cubic meters with 3 new tanks with capacity of 30 000 cubic meters to handle up to 6 mln tons of diesel fuel per annum and up to 1 mln tons of oil products Scheduled reconstruction period of 16 months, of which <ul style="list-style-type: none"> – 7 months to execute project and engineering works – 9 months to execute construction and installation works
Current Situation	
<ul style="list-style-type: none"> Project documentation is ready Glavosexpertiza approval is obtained Construction and installation works are being implemented 	

Container terminal construction at Baltiysk

Project Highlights	
Construction period – Jan. 2010 - Q4 2013 Planned capacity - 400 thousand TEU Investments - \$87.5 mln Invested to date - \$40.8 mln Planned investments in 2012 - \$1.9 mln Planned investments in 2013 - \$44.8 mln	
Objective	Key changes
<ul style="list-style-type: none"> Construction of a modern container terminal with capacity of 400 thousand TEU for Kaliningrad region needs 	<ul style="list-style-type: none"> Container throughput increase is possible due to existing clients' volumes growth, as well as due to attraction of new shipping lines Terminal capacity of 200 thousand TEU has been reached, planned capacity increase of up to 400 thousand TEU as the new cargo base is secured General cargo handling is being considered
Current Situation	
<ul style="list-style-type: none"> Completion of construction of the first phase of container terminal with capacity of 200 thousand TEU for Kaliningrad region needs Continuation of the project with the target capacity increase up to 400 thousand TEU 	

New development concept

Within the context of the Master Plan, management is proposing a new concept for NCSP Group's growth in the period to 2020 that calls for transition from specialization by stevedoring company to specialization by production area, with a focus on high-margin cargo. The cost of the new investment program is estimated at \$1.0 - \$1.1 billion.

The priorities of the new concept for NCSP Group's growth are:

- Development of container business
- Specialization of NLE in handling containers. Construction of a specialized container terminal with throughput capacity of 500,000 TEU
- Construction of container terminal in NCSP's Western Area, which will expand container throughput capacity at NCSP to 700,000 TEU from 170,000 TEU
- Expansion of the range of services offered by acquiring and developing land at the port
- Expansion of grain throughput capacity at Novorossiysk Port by 2 million tonnes
- Construction of terminal to handle iron ore products with throughput capacity of up to 12 million tonnes, with possible use of technology to allow handling of other types of bulk cargo (mineral fertilizer, coal) and reverse cycle operation
- Modernization of cargo handling equipment at NCSP's Eastern Area and NSRZ; relocation of pipes, ferrous and nonferrous metals, timber products (possibly), perishable goods, outsized and other types of cargo to the Eastern Area of NCSP and NSRZ
- Transformation of Primorsk Trade Port into a universal deepwater port, setting the stage for increasing Russia's export potential, and diversification of the business with a long-term program for construction of terminals at Primorsk to handle oil products and, possibly, containers, general and bulk cargo

Containers

The Company's priority is to expand its container business. There were three options for expanding container turnover in Novorossiysk. Management chose the least costly and least risky option for achieving the desired result, which calls for gradually expanding the existing container terminals at NLE and NCSP to respectively 500,000 TEU and 700,000 TEU, and the construction of an inland container terminal in Novorossiysk. The construction of the inland container terminal will significantly expand the range of services offered at NLE, boost revenue per TEU and lay the foundation for building the NCSP logistics chain. For the construction of the inland container terminal, the Company plans to buy a plot of land at the Novorossiysk port, on which it could spend \$30 million-\$40 million.

Construction of specialized container terminal at NLE

The first phase of the Group's strategy to increase container turnover will be the construction of a specialized container terminal at NLE with throughput capacity of up to 500,000 TEU with an average storage period of 10 days. This project is to be carried out in 2012-2014. In the course of terminal construction, there are plans to conduct dredging works at NLE berths No. 28 and No. 28A, which will enable them to accommodate direct ocean lines with capacity of 5,000 TEU, and thus attract new customers.

Construction of NCSP container terminal

Once throughput capacity at NLE is at least 75% utilized, the Group will begin the project to build a container terminal in NCSP's Western Area, which will expand NCSP container throughput capacity from 170,000 TEU to 700,000 TEU. Upon completion of this project, the Group's container handling capacity in Novorossiysk will reach 1.2 million TEU per year. The anticipated timeframe for this project is 2015-2018.

Grain

Expansion of NGT terminal facilities

Grain remains a staple cargo for NCSP Group, and as part of its new concept the Company plans to build up a reserve of grain handling capacity to secure its share of this market. With this goal in mind, the Group plans to expand the terminal facilities of NGT in 2012-2014. There are plans to increase grain storage capacity to 188,000 tonnes from 120,000 tonnes with the construction of new silos; install a third ship loading machine, overhaul berths, and build a fourth receiving line for grain trucks. These measures will help to expand grain throughput capacity at NGT by 2 million tonnes to approximately 7-8 million tonnes. The future of this project will be confirmed following the technical audit.

Iron ore

NCSP Group plans to create a unique service for producers of iron ore by building a universal terminal for transshipment of iron ore, coal and mineral fertilizers, with projected capacity of up to 12 million tonnes per year, in NCSP's Central Area. This project is scheduled for 2015-2016.

A prerequisite for its implementation is increasing the loading rate to 50,000 tonnes per day, with the capability of loading ships with DWT of up to 120,000 tonnes. With this goal in mind, the company carried out dredging works last year that made it possible to load a bulk carrier with DWT of 114,000 tonnes at NCSP's Eastern Pier in November 2011.

Other cargo

In order to more efficiently utilize existing facilities, the Company plans to redirect transshipments of metals, timber products (possibly), perishables, outsized cargo and other types of cargo to NCSP's Eastern Area and NSRZ in 2013-2016, which will require updating their equipment.

Primorsk


One of the projects that NCSP Group is considering is a long-term program for the construction of terminals in Primorsk to handle oil products, containers, general and bulk cargo, the potential handling capacity for which is tentatively estimated at respectively 22 million tonnes, 1 million-2 million TEU, and 11 million tonnes.

The main goals of these projects would be to build a universal deepwater port in Russia's Northwest, set the stage for increasing the country's export potential, and diversify the Company's business.

NCSP GROUP ASSETS


NCSP Group includes nine companies that operate in Russia's two largest marine shipping regions in terms of cargo turnover:

1



- PJSC Novorossiysk Commercial Sea Port (PJSC NCSP)
- OJSC Novoroslesexport (NLE)
- OJSC IPP
- PJSC Novorossiysk Grain Terminal (NGT)
- OJSC Novorossiysk Shipyard (NSRZ)
- PJSC NCSP Fleet

2



- LLC Baltiysk Stevedoring Company (BSC)
- LLC Primorsk Trade Port (PTP)
- CJSC Sovfracht-Primorsk

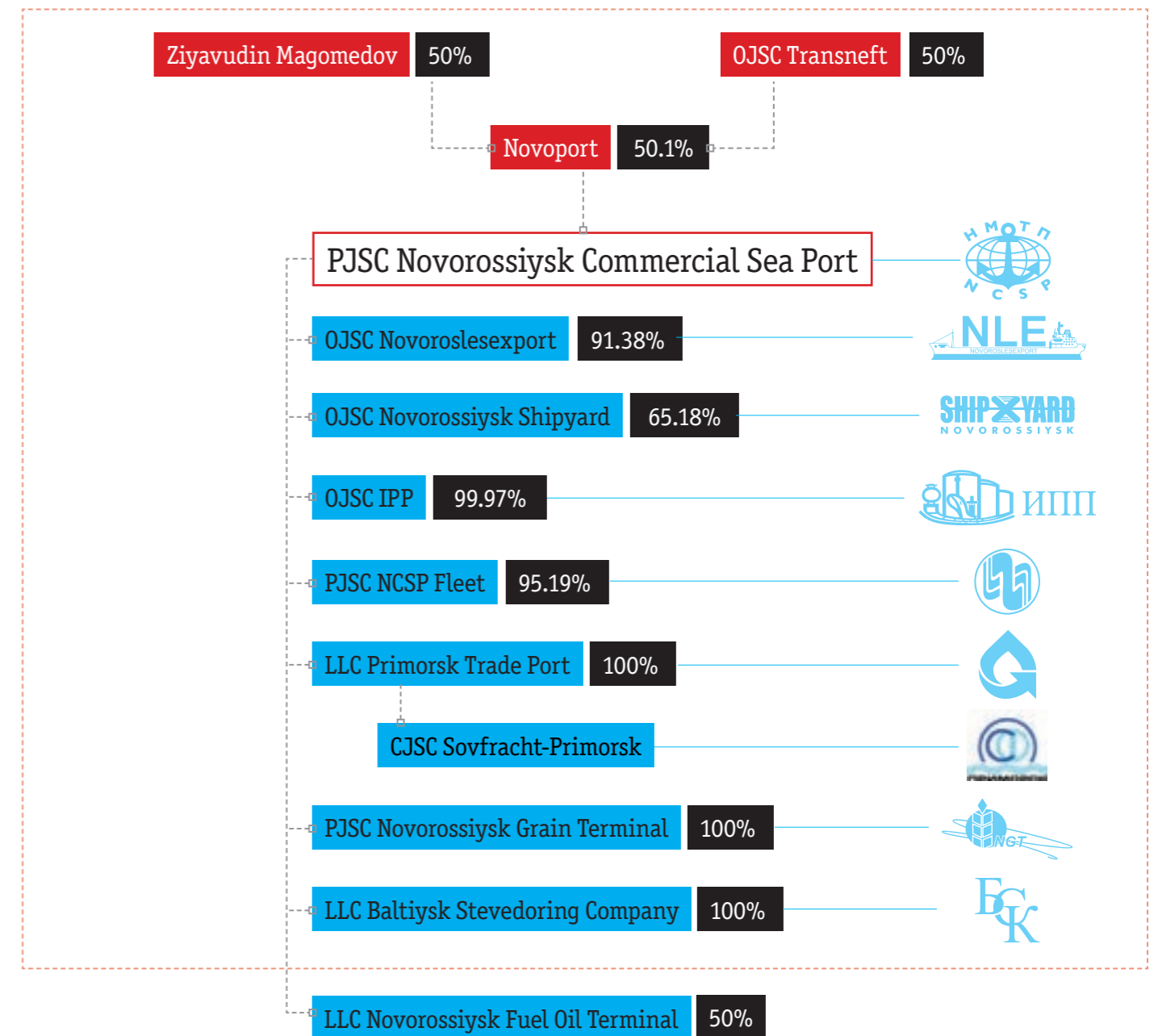
The Group's flagship company, which holds controlling stakes in the subsidiaries, is PJSC NCSP.

NCSP Group on January 21, 2011 closed a deal to acquire 100% of LLC Primorsk Trade Port. The acquisition of Russia's second largest port by cargo turnover enabled the Company to dramatically expand the scale of its business, diversify its geographic presence, increase stability of its cash flows, and gain access to new markets and new opportunities for growth.

Simultaneously with the closing of the deal, OJSC Transneft and Ziyavudin Magomedov became beneficiaries of NCSP Group.

NCSP Group financed the acquisition of LLC PTP with its own cash and bank financing. Sberbank of Russia extended a seven-year loan of \$1.95 billion to PJSC NCSP.

NCSP Group structure



PJSC NCSP



The company provides a full range of stevedoring services. The company specializes in handling crude oil and oil products, ferrous metals, grain, iron ore products and containers.

PJSC NCSP



Rado Antolovic
Acting Chief Executive Officer

Mr. Antolovic, was appointed acting chief executive officer on April 10, 2012. Prior to that he was PJSC Deputy CEO for Sales and Marketing,

“In 2011 the Group’s flagship company demonstrated balanced results that underline the importance of further investment in the diversification of our cargo and geographic base as the foundation for growth, and the breakthrough in the container segment testifies to the correct selection of strategic priorities for investment.”

About the company

Port area: 95.9 hectares	44 berths with total length of 9.39 km
Depth at berths: 4.5 m to 24.5 m	14 mobile cranes with capacity of 45 to 104 tonnes;
Storage area: 16.153 hectares open yards;	54 portal cranes with capacity of 5 to 63 tonnes,
5.912 hectares covered area;	1 overhead crane with capacity of 5 tonnes
0.416 hectares refrigerated storage	

Business

The company provides a full range of stevedoring services. The company specializes in handling crude oil and oil products, ferrous metals, grain, iron ore products and containers.

Operations in 2011*

NCSP’s cargo turnover grew 0.7% to 65.8 million tonnes in 2011. Growth was driven primarily by container cargo, grain and iron ore products.

The company handled 1.6 million tonnes of container cargo in 2011, 24.1% more than in 2010. Growth in twenty-foot equivalent units was even stronger, surging 46.6% to 169,200 TEU. These figures far outstripped the growth of container turnover in the industry, where volume was up 19.8% in tonnes and 28.5% in TEU.

Monthly grain transshipments increased in 2011, enabling NCSP to increase turnover by 4.6% in 2011 despite the longer period of downtime for grain facilities due to the export ban. Volume of grain handled by the company peaked at 516,700 tonnes in September, and total grain turnover for the year rose to 2.5 million tonnes from 2.3 million tonnes in 2010.

* - Not including data for IPP and NGT, which use NCSP dock infrastructure.

Transshipment of iron ore jumped 28.1% to 2.9 million tonnes, demonstrating the strongest growth in turnover among all types of cargo.

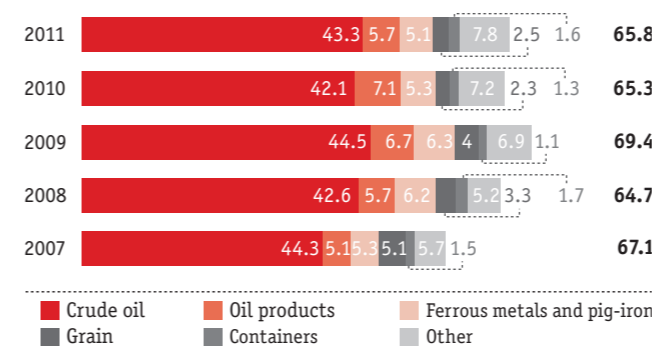
The company also handled 2.9% more crude oil, and 1.2% more chemical cargo. NCSP resumed handling of cement in mid-2011, and loaded 27,200 tonnes in June-December.

Other key cargos saw a decline in volume, with turnover dropping 20.2% for oil products, 4.3% for ferrous metals and pig iron, and 5% for sugar.

The structure of NCSP cargo turnover did not see major changes in the course of the year. The key types of cargo in recent years have continued to be crude oil and oil products, ferrous metals and pig iron, grain, iron ore and mineral fertilizers. Crude oil as a share of cargo turnover rose 1.4 percentage points in 2011, iron ore products rose 0.9 percentage points and containers were up 0.4 percentage points, while oil products dropped 2.3 percentage points, and ferrous metals and pig iron decreased by 0.4 percentage points.

A total of 2,502 ships called at NCSP in 2011 (not including NGT and IPP).

NCSP cargo turnover, mln tonnes*

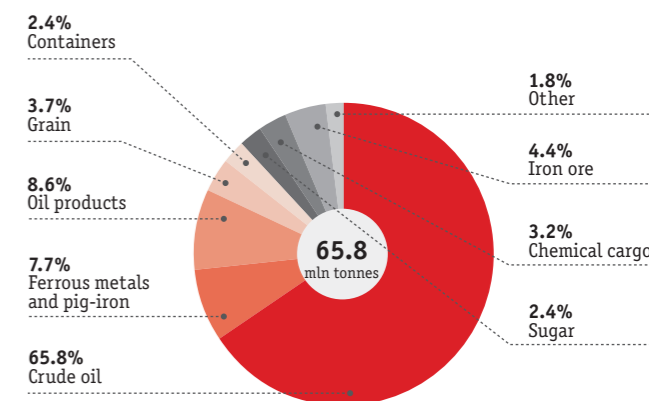


Source: NCSP Group data.

* - Not including data for IPP and NGT, which use NCSP dock infrastructure.

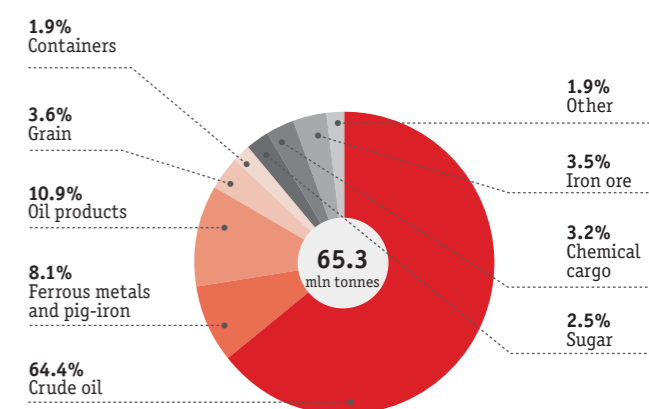
A total of
2,502
ships called at NCSP in 2011
(not including NGT and IPP)

Structure of NCSP cargo turnover in 2011*



Source: NCSP Group data.

Structure of NCSP cargo turnover in 2010*



Source: NCSP Group data.

OJSC Novoroslesexport

The company specializes in containers and timber. It provides cargo storage, container packing and unpacking, and freight forwarding services.



Albert Likholet
General Director

Mr. Likholet, head of NLE's container terminal from 2009 to November 3, 2011, was appointed general director on January 25, 2012. He was named acting general director in November 2011.

“Last year was successful for NLE. Container turnover exceeded 200,000 TEU for the first time, which was a record not only for our company, but also for the Novorossiysk port. NLE took fifth place by container turnover among Russia's terminals. I will make every effort so that my professional knowledge and years of experience in the NCSP Group contribute to the company's continued successful development.”

OJSC Novoroslesexport

About the company

Port area (including berths): 59.92 hectares, including:

- timber terminal (including berths): 42.53 hectares
- container terminal: 16.77 hectares

Harborage area: 15.3 hectares
 11 berths with total length of 1.3728 km
 Depth at berths: 6.5 m to 13.9 m
 Maximum ship tonnage: 56,000 tonnes
 Storage area: 438,340 m² open yards; 15,070 m² covered area; 5,600 m² refrigerated storage

Two STS cranes with capacity of 42 tonnes; one RMG crane with capacity of 41 tonnes; two RTG cranes with capacity of 41 tonnes; three mobile cranes with capacity of 36 to 104 tonnes; 6 overhead cranes with capacity of 12.5 tonnes; 4 gantry cranes with capacity of 10 tonnes; and 13 portal cranes with capacity of 5 to 20 tonnes

Business

The company specializes in containers and timber. It provides cargo storage, container packing and unpacking, and freight forwarding services.

Operations in 2011

NLE achieved record container turnover in 2011. In the period from January 1 to September 29, NLE handled 200,000 TEU for the first time, which was also the highest figure for container turnover at the Novorossiysk port. The company's container turnover for the year jumped 42.5% to 266,700 TEU.

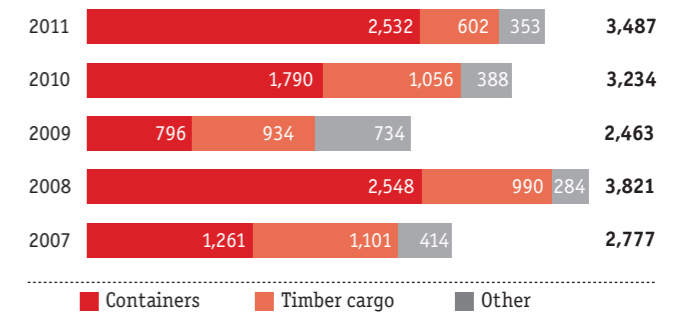
While container transshipments surged and turnover for perishables grew by 27.5%, turnover dropped 43% for timber and 7.7% for nonferrous metals. The company also stopped handling ferrous metals. The decline in timber and nonferrous metals was typical for the market in general and reflected a slump in demand in the main markets for these commodities, North Africa and the Middle East, due to political turmoil.

However, thanks to the efficiency gains of its container terminal, NLE managed to offset this negative factor and increase cargo turnover by 7.8% for the year. The company handled a total of 3.5 million tonnes of cargo, including 2.5 million tonnes (72.6%) of container cargo, and 602,200 tonnes (17.3%) of timber.

Container cargo as a share of the company's total turnover jumped 17.3 percentage points in 2011, while timber fell 15.4 percentage points and nonferrous metals dropped 1.1 percentage points.

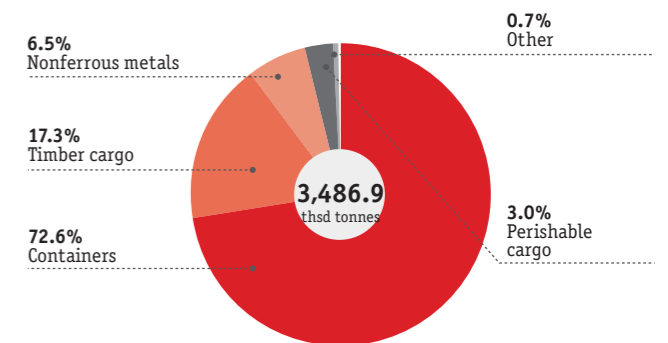
A total of 463 ships called at NLE in 2011, including 304 at its timber terminal and 159 at the container terminal.

NLE cargo turnover, thousand tonnes



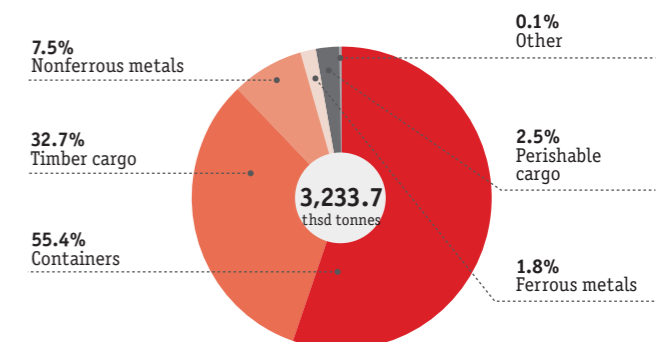
Source: NCSP Group data.

Structure of NLE cargo turnover in 2011



Source: NCSP Group data.

Structure of NLE cargo turnover in 2010



Source: NCSP Group data.

PJSC Novorossiysk Grain Terminal

The company specializes in grains (wheat, barley) and oilseeds. NGT has the fastest grain loading terminal on the Black Sea.

PJSC Novorossiysk Grain Terminal



Igor Andreev
General Director

Mr. Andreev, deputy general director at NGT from 2009 to November 3, 2011, was appointed general director on January 23, 2012

“Novorossiysk Grain Terminal is one of the most technically advanced cargo terminals in the NCSP Group. Last year NGT, unfortunately, could not fully realize its potential, but after the lifting of the ban on grain exports it managed to demonstrate record performance.”

About the company

Terminal area: 7,049 hectares
 Grain is loaded at two berths of PJSC NCSP's No. 3 Dock with a total length of 380 m
 Maximum depth at berths: 13.3 m
 Maximum ship tonnage: 63,000 tonnes
 Grain storage: 14 silos with total capacity of 120,000 tonnes
 Two grain loading machines with capacity of 800 tonnes per hour each

Business

The company specializes in grains (wheat, barley) and oilseeds. NGT has the fastest grain loading terminal on the Black Sea.

Operations in 2011

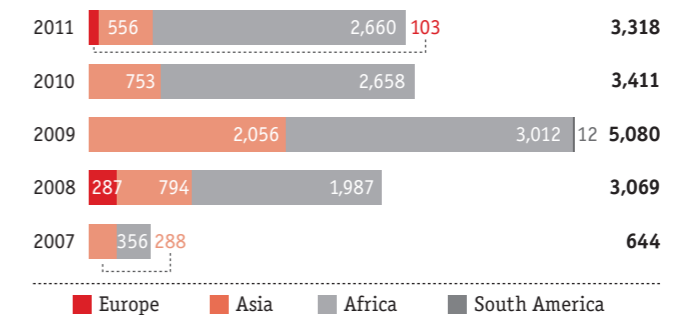
The ban on Russian grain exports that was in effect until July 1, 2011 had a substantial impact on NGT's operations in 2011. As a result of the ban, in the first half of the year the company could only utilize a fraction of its capacity, handling small amounts of grain from Kazakhstan.

However, with its silos nearly fully stocked during the enforced downtime, NGT was able to resume full operations immediately after the lifting of the export ban. Monthly turnover in the second half of the year far exceeded figures for 2010, enabling the company to partially offset the losses suffered at the beginning of the year.

NGT handled 3.3 million tonnes of grain in July-December, 2.7% less than in 2010. In the reporting period, grain was loaded for shipment to ports in Africa (2.7 million tonnes, or 80.1% of the total), Asia (556,000 tonnes or 16.8%) and Europe (103,000 tonnes or 3.1%).

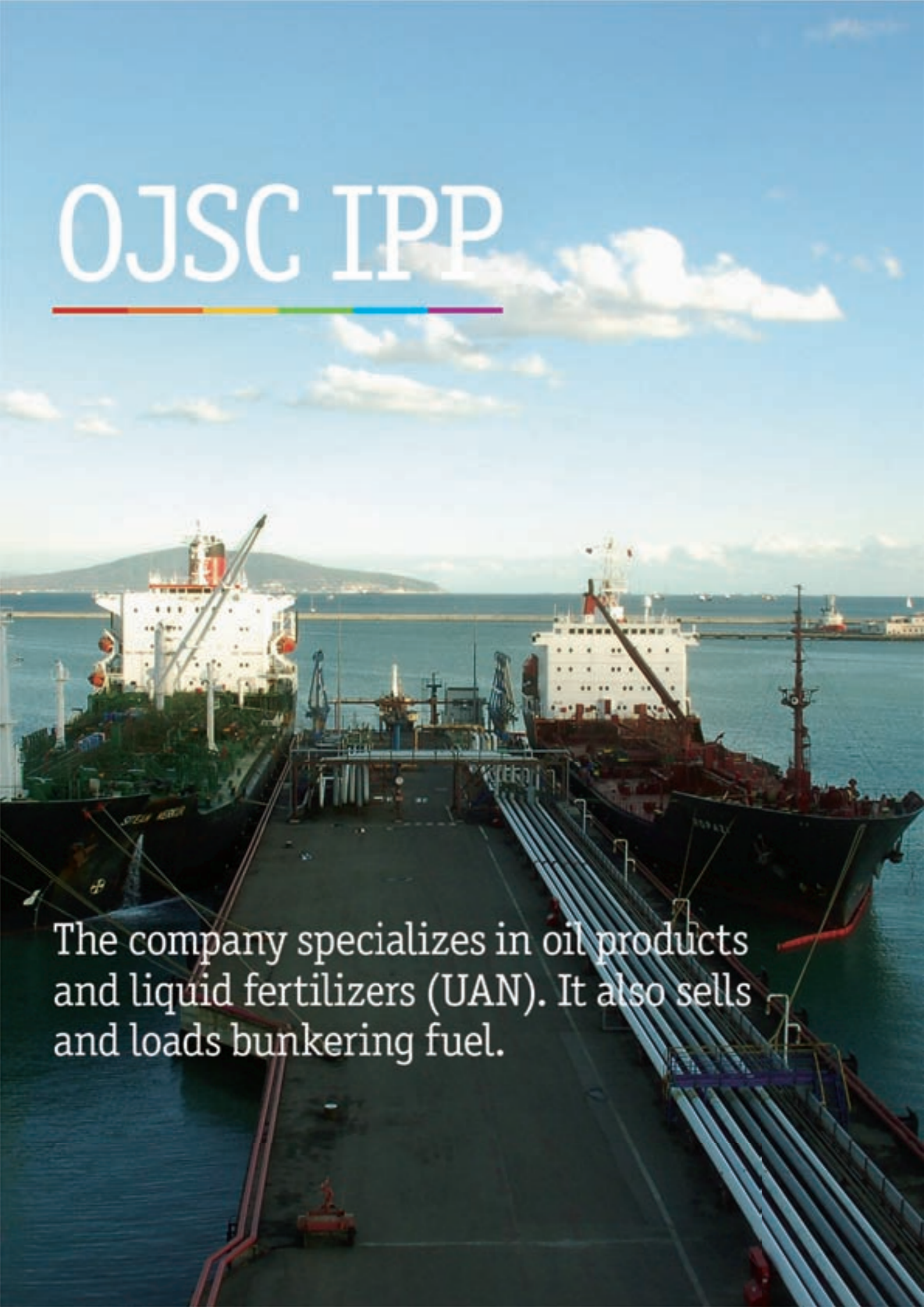
NGT loaded 97 ships in 2011.

NGT grain cargo turnover, thousand tonnes



Source: NCSP Group data.

OJSC IPP



The company specializes in oil products and liquid fertilizers (UAN). It also sells and loads bunkering fuel.

OJSC IPP



Nikolai Darma
General Director

Mr. Darma was appointed general director on October 26, 2011. He was named acting general director of IPP on September 17, 2011.

“In 2011, IPP began reconstruction aimed at expanding capacity by replacing diesel fuel tanks. Despite the reconstruction underway, the company maintained stable cargo turnover in 2011. Our near-term plans include expanding bunkering facilities, which will further strengthen NCSP Group’s position on the market.”

About the company

Port area: 9.9 hectares
 Access to 3 berths controlled by PJSC NCSP, with lengths of 369.4 m, 339 m and 165 m
 Maximum depth at berths: 13.2 m, 12.2 m and 4.9 m
 Maximum ship tonnage: 50,050 tonnes, 38,300 tonnes and 6,310 tonnes
 13 tanks with total capacity of 123,000 cubic meters, including:

- 8 tanks for diesel fuel storage with capacity of 87,000 cubic meters
- 2 tanks for liquid fertilizer (UAN) with capacity of 25,000 cubic meters
- 2 tanks for bunkering fuel oil with capacity of 10,000 cubic meters
- 1 tank for bunkering diesel fuel with capacity of 1,000 cubic meters

Business

The company specializes in oil products and liquid fertilizers (UAN). It also sells and loads bunkering fuel.

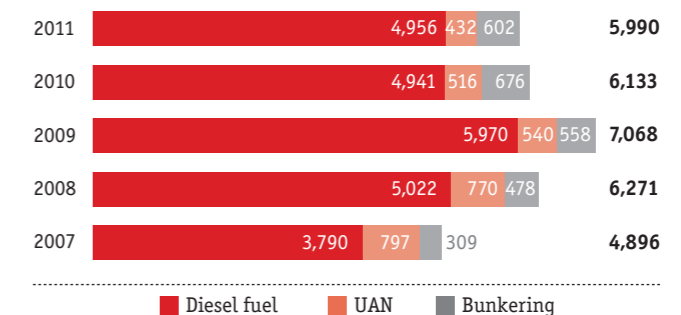
Operations in 2011

IPP’s cargo turnover declined by 2.3% to 5.990 million tonnes in 2011. Transshipment of diesel fuel increased by 0.3% to 4.956 million tonnes, but bunkering services decreased by 10.9% and liquid fertilizer turnover dropped 16.2%.

Oil products rose to 92.8% of total cargo turnover in 2011 from 91.6% a year earlier, while UAN dropped to 7.2%.

A total of 759 ships called at IPP in 2011.

IPP cargo turnover, thousand tonnes



Source: NCSP Group data.

OJSC Novorossiysk Shipyard

NSRZ is the largest ship repair yard in southern Russia, offering a broad range of ship repair services. However, it also has considerable cargo handling facilities with a specialization in transshipment of ferrous metals.

OJSC Novorossiysk Shipyard



Alexander Brezhnev
General Director

Mr. Brezhnev, acting general director of NSRZ since December 9, 2011, was appointed general director on February 24, 2012.

“Due to the signs of crisis in the global economy, demand for the products of Russian metal producers declined considerably in 2011, which could not but affect the volume of such products handled at NSRZ facilities. However, the management of the company and the Group managed to partially offset the drop in cargo turnover for ferrous metals by increasing transshipment of other cargoes and resuming transshipment of cement.”

About the company

Area: 30 hectares
 Maximum ship tonnage: 65,000-70,000 tonnes for cargo transfer; 200,000 tonnes for ship repair
 10 berths with total length of more than 1.7 km
 Depth at berths: 4.5 m to 11.3 m
 Storage area: over 60,000 m² open, 7,000 m² covered
 Seven mobile cranes with capacity of 14 to 36 tonnes; five overhead cranes with capacity of 30 to 32 tonnes; two gantry cranes with capacity of 30 to 50 tonnes; and 11 portal cranes with capacity of 20 to 40 tonnes

Business

NSRZ is the largest ship repair yard in southern Russia, offering a broad range of ship repair services. However, it also has considerable cargo handling facilities with a specialization in transshipment of ferrous metals.

Operations in 2011

NSRZ's cargo turnover dropped 21.7% to 2,144 million tonnes in 2011, as export shipments of ferrous metals, the company's main cargo, fell 29.6%. NSRZ handled 1.8 million tonnes of ferrous metals in 2011, down from 2.5 million tonnes a year earlier.

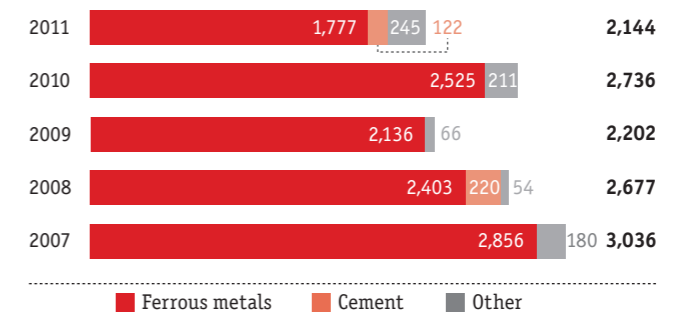
The slump in ferrous metals was partially offset by the resumption of cement transshipments, and 16.0% growth in turnover for other cargo.

Ferrous metals as a share of NSRZ cargo turnover fell 9.4 percentage points to 82.9%, while other cargo rose 3.7 percentage points to 11.4%. Cement accounted for 5.7% of the cargo handled by the company in 2011.

A total of 462 ships called at NSRZ in 2011.

The ship repair yard repaired 21 ships in 2011, and executed nine industrial contracts. The largest customer was NCSP Fleet, which had ten ships repaired at NSRZ docks and berths.

NSRZ cargo turnover, thousand tonnes



Source: NCSP Group data.

PJSC Fleet Novorossiysk Commercial Sea Port

NCSP Fleet is the largest private towing and tugboat company in Russia, offering a full range of fleet services, including tug and towing services, bunkering of fuel, oil and water, fire and environmental protection services.



PJSC Fleet Novorossiysk Commercial Sea Port



Alexander Ovodovsky
General Director

Mr. Ovodovsky, acting general director of NCSP Fleet from November 2011, was appointed general director on February 9, 2012. He has held executive positions at companies involved in fleet operation and piloting services since 2002.

“NCSP Fleet holds a leading position on the towing and bunkering services market in Novorossiysk. We see future potential for the company in the development of this business at other ports on the Black Sea coast. In addition, we are considering providing towing services at ports in the Northwest – Ust-Luga and Kaliningrad.”

About the company

NCSP Fleet has 47 ships:

- 24 tugboats with capacity of 208 to 5,712 hp
- One Mars fire boat
- Six oil and oil products bunkering vessels with capacity of 250 to 3,000 tonnes
- Two water carriers
- 14 auxiliary vessels (environmental protection, bilge water collectors, passenger ships, pilot boats, a specialized vessel)

Business

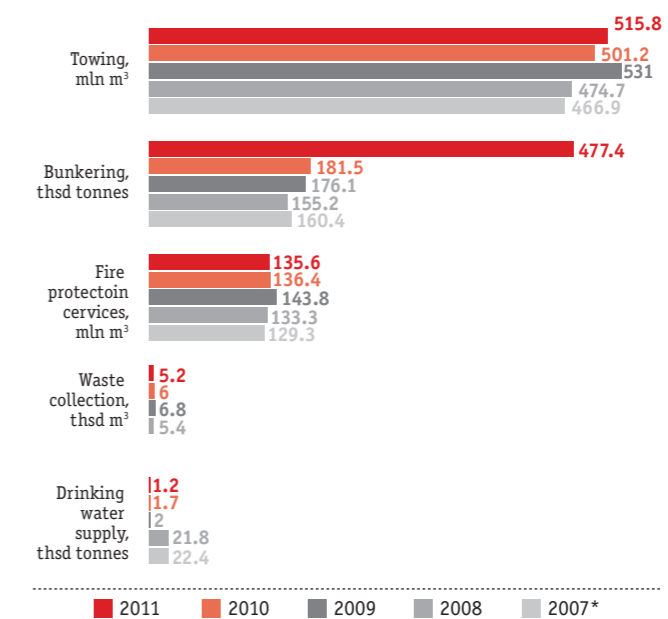
NCSP Fleet is the largest private towing and tugboat company in Russia, offering a full range of fleet services, including tug and towing services, bunkering of fuel, oil and water, fire and environmental protection services.

Operations in 2011

NCSP Fleet’s fuel bunkering business saw the strongest growth in 2011, with volume surging 163% compared to 2010, to 477,400 tonnes. Towing services increased by 2.9% to 515.8 million cubic meters (total nominal capacity of ships).

NCSP Fleet’s other operating indicators declined. Firefighting services decreased by 0.6% to 135.6 million cubic meters; waste removal services were down 13.3% to 5,200 cubic meters; and water supply services dropped 29.4% to 1,200 tonnes.

NCSP Fleet operating indicators by primary services



* In 2007, services for PJSC NCSP were provided under a contract with a fixed monthly fee, and no record was kept of the quantity of waste removed
Source: NCSP Group data.

LLC Baltiysk Stevedoring Company

LLC Baltiysk Stevedoring Company



Sultan Batov
General Director

Mr. Batov has been general director of BSC since December 2002.

“In 2011, BSC completed the first phase of construction of its container terminal. Project design work is continuing with government and environmental reviews to be approved by the end of the year. We plan to continue construction of the second phase of the terminal, increasing design capacity to 400,000 TEU per year as we secure the cargo base.”

About the company

Port area: 3.6 hectares
 One berth with length of 205 m
 Maximum depth at berth: 9.7 m
 Maximum ship tonnage: 20,000 tonnes
 Open storage area: 3.2 hectares
 Three mobile cranes with capacity of 104 tonnes; six RTG cranes with capacity of 40 tonnes

Business

BSC specializes in container transshipments.

Two container lines operate at the container terminal in Baltiysk:

- **Maersk.** Ports of call: Bremerhaven (Germany) – Baltiysk – Gdansk (Poland) – Kotka (Finland) – Bremerhaven (Germany)
- **MSC (Mediterranean Shipping Company).** Ports of call: Antwerp – Bremerhaven (Germany) – Baltiysk – Rauma (Finland) - Antwerp

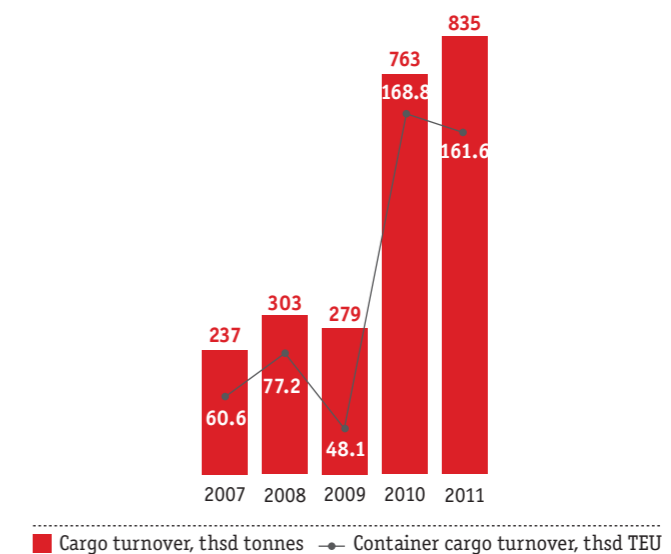
Operations in 2011

In 2011, unlike previous years, BSC handled only container cargo. Container cargo turnover in twenty-foot equivalent units dropped 4.3% to 161,600 TEU in 2011, but turnover in tonnes grew 9.4% to 834,700 tonnes.

Geographically, there was a shift toward container exports in 2011. The ratio of imports to exports was 49.2% to 50.8% in 2011, compared to 51.3%/48.7% in 2010. Some 99.5% of export containers loaded at BSC was shipped to Europe, while 90.0% of the import containers at the terminal came from Asia.

A total of 134 ships called at BSC in 2011.

BSC cargo turnover and container turnover



Source: NCSP Group data.

BSC specializes in container transshipments.

LLC Primorsk Trade Port



Sovfracht-Primorsk provides towing and mooring services, carries pilots to ships, and provides other fleet services in the port of Primorsk, including provision of floating booms for the Oil Spill Response Plan (LARN), oil spill response preparedness, and emergency rescue preparedness.



Andrei Tereshchenko
General Director

Mr. Tereshchenko has been general director of PTP since December 7, 2011.

“It was a very successful year for PTP. Thanks to leasing of berths and the start of diesel fuel transshipments, we managed to increase cargo turnover by 4.6%. PTP also completed construction of the bunkering facility. In addition, and no less important, the company’s inclusion in the NCSP Group enabled PTP to make considerable progress in gaining access to railroad infrastructure, which will open new opportunities for the long-term growth and diversification of the company’s business.”

LLC Primorsk Trade Port

About the company

Area of terminal owned by company: 54 hectares
Six berths for liquid cargo: 2 berths owned by company, 4 berths leased
Minimum depth at oil and oil product loading berths Nos. 1-4: 17.8 m (Baltic System of Heights)
Maximum tonnage of oil and oil product tankers: 150,000 tonnes (restriction for Danish straits)

Business

PTP specializes in handling crude oil and oil products bound for export markets. The company also provides traffic control, mooring, environmental protection, Oil Spill Response Plan (LARN) compliance, fire safety, towing support, and fuel and stores supply services.

Operations in 2011

PTP’s cargo turnover grew 4.6% to 75.1 million tonnes in 2011, in part thanks to the launch of oil product loading services.

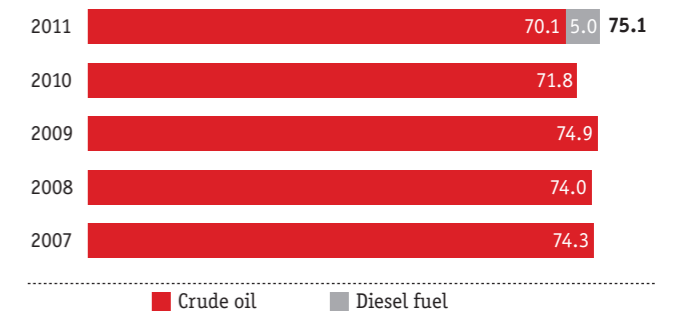
PTP began handling oil products at berths No. 8 and No. 9, in January 2011. The berth area, with two deepwater berths and equipment, was leased until 2035. The company handled 4,998 million tonnes of diesel

fuel at the leased berths in 2011, almost all of which was shipped to Europe.

Transshipment of crude oil declined 2.4% to 70.1 million tonnes in 2011 from 71.8 million tonnes in 2010. Some 97% or 68.0 million tonnes of loaded oil was bound for Europe; 1.9% or 1.3 million tonnes for ports in North America; 700,400 tonnes for South America; and 100,000 tonnes for Africa.

A total of 900 ships called at the Primorsk port in 2011.

PTP cargo turnover, mln tonnes



Source: NCSP Group data.

CJSC Sovfracht-Primorsk

Sovfracht-Primorsk is a subsidiary of PTP.

Vladimir Kazakov
General Director

Mr. Kazakov has been general director of Sovfracht-Primorsk since February 25, 2012.

About the company

Sovfracht-Primorsk’s fleet includes six azimuth tugboats built in 2004-2005, with capacity of 3,500-5,500 hp (2,600-4,000 kW) and maximum speed of 12.5-13.0 knots. They have Arc4-Arc5 rated ice reinforcement, meaning they can operate in ice with a thickness of up to 0.6-0.8 m. Four of the tugs are FF3WS class and three are escort tugs that can escort large tankers on harbor approach and within port waters.

In terms of their overall qualities and technical characteristics, the 5,500 hp tugboats are the only ones of their kind in Russia’s Northwest.

Business

Sovfracht-Primorsk provides towing and mooring services, carries pilots to ships, and provides other fleet services in the port of Primorsk, including provision of floating booms for the Oil Spill Response Plan (LARN), oil

spill response preparedness, and emergency rescue preparedness.

Operations in 2011

Sovfracht-Primorsk provided towing and pilot transport services at the Primorsk port in 2011. In January-March 2011, the company also provided safe escort and mooring services for large tankers at the Vysotsk Lukoil II terminal at the port of Vysotsk.

In February-March 2011, the company’s tugboats towed injured vessels in difficult ice conditions. For six months, the company’s tugs also provided support for the laying of underwater pipe for the Nord Stream gas pipeline system.

The company’s share of the Russian market for towing services for liquid cargo is nearly 25%, with a market share of 66.1% in the Baltic basin, and 69.8% at ports in the Gulf of Finland.

CORPORATE GOVERNANCE

NCSP Group corporate governance system

The corporate governance system for Public Joint Stock Company ("PJSC") Novorossiysk Commercial Sea Port ("NCSP") and its subsidiaries (the "Group") adheres to Russian laws, and best Russian and international practices and business ethics standards, taking into account interests of all stakeholders.

NCSP complies with the requirements of the UK Listing Authority/Financial Services Authority (UKLA/FSA) for issuers of Global Depositary Receipts (GDR).

The General Shareholder Meeting, Board of Directors, Executive Board and the Chief Executive Officer represent NCSP's corporate governance system.

NCSP corporate governance structure

NCSP's subsidiaries are managed by appointing representatives of NCSP and its shareholders to the boards of directors of these companies.

The NCSP Charter is the core document defining the mechanism of corporate governance at NCSP. Amendments to the Charter fall under the authority of the General Shareholder Meeting, with the exception of

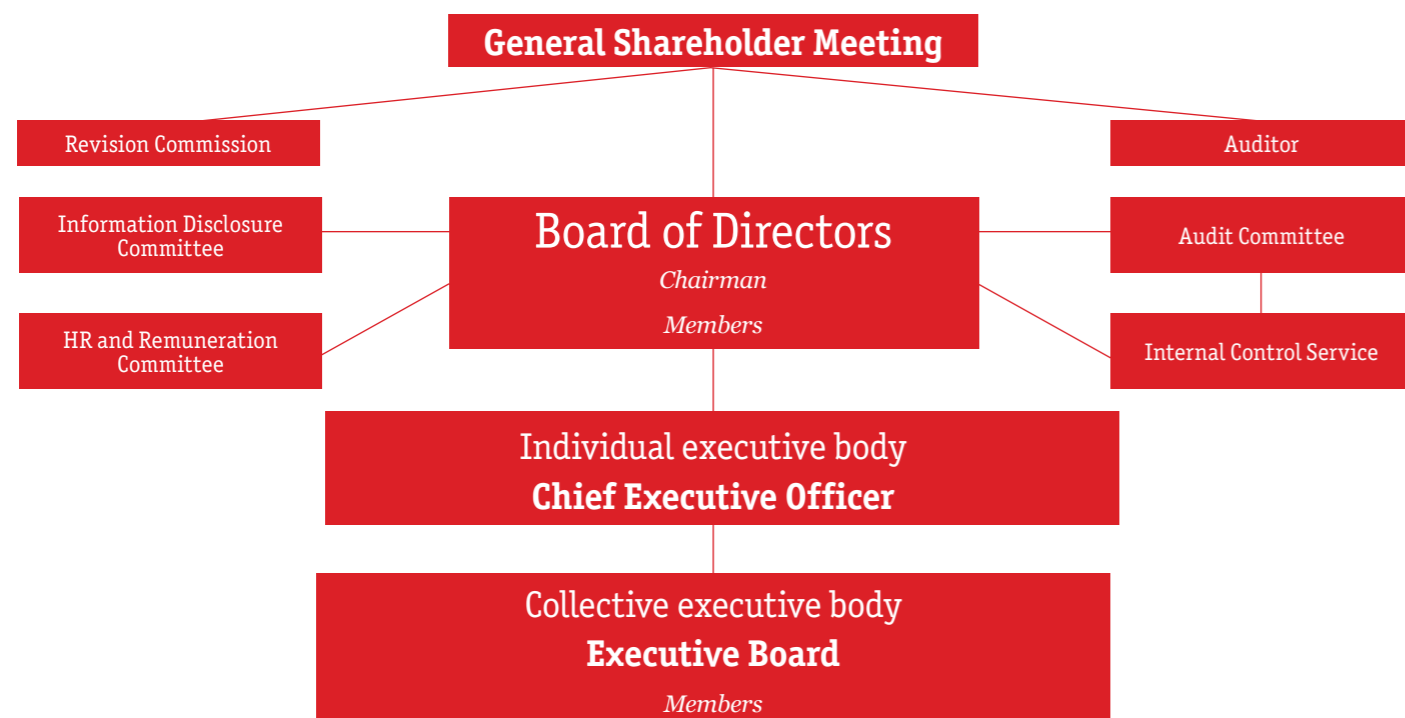
amendments pertaining to the establishment of affiliates, and the opening or closing of representative offices, which fall within the authority of the Board of Directors.

NCSP made amendments to its Charter in April 2011 in relation to the use of the Russian Federation's ("RF") special right to a "golden share". This right is exercised by the ability to appoint one representative of the government to both the Board of Directors and the Revision Commission. The RF representative on the Board of Directors has the right to veto decisions by the General Shareholder Meeting concerning amendments to the Charter or approval of a new version of the Charter, reorganization of NCSP, liquidation, changes to charter capital, and execution of major transactions and interested-party transactions.

In order to bring the corporate governance system in line with international and Russian standards, NCSP's Board of Directors in 2007 approved the Corporate Governance Code (the "Code") taking into account recommendations of the organization for economic Cooperation and Development (OECD) and the Russian financial markets regulator. The Code is based on the Federal Law on Joint-stock Companies and the NCSP Charter. The Code does not apply to NCSP's subsidiaries, which voluntarily comply with the Corporate Governance Code approved by the Russian Federal Financial Markets Service on April 5, 2002. The subsidiaries disclose this information in their annual reports.

The Internal Control Service and Revision Commission are responsible for internal control and auditing the Group and NCSP respectively.

NCSP's Charter, Code, internal documents regulating management and control bodies, and information on NCSP's information policy is available on NCSP's website at: http://www.nmtp.info/holding/investors/info_disclosure/uch_documents/.



Improvements to the corporate governance system in 2011

The Group implemented a number of measures throughout 2011 to improve corporate governance. The following organizational changes were made:

- The Group's Moscow office was reorganized, support staff was downsized by 50%. Effective support for the Group's business was implemented by transferring senior managers to regions.
- The Group began restructuring and streamlining the organizational structure of NCSP and its subsidiaries to increase management efficiency.
- The number of management levels and personnel were reduced, and clear vertical and horizontal communication lines were established to ensure effective communications, planning, an optimal decision making process and timely control over results.

During the year, NCSP worked on the Master Plan for the Group's Development Strategy to 2020, which sets out the Group's main long-term development objectives.

The new management team has brought information policy to the forefront, significantly improving the quality of disclosure and expanding the content of the corporate website, primarily with a broad selection of news and publications. Investis, a UK firm that specializes in development and assessment of corporate websites, has ranked NCSP's website 23rd among the websites of all companies on the RTS Index. Work with the investment community has been intensified, increasing the number of banks that provide analytical coverage of the Group. NCSP now holds regular meetings with representatives of the investment community, and conference calls on the publication of financial statements.

General Shareholder Meeting

The General Shareholder Meeting is NCSP's highest authority. The Annual General Meeting is mandatory, and other general meetings of shareholders are extraordinary.

The following issues fall under the authority of the General Shareholder Meeting: amendments to the Charter or approval of a new Charter (other than cases specified in the Federal Law on Joint-stock Companies); restructuring (liquidation) of the Company; election of members of the Board of Directors, Chief Executive Officer and members of the Revision Commission, and their dismissal; confirmation of the auditor; approval of annual reports, annual financial statements and other issues.

The General Shareholder Meeting is legitimate (has quorum) if it is attended by shareholders who together hold more than half of the votes of placed voting shares of NCSP. The right to vote at the General Shareholder Meeting on issues submitted to a vote is held by shareholders who hold common shares in NCSP.

Detailed information about the General Shareholder Meeting is contained in the Regulation on the General Shareholder Meeting of NCSP, which is available on the NCSP's website at: http://www.nmtp.info/content/holding/downloads/2007/09/14/Polojeniye_ob_OSA.pdf.

The following decisions were made at the annual General Shareholder Meeting of NCSP held on June 30, 2011:

- approval of the annual report and annual financial statements,
- distribution of net profit and payment of dividends,
- election of the Board of Directors and Revision Commission,
- confirmation of the auditor of NCSP, and
- remuneration for members of the Board of Directors and Revision Commission.

An extraordinary general meeting of NCSP shareholders was held on March 25, 2011, at which shareholders voted to dismiss the former members of the Board of Directors and Revision Commission and approve their new members in light of changes in NCSP's shareholder structure.

Board of Directors

As a key component of the corporate governance system, the Board of Directors is responsible for the successful development of NCSP. The Board of Directors acts in the interest of the NCSP shareholders and Group in general.

The Board of Directors is responsible for the general management of NCSP operations, except for matters that fall under the competence of the General Shareholder Meeting in accordance with federal law and the NCSP Charter.

The Board of Directors governs the priority strategic areas of the Group's business, and monitors its financial and commercial operations, and the work of company executive bodies.

Members are elected to the Board of Directors by the General Shareholder Meeting to serve until the next annual General Shareholder Meeting. Directors can be re-elected an unlimited number of times.

The Board of Directors meets regularly, at least once every six weeks.

NCSP attracts the most qualified professionals, with the necessary knowledge, skills and experience to serve on the Board of Directors. Independent directors are appointed to the Board of Directors to improve the objectivity and soundness of decisions and maintain the balance of interests. Members of the Board of Directors and shareholders with a voting stake equal to or above 2% have a right to propose nominees for Board of Directors.

Major changes were made in the composition of the NCSP Board of Directors in 2011, giving the new shareholders commensurate representation in this key management body. The new Board of Directors, confirmed by the extraordinary General Shareholder Meeting on March 25, 2011, was comprised of Summa Group representatives, Ziyavudin Magomedov and Boris Tikhonenko; OJSC AK Transneft representatives, Mikhail Arustamov and Vitaly Kisenko; and government representative, Alexander Davydenko. In addition, VTB Capital President, Yury Soloviev, was elected as an independent director. This renewal of the Board of Directors enabled NCSP to successfully meet a number of challenges concerning further modernization and improvements in performance.

Members of PJSC NCSP Board of Directors in 2011

	June 30 to Dec 31, 2011	March 25 to June 30, 2011	Jan 1 to Mar 25, 2011
<i>Ziyavudin Magomedov, Chairman</i>	*	*	
Mikhail Arustamov	*	*	
Vitaly Kisenko	*	*	
Yury Soloviev	*	*	
Boris Tikhonenko	*		
Alexander Davydenko		*	
Pavel Potapov	*		*
Viktor Olersky	*	*	*
<i>Alexander Ponomarenko, Chairman</i>			*
Yevgeny Gorlakov			*
Georgy Koryashkin			*
Tamara Pakhomenko			*
Vladimir Ulyanov			*
Alexander Shokhin			*

The Board of Directors had seven members as of the end of 2011.

Board of Directors

(As of December 31, 2011)

Ziyavudin Magomedov

Chairman of the Board of Directors since April 2011

Mr. Magomedov has been Chairman of the Board of Directors of Summa Group (formerly Summa Capital) since 2007. He is a trustee of the non-profit Russian Olympic Support Foundation, Chairman of the Board of Trustees of the Russian Tennis Federation, and a member of the boards of trustees of the Bolshoi Theater and Gerasimov Institute of Cinematography. He has been awarded the Order of Friendship.

In 2004-2005, he served on the Board of Directors of OJSC Trans Oil and then on the Board of Directors of OJSC First Mining Company. In 2002-2004, he was Chairman of the Board of Founders of the Dialog Program Support Foundation.

Mr. Magomedov, born in 1968, graduated from Moscow State University with a degree in international economics, and holds a PhD in economics.

Viktor Olersky

Mr. Olersky has been Deputy Minister of Transport of Russia since 2009.

He was Chairman of the Board at Northwest River Shipping from 2003 to 2009, and Chairman of the Board at Volga River Shipping from 2011 to 2003. He was director of Infotek Baltika from 1994 to 2009.

Mr. Olersky, born in 1965, graduated from the S.O. Makarov Higher Marine Engineering Academy and holds a PhD in engineering and a Medal for Distinguished Service in Maritime Activities.

Mikhail Arustamov

Mr. Arustamov was a senior vice president and executive director at OJSC AK Transneft from 2007 to 2011. In 2001-2007, he was deputy chief executive, first deputy chief executive, and acting chief executive at OJSC Zarubezhneft.

Mr. Arustamov, born in 1960, graduated from the Moscow Energy Institute.

Vitaly Kisenko

Mr. Kisenko was the director of the legal department at OJSC AK Transneft from 2007 to 2011, and deputy head, and then head of the contracts and legal department at OJSC Zarubezhneft in 2002-2007.

Mr. Kisenko, born in 1965, graduated from the Moscow Institute of International Relations with a degree in international law.

Pavel Potapov

Mr. Potapov served as deputy head of the Federal Property Management Agency from 2008 to 2011. He was head of property and corporate relations, and industry structural reform at the Federal Industry Agency in 2007-2008.

Mr. Potapov, born in 1972, graduated from the I.G. Petrovsky State University of Bryansk, and holds a degree from the Law Institute of the Russian Interior Ministry.

Yury Soloviev

Mr. Soloviev has been Senior Vice President and Chairman of the Management Board of VTB Bank since May 2011. In 2008-2011 he was a senior vice president of VTB Bank and president of VTB Capital. In 2006-2008 he was first deputy chairman of the management board and head of capital markets in Russia and the CIS at LLC Deutsche Bank, and in 2002-2006 he was head of capital markets in Russia and the CIS at Deutsche Bank AG London.

Mr. Soloviev, born in 1970, graduated from the Plekhanov Russian Academy of Economics with a degree in international economic relations, and holds an MBA from the London Business School.

Boris Tikhonenko

Mr. Tikhonenko was deputy general director for development and general director of LLC Primorsk Trade Port in 2009-2011. He was deputy general director for economics at CJSC Trans Flot in 2009, and from 2006 to 2009 he served as deputy chairman of the management board at Rossiya Bank Group.

Mr. Tikhonenko, born in 1970, graduated from the St. Petersburg University of Economics and Finance with a degree in international economic relations.

Share ownership

Members of NCSP's Board of Directors do not hold any shares in the company.

The Board of Directors' performance in 2011

The Board of Directors held 15 meetings in 2011, including 14 held by absentee voting and one physical meeting.

The Board of Directors considered 188 issues at meetings in 2011.

Participation by members of the Board of Directors in meetings in 2011

	Presence at physical meeting	Number of meetings in which member participated	Total number of meetings in which member had opportunity to participate since election
Ziyavudin Magomedov	Present	13	13
Viktor Olersky	Written opinion	13	15
Mikhail Arustamov	Written opinion	13	13
Vitaly Kisenko	Present	12	13
Yury Soloviev	Written opinion	13	13
Boris Tikhonenko	Present	13	13
Pavel Potapov	Absent	3	10
Alexander Ponomarenko	-	2	2
Yevgeny Gorlakov	-	2	2
Georgy Koryashkin	-	2	2
Tamara Pakhomenko	-	2	2
Vladimir Ulyanov	-	2	2
Alexander Shokhin	-	0	2
Alexander Davydenko	-	3	3

Board Committees

The Board of Directors can create Permanent (for the term of the Board of Directors) and temporary committees (to address specific issues) to protect the interests and rights of shareholders and enhance the effectiveness of the Board of Directors. The Board of Directors approves the committee regulations and can amend them as needed. The Audit Committee and Human Resources ("HR") and Remuneration Committee are currently the standing committees of the Board of Directors. The Board of Directors also decided to form an Information Disclosure Committee under NCSP's Executive Board in order to conduct a unified information policy for the company.

Audit Committee	HR and Remuneration Committee
<ul style="list-style-type: none"> Analyzes financial statements, conducts external and internal audits and presents relevant recommendations to the Board of Directors 	<ul style="list-style-type: none"> Determines criteria for selection of candidates to the Board of Directors, Management Board and position of Chief Executive Officer
<ul style="list-style-type: none"> Monitors: <ol style="list-style-type: none"> quality and completeness of financial statements qualifications and independence of external auditor activities of the Internal Control Service 	<ul style="list-style-type: none"> Makes recommendations on specific candidates Develops the terms of contracts with the Chief Executive Officer and members of the Management Board Assesses the performance of the Chief Executive Officer and members of the Management Board Develops corporate policy on remuneration for company management
<ul style="list-style-type: none"> Acts in close cooperation with the external auditor, Revision Commission and Internal Control Service 	

The Audit Committee and HR and Remuneration Committee meets as needed.

Committee Members in 2011

January 1 to April 25, 2011	April 25 to December 31, 2011
Audit Committee	
Georgy Koryashkin, Chairman	Vitaly Kisenko, Chairman
Tamara Pakhomenko	Ziyavudin Magomedov
Alexander Ponomarenko	Mikhail Arustamov
HR and Remuneration Committee	
Georgy Koryashkin, Chairman	Boris Tikhonenko, Chairman
Tamara Pakhomenko	Ziyavudin Magomedov
Alexander Ponomarenko	Mikhail Arustamov

The Audit Committee held four meetings in 2011, and the HR and Remuneration Committee held three meetings, all after April 25 with their new members. The following decisions, among others, were made at the meetings:

Audit Committee	HR and Remuneration Committee
<ul style="list-style-type: none"> Approval of the NCSP Internal Control Service's report for 2010 and the Audit Committee and Internal Control Service schedules for 2011 Approval of the NCSP auditor's report on the financial statements for 2010; the Revision Commission report on an audit of the Company's financial and operating results for 2010; and recommendations to the General Shareholder Meeting concerning the confirmation of the independent auditor (ZAO Deloitte & Touche CIS) Approval of a report on the work of the NCSP Internal Control Service in the first half of 2011 Approval of a report on the work of the NCSP Internal Control Service in the second half of 2011 	<ul style="list-style-type: none"> Approval of the committee's schedule for the second half of 2011 Approval of candidates to fill the vacant position of the NCSP chief operating officer Preliminary approval of candidates for the position of NCSP director of business support Changes to the NCSP management board Approval of recommendations for the amount of remuneration paid to members of the Board of Directors

Chief Executive Officer

The Chief Executive Officer ("CEO") is the chairman of the collective management body, the Executive Board.

The Chief Executive Officer is elected by the General Shareholder Meeting for a term of five years and reports to the Board of Directors and the General Shareholder Meeting.

Detailed information about the responsibilities of the CEO is contained in the Regulation on the Chief Executive Officer of NCSP, which is available on the NCSP's website at: http://www.nmtp.info/content/holding/downloads/2007/09/14/Polojeniye_o_GD.pdf.

Igor Vilinov was the CEO of NCSP as of December 31, 2011.

April 10, 2012 the Board of Directors of PJSC NCSP decided to terminate the powers of CEO Igor Vilinov and to appoint Rado Antolovic as acting CEO, former deputy CEO of PJSC NCSP for marketing and sales.

Executive Board

The Executive Board is the collective executive body of NCSP and its members are appointed by the Board of Directors. The Executive Board implements the day-to-day management of NCSP operations in line with the Charter, Regulation on the Executive Board, and decisions by the General Shareholder Meeting and Board of Directors.

The Executive Board acts in the interests of the Group and is subordinate to the General Shareholder Meeting and the Board of Directors. The Board of Directors appoints and dismisses members of the Executive Board. The number of seats on the Executive Board is determined by the Board of Directors when the Executive Board is elected.

The Executive Board meets as stipulated in its work-plan and as needed, but at least once a month.

Detailed information about the responsibilities of the Management Board is contained in the Regulation on the Management Board, which is available on NCSP's website at: http://www.nmtp.info/content/holding/downloads/2007/09/14/Polojeniye_o_Pravleniyi.pdf.

Management Board of NCSP as of December 31, 2011

Igor Vilinov, Chairman, Chief Executive Officer of PJSC NCSP

Yury Matviyenko, Deputy Chairman, Chief Operating Officer of PJSC NCSP

Executive Directors:

- Eduard Borovok**, Director of Legal Support – Head of Legal Services of NCSP Group companies
- Oleg Yevmenchikov**, Director of PJSC NCSP Oil Terminal
- German Kachan**, Chief Accountant of PJSC NCSP
- Igor Sergeyev**, Director of Operations of PJSC NCSP
- Alexander Soloveichik**, Chief Engineer of PJSC NCSP
- Pyo-tr Stepanenko**, Commercial Director of PJSC NCSP

Management compensation

Compensation to directors and other key management personnel of the Group (including but not limited to members of NCSP's Executive Board, members of the boards of directors of subsidiaries, chief executives, deputy chief executives and chief accountants of subsidiaries) totaled \$11.622 million for 2011 and \$8.359 million for 2010. The amount of compensation to members of the Board of Directors and key management personnel is determined by the Board of Directors based on the performance of specific individuals and market trends.

Internal control and audit

Internal control is part of the Group's corporate governance system and is aimed at the timely identification and analysis of risks arising from company operations. It is also intended to ensure the implementation of the Group's financial and commercial plans, compliance with laws and NCSP's internal procedures, and the authenticity and reliability of all reporting processes.

The Internal Control Service and the Internal Revision Commission are the key units of the internal control system.

Management bodies and certain other divisions of the Group also participate in the internal control process in accordance with the authority granted to them by the founding and internal documents.

The Audit Committee of NCSP's Board of Directors reviews the effectiveness of the internal control system.

Revision Commission

The Revision Commission monitors the financial and commercial activities of NCSP, its divisions, services, affiliates and offices. The five member Revision Commission is subordinate to the General Shareholder Meeting and is elected by shareholders for a term ending at the next annual General Shareholder Meeting.

The powers of the Internal Revision Commission are defined by the federal law On Joint Stock Companies, the NCSP Charter, and the Regulation on the NCSP Internal Revision Commission.

The Revision Commission is responsible for reviewing financial and commercial activities and documentation, analyzing the company's financial health, reviewing the competence of decisions made by management bodies, and other functions. The Internal Revision Commission conducts one mandatory audit of financial and commercial activity for the year as well as spot audits. It prepares a report stating its conclusions on compliance with or violation of laws, regulations, the Charter and internal documents, and an evaluation of the authenticity of the information in reports and other financial documents.

The Revision Commission and the Internal Control Service verify the quality of reports and propose necessary changes at each stage of the preparation of financial statements, first to Russian Accounting Standards ("RAS") and then to International Financial Reporting Standards ("IFRS").

Detailed information about the responsibilities of the Revision Commission is contained in the Regulation on the Revision Commission, which is available on NCSP's website at: http://www.nmtp.info/content/holding/downloads/2007/09/14/Polojeniye_o_RC.pdf.

Revision Commission members as of December 31, 2011

- Yekaterina Vlasova**
Head of internal audit division, Summa Group
- Tatyana Nesmeyanova**
Chief Accountant at LLC Transneft Service
- Margarita Russkikh**
Deputy General Director of LLC Transneft Finance
- Veronika Makeyeva**
Government Representative Deputy Director of Property Management and Regional Planning at the Russian Transport Ministry
- Artur Shamkut**, Director of internal audit at the Moscow office of Baroneta Investments Limited

Internal Control Service

The Internal Control Service is an independent division of NCSP that is governed by the Regulation on Internal Control of NCSP Financial and Commercial Activity, the Method for Auditing Financial and Commercial Activity, and the work plan approved by the NCSP Audit Committee. The Director of the Internal Control Service reports to the Audit Committee of the Board of Directors. The Internal Control Service focuses on four key areas under the Procedures for Internal Control adopted by the Audit Committee in 2008:

- Review of consolidated budgets, income and expense budgets

- submitted for approval by the boards of directors of Group companies,
- Review of the implementation of investment projects,
- Review of compliance with corporate regulations and laws governing the activities of joint stock companies, and
- Review of administrative issues.

The responsibilities of PJSC NCSP's Internal Control Service include:

- assessment of the efficiency of the company's organizational structure,
- control of the main areas of the company's financial and business activities, and analysis of the results of these activities,
- control over financial discipline within the company and implementation of the decisions of company management bodies and officers,
- providing reasonable assurance of the reliability of the financial statement and compliance with rules for its preparation, as well as compliance with company accounting requirements,
- control over the implementation of the budget of the company and its divisions,
- control to ensure that company agreements with third parties are consistent with the financial and business interests of the company,
- control over compliance of internal documents and draft decisions of the company's management bodies with the financial and business interests of the company.

Under the decision made by NCSP's Chairman of the Board, as of March 2008, members of the Internal Control Service serve as experts and develop relevant recommendations on all matters considered by the boards of directors of Group companies.

The Internal Control Service had a staff of 34 in 2011.

The Internal Control Service conducted 112 inspections of the financial and operating activities of all Group companies in the reporting year. The Internal Control Service, following an analysis of gathered materials, sent 60 assessments to Group companies with recommendations to remediate identified methodological violations and errors.

Managing IFRS risks

To prepare the consolidated financial statements in accordance with IFRS, the Group currently converts the consolidated financial statements prepared based on RAS to IFRS. However, there are also elements of parallel accounting, including accounting for non-current assets. While preparing for conversion, records in RAS are checked for completeness and continuity. Then, based on analysis of the differences between IFRS and RAS, adjustments are made and draft accounts are compiled including all the key modules of the financial statements. All material aspects are analyzed for integrity of the financial statements and the notes. Every quarter, prior to the approval of the IFRS consolidated financial statements, the financial department and Internal Control Service compare IFRS data with management reporting. All differences are analyzed. Comparing consolidated planned indicators with actual data and describing the reasons for discrepancies increases the reliability of the data presented in the consolidated financial statements.

The financial department also analyzes major differences between accounts for the current period and the two previous periods, and prepares detailed explanations for all differences, both for consolidated statements and individual statements of subsidiaries. In order to control working capital, cash flow statements prepared on the basis of management reporting data are compared against those prepared in accordance with

IFRS. Completeness of information disclosure is verified using a checklist of information that must be disclosed in accordance with IFRS requirements. The checklist summarises the recognition, measurement, presentation and disclosure requirements set out in IFRSs. If there are mandatory disclosure items for which requirements have not been met, explanations are made (for example, the amount is considered non-material) or the necessary corrections are made to the Group's IFRS consolidated financial statements. In addition, educational seminars are held with consultants from the "Big Four" accountancy firms to clarify the application of new and amended standards. Compliance with the above key procedures gives the Group management confidence that the consolidated financial statements are reliable and fully reflect the actual business activities of the Group as a whole. The statements are approved by NCSP's Chief Executive Officer. In addition to the procedures performed internally, the independent auditors plan and perform audit procedures to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement and present fairly the consolidated financial position, financial performance, and cash flows of the Group. In planning such procedures, the auditors consider internal controls relevant to the Group's preparation and fair presentation of the consolidated financial statements.

External Audit

NCSP hires an independent auditor to audit the Group consolidated financial statements. The Board of directors and any shareholder with the voting stake that equals or exceeds 2% have a right to propose the external auditor for approval by the General Shareholder Meeting.

NCSP shareholders at the Annual General Meeting approved ZAO Deloitte & Touche CIS ("Deloitte") as the independent auditor of the Group's consolidated financial statements for 2011. Deloitte has been the Group's independent auditor since 2007 (for statements prepared in accordance with IFRS).

Risk management

As a major transport company, the Group is subject to variety of risks. The Group's management pursues a focused policy to minimize potential risks, working to improve production potential, expand the Group's presence on the port services market and build strong partnerships with companies in related industries. The ongoing work to develop a risk management system allows the Group to perform a comprehensive analysis of various types of risk, to gauge, assess and control these risks, and to take timely measures to reduce their effect on operations.

Industry Risks

The most significant industry risks affecting the Company's business are:

- competition among seaports in the regions where the Company operates
- disruptions or delays in the operation of Russian railways, roads, and pipeline infrastructure
- introduction of new regulations by Russian Railways (RZD)
- tonnage restrictions on the passage of ships through the Bosphorus, the Dardanelles, and the Marmara and Baltic seas
- changes in tariff policies of transport companies, particularly changes in railroad tariffs
- development of new transfer facilities at competing ports

- changes on the global shipping market resulting in higher cargo shipping rates
- increases in the cost of energy resources
- possible increase in leasing rates for hydraulic engineering structures and land leased from the Russian

Federation

- unfavorable weather conditions on the Black and Baltic seas
- possible decline in cargo volumes or reduction of client base
- possible environmental pollution in the area of the Company's operations
- possible tightening of environmental protection legislation

In order to minimize these group of risks, the Group strives to improve the quality of its services, promote the use of high-performance equipment and technology, reduce costs and set competitive rates*.

Country risks

Although Russia has seen positive changes in all public sectors in recent years, enjoying economic growth and a high degree of political stability, it is still a country with a rapidly developing and changing economic and financial system. There continues to be a risk of a decline in macroeconomic trends, such as negative dynamics in currency exchange rates and others, which could have a negative impact on the Group's business.

Financial risks

Interest rate risks

The Group's credit portfolio includes loans with a floating LIBOR interest rate, for which changes directly affect the Group's financial results. The interest rate is sensitive to changes in a number of factors outside of the Group's control, including factors such as domestic and international economic conditions and the policies of central banks. An increase in the interest rate will lead to an increase in expenditures on external financing, which could have a negative impact on the Group's financial result. As part of its efforts to manage interest rate risk, the Group monitors current and forward market rates and the interest position on assets and liabilities, and works to manage the interest rate. Management believes that the current composition of portfolio is adequate to support to the ongoing business and growth needs of the Group.

Currency risks

NCSP Group's main currency risk is related to fluctuations in the Russian ruble's exchange rate against the U.S. dollar. Since the Company's transshipment rates are primarily set in U.S. dollars, a strengthening of the ruble's exchange rate against the dollar could reduce revenue, profit and margins.

Changes in foreign currency exchange rates against the ruble could lead to changes in balance sheet items that reflect loans and credits denominated in foreign currencies. Weaker foreign currency exchange rates against the ruble will increase positive exchange rate differences on revaluation of borrowings and increase profit tax liability. Conversely, stronger foreign currency exchange rates against the ruble will reduce positive exchange rate differences on revaluation of borrowings and reduce profits.

Inflationary risks

Inflationary processes that result in higher prices for supplies and raw materials could affect the growth of the financial position of the Group, as well as have a significant impact on the Group's net profit because the Group's ability to set rates for cargo transfer services is constrained by government regulation, while expenditures, which are primarily denominated in rubles, change according to the inflation rate. Changes in the consumer price index have a certain impact on the Group's profitability, and consequently on its financial position and ability to meet obligations, but this influence is not a factor of direct dependence.

In the event of a rapid acceleration of inflation, the Group plans to focus on accelerating turnover of current assets, particularly by reducing inventories, as well as review existing contractual relations with customers in order to reduce receivables.

Credit risk

Credit risk lies in the possibility that a buyer might not meet obligations to the Group on time, which would result in financial losses. Before beginning to work with new clients the Group uses its own system to assess the creditworthiness of the potential client. The Group does not have restrictions on credit limits for clients. The Group also exercises pre-payment as a policy and any alteration from the policy is an exception, justified by business necessity.

Liquidity risk

Liquidity risk lies in the possibility of the Group not being able to meet its obligations when they fall due. The Group carefully manages and controls liquidity. The Group has processes in place for detailed budget preparation and forecasting of cash flow, ensuring that the Group has the necessary funds to meet its payment obligations.

Legal risks

Uncertainty with regards to the legal and business decisions made by the Group is further impacted by risks related to the Russian legal system, such as contradictions between local, regional and federal rules and regulations, as well as industry documents regulating the Group's business.

Risks related to changes in currency regulation

Currency regulation is currently based on Federal Law No. 173-FZ as of December 10, 2003 on Currency Regulation and Currency Control (the "Law"), with the exception of certain provisions with a different effective date. The Law is largely a framework and sets general rules within which the Russian government and Central Bank of the Russian Federation are authorized to introduce various measures of current regulation. As a result, there could be some uncertainty regarding the Group's currency operations in the course of equipment imports.

Changes in currency regulation could have a negative impact on the fulfillment of obligations on contracts previously signed with Russian and foreign counterparties that require payment in foreign currency, and could require the signing of additional agreements to the relevant contracts. When raising financing in a currency other than the currency of Russia, the Group makes an effort to structure its activities so that debt payments are made in the currency corresponding to the currency of its obligations.

As a result, the Group is less vulnerable to the risk of changes in currency regulation and currency control.

Risks related to changes in tax legislation

Domestic market:

Russia currently has a Tax Code and a number of laws regulating various taxes and fees set at the federal, regional and local levels. Applicable taxes include value-added tax, profit tax, advertising tax, property tax, excises, the unified social tax and other taxes and fees.

Regulations in the area of taxes and fees often contain unclear formulations and gaps in regulation. Furthermore, various government agencies and their officials often give contradictory interpretations of given tax regulations, resulting in certain inconsistencies and ambiguities.

To the best of its knowledge, the Group fully complies with current tax legislation, but this does not eliminate potential risk of disagreements with regulatory agencies on issues subject to ambiguous interpretation. In general, the tax risks related to the Group's business are typical for most businesses operating in the Russian Federation and can be considered as country risks.

Foreign market:

The Group considers risks related to changes in tax legislation on the external market to be minimal, although when raising financing on foreign markets the Group is exposed to the risk of changes in the tax legislation of foreign countries. However, Russia now has an extensive list of double taxation treaties, which makes it possible to minimize the negative impact of changes in foreign legislation. In any case, the Group takes all necessary measures to act in full compliance with new legislation.

Risks related to changes in requirements for licensing of core activities or licensing of rights to use assets with limited transferability (including natural resources)

The Group sees the possibility of such risks arising as low, since Russian legislation is moving toward the reduction and restriction of the types of activities requiring licensing. In the event of changes and/or imposition of requirements for licensing of core activities, the Group will take all necessary measures to obtain the relevant licenses and permits.

Due to the specific nature of its operations, the Group is governed by multiple environmental norms and requirements, established at the federal and the regional levels. The introduction of new regulatory acts or changes to existing ones may have a negative impact on the operating activity of Group enterprises. At present, the Group is in full compliance with the requirements and prescriptions of Russian law in this field. However, at the same time, the Group does not rule out the possibility of a further tightening of environmental protection regulations, or the possibility of judicial claims from the state and third parties, which may result in additional costs to bring operating activities into compliance with the new requirements, eliminate violations, and pay restitution for environmental or material damages

* Since NCSP is in the Register of Natural Monopolies in Transport, rates for the Group's transshipment services are regulated by the Federal Tariff Service of Russia.

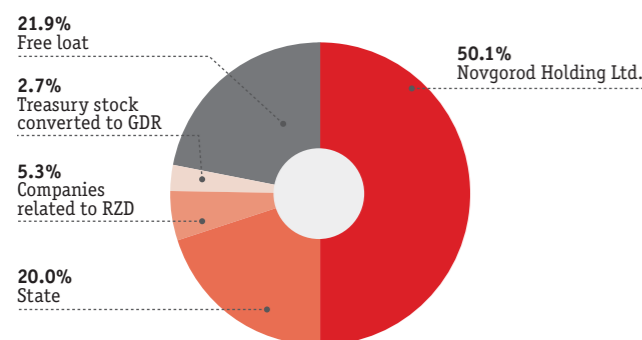
SHAREHOLDER EQUITY AND SECURITIES

Shares

PJSC NCSP's charter capital is 192,598,154 rubles, divided into 19,259,815,400 shares with par value of 0.01 rubles. PJSC NCSP's largest shareholders as of December 31, 2011 were Novoport Holding Ltd. with 50.1% and the Federal State Property Management Agency (Rosimuschestvo) with 20%.

The other 29.9% of shares are held by minority shareholders, including companies that are associated with OJSC Russian Railways (RZD), and free float, including shares held nominally by JP Morgan Bank International as administrator of the company's Global Depositary Receipts (GDR) program. GDRs accounted for 15.65% of PJSC NCSP outstanding shares as of the end of 2011.

PJSC NCSP shareholder structure as of December 31, 2011



PJSC NCSP shareholders, at an extraordinary meeting in December 2010, approved acquisition of 100% of LLC Primorsk Trade Port. The company offered to buy back shares from shareholders who abstained from voting or voted against the acquisition. In the period from February 24 to March 1, 2011, PJSC NCSP bought back 516,686,496 of its own shares from such shareholders at a price of 4.90 rubles per share for a total of 2,531,763,000 rubles.

In 2011, the Russian Federation exercised its right of a golden share in regard to PJSC NCSP (the corresponding amendments to the company Charter were registered with the Federal State Property Management Agency in Krasnodar Territory on April 28, 2011), which confirms the company's strategic importance for the country.

The Russian government has been reported to plan to sell its stake in PJSC NCSP. It is expected that if the government stake is sold, the right to a golden share will remain.

At the beginning of 2012, PJSC NCSP completed the conversion of 2.68% of treasury shares into GDR. The conversion was carried out within the context of the GDR program on the basis of a decision made by the PJSC NCSP Board of Directors on February 17, 2012.

PJSC NCSP common shares

Type	Common registered shares
State registration number	1-01-30251-E
ISIN code	RU0009084446
Exchange/Listing	MICEX-RTS/B
Ticker	NMTP

Global Depositary Receipts

PJSC NCSP executed the initial public offering (IPO) in November 2007 on the London Stock Exchange and Russia's RTS. The company placed 19.38% of its shares in the course of the IPO, including 14% as GDR on the London Stock Exchange (LSE: NCSP) and more than 5% as common stock on the RTS.

PJSC NCSP Global Depositary Receipts (GDR) and shares

Issue limit	20.3% of share capital	
Shares to GDR ratio	75	
Type	Regulation S	Rule 144 A
Exchange	London Stock Exchange	OTC Board
Ticker	NCSP	NVSKL
CUSIP	67011U208	67011U109
ISIN	US67011U2087	US67011U1097
SEDOL	B283BT30	B283BZ6
Common code	032417710	032418384

Eurobonds

The Group placed \$300 million in LPN (Loan Participation Notes) in May 2007 through Novorossiysk Port Capital S.A., a special purpose vehicle registered in Luxembourg. The 5-year LPN have a 7% coupon that is paid semiannually.

Noteholders, at a meeting on December 6, 2010, adopted an Extraordinary Resolution waiving their right to early redemption of the LPN in case of the breach of the consolidated leverage ratio (debt/EBITDA) covenant and potential occurrence of a change of control as a result of the then planned transaction to acquire LLC Primorsk Trade Port. The Extraordinary Resolution was approved by 99.82% of noteholders participating in the meeting; noteholders representing 73.55% of the total note issue voted.

Noteholders who voted in favor of the Extraordinary Resolution were paid a consent fee of \$12.50 for every \$1,000 in notes held on the record date. Consent fee payments totaled \$2,752,162.50.

Novorossiysk Port Capital S.A. Eurobonds

Type of securities	Loan Participation Notes
Issue size	\$300 million
Coupon rate	7%
Coupon period	Six months (May 17 and Nov 17)
Placement date	May 17, 2007
Maturity date	May 17, 2012
ISIN	XS 03000986337

Ruble bonds

PJSC NCSP's Board of Directors on March 4, 2012 approved a ruble bond program consisting of five series. The sizes of bond series BO-01, BO-02, BO-03, BO-04 and BO-05 are 5 billion rubles, 4 billion rubles, 4 billion rubles, 3 billion rubles and 2 billion rubles, respectively.

The Group completed the registration of the ruble bond program on April 3, 2012 and the bonds were included in the listing of securities admitted to trading on the MICEX stock exchange.

This financial instrument will enable the company to balance its debt portfolio in order to further optimize the debt structure.

Dividend policy

The procedure for setting the amount of dividends paid to PJSC NCSP shareholders and their payment is governed by the Regulation on Dividend Policy approved by the Board of Directors in 2007, which is available on the Group's website (http://www.nmtp.info/ncsp/about/uch_documents/).

The dividend policy is intended to respect the rights of all shareholders while taking into account the need to increase the company's liquidity, capitalization and investment appeal.

PJSC NCSP shareholders vote on dividends at the General Shareholder Meeting based on recommendations from the Board of Directors. When reviewing proposals for distribution of net profit and the proportion of earnings to be used for dividends, the Board of Directors considers a number of factors, including:

- The actual net profit of PJSC NCSP
- The need to support PJSC NCSP's strategic development priorities, including implementation of the investment program
- The need to fund PJSC NCSP's reserve fund
- PJSC NCSP's profitability, including return on assets and return on equity
- PJSC NCSP's solvency and financial strength indicators, including current liquidity ratios
- Availability of working capital and debt ratios

Dividend history

Year for which dividends declared	Total amount of declared dividends, \$ thousand
2010	14 651
2009	79 241
2008	16 095
2007	14 818

SOCIAL RESPONSIBILITY

NCSP Group, as one of the largest employers and taxpayers in the region, has a significant impact on the socioeconomic development of the city of Novorossiysk and Krasnodar Territory in general. The Group also has numerous social and environmental programs and projects in the region.

NCSP Group operates on the principles of sustainable development, embracing international best practices in corporate responsibility.

NCSP Group seeks to organize the operations of its companies according to international standards in quality (ISO 9001:2000), environmental protection (ISO 14001:2000), and occupational health and safety (OHSAS 18001:1999).

Human resources policy

General principles of employee relations

NCSP Group's balanced human resources policy, aimed at recruiting highly qualified professionals, developing the skills of employees, providing decent wages and fostering a strong corporate culture, has been a key factor in its successful development.

NCSP Group's employee incentive system is based on competitive salary packages linked to employee performance.

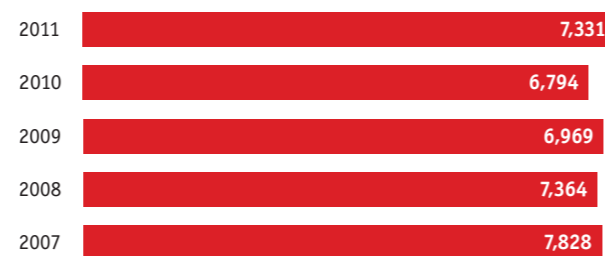
Considering the specifics of the Group's business, particular attention is paid to occupational health and safety.

The Group had an average workforce of 7,331 in 2011. There was a slight decrease in the number of employees at almost all Group companies, with the exception of BSC, due to retirements and automation of operations. However, there was an overall increase in the Group's workforce as the Novorossiysk Fuel Oil Terminal (NFT) launched operations and PTP inclusion in Group (including Sovfracht-Primorsk).

Labor relations at Group companies have been governed since 2007 by collective agreements that guarantee employees decent and safe working conditions, social benefits and guarantees, opportunities for retraining, and a number of additional types of material incentives. The collective agreements provide for additional pay for work in difficult or hazardous conditions, as well as for multi-skilling and increased workload.

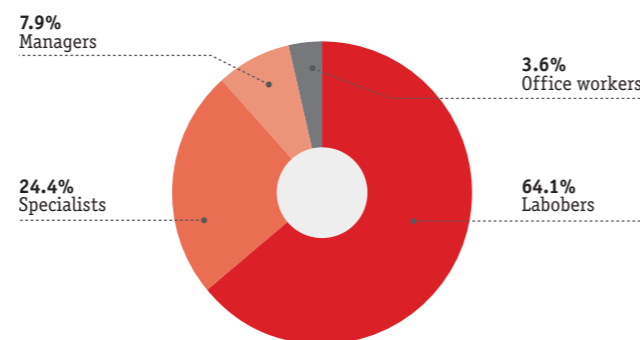
The collective agreement for 2010-2013 takes into account past experience and has become more geared toward the interests of employees. The new version of the agreement, for example, defines for the first time the obligations of union organizations, including in regard to additional payments to employees. In 2011, collective agreements covered 6,009 employees at PJSC NCSP, NCSP Fleet, NLE and NSRZ, or about 85% of the Group's workforce.

Average number of NCSP Group employees*



* 2010 - Not including PTP

Average number of NCSP Group employees in 2011 by category



Training

Improving the professional skills of NCSP Group workers, as well as specialists and management personnel is a priority of the Group's human resources policy. Training and career development programs are available at all Group subsidiaries and depend on the specifics of the given company. In 2011, 2,604 employees participated in various education programs, offering retraining, professional development and other training, including in occupational health and safety. NCSP Group spent \$448,450 on employee training programs in 2011.

Employee training in 2011, including in occupational health and safety

Company	Spending on training*, \$ thousand	No. of people in training programs, total	Laborers	Specialists	Office workers	Managers
NCSP	37.19	1,637	1,300	308	4	45
NLE	43.86	217	62	90	5	60
IPP	26.46	194	66	-	37	91
NSRZ	27.31	43	18	13	-	12
NGT	10.80	31	22	6	0	3
NCSP Fleet	92.42	189	112	37	15	25
NFT	111.82	140	103	-	34	3
BSC	10.73	37	35	1	-	1
PTP	87.86	116	43	42	1	30
Sovfracht-Primorsk	12.52	56	9	33	8	6
Group, total	460.97	2,660	1,770	530	104	276

* - Here and elsewhere in this section, not an IFRS indicator or cited from management reporting

Benefits

NCSP Group has made it a priority to pursue a policy of corporate social responsibility toward its employees and has introduced a system of benefit packages at its companies. Collective agreements give employees the right to additional incentives such as additional paid personal days for women with children under the age of 18, severance packages for retiring employees, bonuses for certain anniversaries and years of service, and so on. Employees also receive additional lump-sum benefits upon the birth of children and monthly childcare allowances for children until the age of 18 months.

Support is also provided for families with disabled children, multi-child families and pensioners.

NCSP Group supports its employees during difficult times such as the death of a close relative, illness, fire, theft, natural disasters, and other circumstances. In order to promote the health of employees, the collective agreement provides reimbursement of expenses for regular medical examinations (for professions requiring periodic checkups and in the hiring process), and provides annual compensation equivalent to the average monthly salary to cover vacations taken for health and treatment purposes. NCSP Group spent \$3.91 million* on additional social benefits for its employees in 2011, 170% more than in the previous year.

In addition to benefits for its current employees, NCSP Group provides support for former employees who are now retired. The Group has a Port Veterans Council that deals with issues concerning provision of quarterly material assistance, as well as social security for veterans

and their social and domestic issues. Employees who have worked for the Company for at least 20 years with a spotless record are awarded the title of Novorossiysk Commercial Sea Port Veteran Employee, which entitles them to a cash bonus and a number of other benefits.

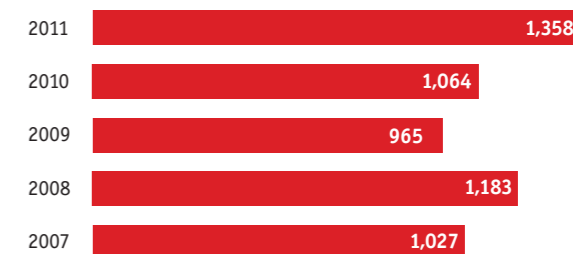
The Group spent \$293,600* on additional social welfare benefits for retirees in 2011.

Improvements in employee compensation system

A number of amendments were made in 2011 to the PJSC NCSP Collective Agreement for 2010-2013 concerning pay that helped to improve labor efficiency and material incentives for employees. One of the key changes was an increase in the hourly rate for skill level for crane operators.

The Company's Board of Directors decided to raise wages for employees of the Oil Terminal as of September 2011, and in January 2012 wages were raised by an average of 10-30% for employees at all other divisions of NCSP. In addition, NCSP has a flexible system of premiums for work in difficult conditions, as well as for leading crews, multi-skilling, working graveyard shifts, years of service, and so on.

Average monthly salary at NCSP Group (per employee, including insurance contributions accrued on salary), \$



Social partnership with unions

NCSP works closely with the Krasnodar Territory Union of Port Workers (PRMP, founded in February 2001). The company and PRMP, within the context of a social partnership, have developed a special social security program for PJSC NCSP employees who are members of the union.

The following social programs are being implemented within the context of union activities:

- Women and Children program. Benefits upon birth of children, benefits for multi-child families, monthly benefits for women on maternity leave with children up to three years old, etc.

- Anniversaries and Holidays program. Benefits for participants of local conflicts for February 23, benefits for union members, etc.

- Best on the Job program. A competition is held among port employees to select the best in each department

- Health program. Partial reimbursement for medical expenses and medicine

- Cultural Events program. Expenses for organization of New Year celebrations for children, tickets for various events

- Sports program. Partial reimbursement of expenses for attending sports leagues, renting fitness rooms, holding various sports competitions

- Solidarity Foundation program. Benefits for parents with disabled children, sanatorium-spa treatments for employees, summer camps for children with intensive English language programs, group vacations for union members, excursions, etc. The program also provides third-party liability insurance for union members. All union members are insured for accidents occurring in the workplace or on the way to and from work.

Occupational health and safety

Stevedoring operations by their nature pose certain risks to the health and safety of employees, so NCSP Group takes occupational health and safety very seriously. The Group has introduced the Occupational Safety Management System (OSMS) to ensure safe working conditions at its companies. The system regulates the process of monitoring, certification and reporting for each division, and establishes a special occupational safety day.

As part of its work on occupational health and safety, the Group is working actively to certify its employees, and 1,635 employees were certified in 2011.

Although the Group has not yet managed to eliminate workplace accidents completely, their number dropped to 27 in 2011 from 40 in 2010.

All Group companies carried out various measures in the area of industrial safety in 2011, including evaluations of industrial safety, technical certifications, audits, monitoring, reviews, and inspections of equipment and installations at hazardous facilities. Corresponding schedules have been prepared for 2012.

Companies also held training exercises for potential emergency situations, including drills on the Plan for Containment and Management of Emergency Situations and the Plan for Prevention and Management of Oil and Oil Product Spills.

A number of documents related to industrial safety underwent industrial safety reviews and were registered with the Federal Environmental, Technological and Atomic Oversight Service (Rostekhnadzor). NCSP received a license from Rostekhnadzor to operate facilities with chemical, fire and explosion hazards, and PTP received a license from Rostekhnadzor to operate facilities with explosion hazards.

Risk and liability insurance

NCSP Group carries insurance for a broad range of risks and liability, including property insurance, losses due to interruption of operations, civil liability insurance for hazardous enterprises, optional health insurance and group accident insurance.

Cooperation with contractors and suppliers

NCSP Group works with many contractors who perform various types of work and provide various services in the course of the Group's operations and as it implements investment projects.

The Group works with these companies on the basis of mutually beneficial cooperation.

The Group has developed a system to standardize its approach to the organization of projects, selection of contractors, and the preparation and signing of contracts with them.

The Group holds tenders for construction, engineering, planning and surveying, and supply contracts for materials and equipment.

The tenders define the methods and procedures for selecting a contractor depending on the nature of the work or services and the size of the contract. For contracts exceeding 3 million rubles the Tender Committee is joined in the tender proceedings by the experts appointed by the Board of Directors, together with specialists from the Internal Control Service and the Economics Department, who review the financial standing of the bidding companies. An outside organization may also be contracted to provide independent technical oversight.

Philanthropy and sponsorships

Charitable and sponsorship activities are an integral part of NCSP Group's social programs. Group companies are involved in projects to increase support for disadvantaged groups, and provide support to the arts community and sports teams, and to educational and medical institutions. The Group spent almost \$3.2 million on charitable programs in 2011, 27% more than a year earlier.

PJSC NCSP is traditionally involved in exhibitions, forums and conferences in the area of marine transport and provides sponsorship support for them. Such events include:

- The TransRussia international exhibition and conference on freight traffic, transport and logistics
- The Sochi international investment forum
- The Transport Russia international transportation forum and exhibition
- The YugTrans international transportation forum

Participation of Group companies in industry events in 2011

Company	Industry events in which company participated
NSRZ	14 th Russian Metals Market international conference (November 2011, Moscow)
NGT	VII International Transport Forum (Sochi) VI International Grain Trading Conference (Sharm El Sheikh, Egypt)
IPP	Sochi-2011 International Investment Forum (September 2011)
BSC	TransRussia-2011 exhibition (April 2011, Moscow)
PTP	Industry events: Oil Transport-2011 conference (November 2011) St. Petersburg International Economic Forum (June 2011) Forum of European and Middle Eastern terminal operators within the context of the OCIMF (St. Petersburg, June 2011) Sponsorships: Oil Transport-2011 conference (November 2011) Forum of European and Middle Eastern terminal operators within the context of the OCIMF (St. Petersburg, June 2011)

Company	Activity	\$ thousand*	Amount, total, \$ thousand*
NCSP Fleet	Aid to educational institutions	2.55	81.06
	Aid to medication institutions	1.70	
	Aid to local government agencies and government institutions	7.32	
	Aid to military veterans	6.81	
	Aid to trade union committee	17.01	
PTP	Aid to Orthodox Fraternity of Radonezh Saints	26.54	110.54
	Aid to NCSP Fleet Veterans Council	19.12	
	Aid to educational institutions	21.28	
	Aid for cultural events	25.69	
	Aid for sporting events	29.31	
	Support for disadvantaged groups	34.26	

Charitable activity

Company	Activity	\$ thousand*	Amount, total, \$ thousand*
PJSC NCSP	Contributions to Krasnodar Territory charitable foundation Albatros	272.23	1,820.02
	Charitable contributions to Novorossiysk city administration	848.44	
	Charitable contributions to transport police	65.18	
	Krasnodar Territory Charitable Foundation for Support of Education Dockworkers Club	438.77	
	Other charity support	195.41	
NSRZ	Support for education and healthcare, culture, sport, disadvantaged groups, socioeconomic development in region of operations		22.29
NGT	Support for sport	1.36	15.56
	Support for culture	1.86	
	Support for disadvantaged groups	12.33	
IPP	Support for education and healthcare, culture, sport, disadvantaged groups, socioeconomic development in region of operations		10.19
BSC	Contributions in honor of WWII veterans	5.10	7.32
	Aid to Baltic Fleet service personnel	1.19	
	Aid to port clinical hospital	1.02	

ENVIRONMENTAL PROTECTION

NCSP Group is committed to protecting the environment and minimizing the environmental impact of its operations. With the aim of meeting its obligations in environmental stewardship, the Group strives to adhere to ISO 14001:2004 principles and standards.

The Group regularly performs a range of measures to maintain the ecological balance in the waters of the Novorossiysk Port and the environs of the city of Novorossiysk, and to reduce the negative impact of its operations.

The Group has an environmental management system, and has set up an operations monitoring department that includes an environmental

service. Specialized laboratories at Group companies regularly monitor emissions and the release of pollutants, and conduct seasonal studies of pollution levels in the air and water, and the level of noise pollution.

NCSP Group's operations, by their very nature, involve a certain risk of emergency situations, so the Company annually conducts special response drills. The Company's managers and specialists regularly undergo training and certification in environmental safety.

Environmental protection efforts in 2011

PJSC NCSP	<ul style="list-style-type: none"> Government environmental review of rationalization for company operations Process monitoring of bioresources in company waters Lab tests of drinking and waste water Sanitation, epidemiological and environmental control program developed and approved Specifications developed for 10 hazardous wastes Sorption materials replaced in filters of oil separators Bilge and waste water collection and treatment; collection of floating waste in port waters; collection of special ship waste, etc. Construction and installation work on sewage networks for domestic waste water A number of packages of working design documentation developed for construction of treatment facilities
IPP	<ul style="list-style-type: none"> Environmental monitoring of atmosphere, operation of treatment facilities, the Tsemes River and ground water Processing of hazardous production waste Maintenance of oil separators and treatment facilities Maintenance of automobile fleet and production equipment Maintenance and repair of diesel fuel pumps, fuel oil heaters and drains
NSRZ	<ul style="list-style-type: none"> Monitoring of air and water Waste in hazard class 1 to 5 transferred to outside organizations for processing, treatment and storage Concentrations of pollutants in atmosphere measured during operation of plant transport
NGT	<ul style="list-style-type: none"> Promsorb sorption material acquired to improve quality indicators of storm water for oil products Lab monitoring of treatment facilities for bilge water and release of storm water into drains Lab monitoring of air pollution and the sanitary buffer zone
BSC	<ul style="list-style-type: none"> Storm water treatment facilities with capacity of 77.6 liters/second built and put into operation
PTP	<ul style="list-style-type: none"> Regular monitoring of water quality in Bjerkesund Strait Maximum allowable atmospheric emission limits and regulations for waste generation and disposal drafted and approved Document received confirming rules for waste generation and disposal Permit received for atmospheric emissions of pollutants for 2011-2016 197.612 tonnes of internal waste recycled and disposed; Waste removal services provided to oil tankers (873.3 tonnes of solid domestic waste, 433.6 tonnes of oil contaminated water, 774.13 tonnes of oil sludge)

Emissions of pollutants

Company	Atmospheric emissions of primary pollutants, tonnes	Discharge of primary pollutants into bodies of water, tonnes
PJSC NCSP	8 993.27	35.20
NSRZ	377.79	2.14
NGT	64.67	1.45
NCSP Fleet	21.04	-
PTP	19.58	-

Consolidated Financial Statements

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011	81
INDEPENDENT AUDITOR'S REPORT	82
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011:	
Consolidated statement of comprehensive income	83
Consolidated statement of financial position	84
Consolidated statement of changes in equity	86
Consolidated statement of cash flows	87
Notes to the consolidated financial statements	88

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Management is responsible for the preparation of consolidated financial statements that present fairly the consolidated financial position of Public Joint Stock Company Novorossiysk Commercial Sea Port and its subsidiaries (the "Group") as at 31 December 2011, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with statutory legislation and accounting standards;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2011 were approved by management on 12 April 2012:



R. Antolovic

Acting as Chief Executive Officer



G.I. Kachan

Chief Accountant

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Public Joint Stock Company Novorossiysk Commercial Sea Port and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those

standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

12 April 2012

Moscow, Russia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

(in thousands of US Dollars, except earnings per share)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
REVENUE	6	1,049,539	635,315
COST OF SERVICES	7	(495,440)	(242,069)
GROSS PROFIT		554,099	393,246
Selling, general and administrative expenses	8	(78,168)	(46,643)
Loss on disposal of property, plant and equipment		(692)	(131)
OPERATING PROFIT		475,239	346,472
Interest income		4,434	18,632
Finance costs	9	(144,619)	(30,401)
Share of loss in joint venture	32	(4,746)	(831)
Foreign exchange loss, net		(167,940)	(12,753)
Other income, net		2,152	1,759
PROFIT BEFORE INCOME TAX		164,520	322,878
Income tax expense	10	(34,207)	(64,438)
PROFIT FOR THE YEAR		130,313	258,440
OTHER COMPREHENSIVE LOSS			
Effect of translation to presentation currency		(54,508)	(6,873)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		75,805	251,567
Profit for the year attributable to:			
Equity shareholders of the parent company		127,100	252,529
Non-controlling interests		3,213	5,911
		130,313	258,440
Total comprehensive income attributable to:			
Equity shareholders of the parent company		74,144	245,803
Non-controlling interests		1,661	5,764
		75,805	251,567
Weighted average number of ordinary shares outstanding		19,087,586,568	19,259,815,400
BASIC AND DILUTED EARNINGS PER SHARE (US Dollars)		0.0067	0.0131



R. Antolovic

Acting as Chief Executive Officer



G.I. Kachan

Chief Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

(in thousands of US Dollars)

	Notes	31 December 2011	31 December 2010
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	12	1,967,938	563,839
Goodwill	13	1,491,070	391,618
Mooring rights	14	7,980	9,024
Investments in securities and other financial assets	15	34,842	22,219
Investment in joint venture	32	9,425	15,578
Non-current VAT recoverable		-	858
Spare parts		5,007	4,862
Deferred tax assets	10	7,318	1,156
Other intangible assets		1,593	1,286
Other non-current assets		13,971	1,426
		3,539,144	1,011,866
CURRENT ASSETS:			
Inventories	16	11,258	8,991
Advances to suppliers		2,991	2,608
Trade and other receivables, net	17	47,796	28,440
VAT recoverable and other taxes receivable		41,132	12,683
Income tax receivable		41,209	6,183
Investments in securities and other financial assets	15	21,833	46,919
Cash and cash equivalents	18	127,522	265,017
		293,741	370,841
TOTAL ASSETS		3,832,885	1,382,707

	Notes	31 December 2011	31 December 2010
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	19	10,471	10,471
Share premium		-	9,255
Treasury shares		(281)	-
Foreign currency translation reserve		(103,641)	(50,685)
Retained earnings		1,032,044	996,330
Equity attributable to shareholders of the parent company		938,593	965,371
Non-controlling interests		25,582	23,927
TOTAL EQUITY		964,175	989,298
NON-CURRENT LIABILITIES:			
Long-term debt	20	2,113,843	305,412
Defined benefit obligation	21	7,286	6,906
Deferred tax liabilities	10	266,907	30,937
Other non-current liabilities		2,864	1,070
		2,390,900	344,325
CURRENT LIABILITIES:			
Current portion of long-term debt	20	392,413	15,900
Trade and other payables	22	18,251	9,828
Advances received from customers		47,442	6,432
Taxes payable		4,292	4,812
Income tax payable		4,034	579
Accrued expenses	23	11,378	11,533
		477,810	49,084
TOTAL EQUITY AND LIABILITIES		3,832,885	1,382,707

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(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 2010		10,471	-	9,255	(43,959)	823,035	798,802	18,170	816,972
Profit for the period		-	-	-	-	252,529	252,529	5,911	258,440
Effect of translation to presentation currency		-	-	-	(6,726)	-	(6,726)	(147)	(6,873)
Total comprehensive (loss)/income for the period		-	-	-	(6,726)	252,529	245,803	5,764	251,567
Dividends	11	-	-	-	-	(79,234)	(79,234)	(7)	(79,241)
At 31 December 2010		10,471	-	9,255	(50,685)	996,330	965,371	23,927	989,298
Profit for the period		-	-	-	-	127,100	127,100	3,213	130,313
Effect of translation to presentation currency		-	-	-	(52,956)	-	(52,956)	(1,552)	(54,508)
Total comprehensive (loss)/income for the period		-	-	-	(52,956)	127,100	74,144	1,661	75,805
Buy-back of shares	19	-	(281)	(9,255)	-	(76,741)	(86,277)	-	(86,277)
Dividends	11	-	-	-	-	(14,645)	(14,645)	(6)	(14,651)
AT 31 DECEMBER 2011		10,471	(281)	-	(103,641)	1,032,044	938,593	25,582	964,175

The notes on pages 8 to 51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

(in thousands of US Dollars)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Cash flows from operating activities			
Cash from operations	24	554,586	400,114
Income tax paid		(90,329)	(63,074)
Interest paid		(143,895)	(27,071)
Net cash generated by operating activities		320,362	309,969
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,064	1,331
Purchases of property, plant and equipment		(95,081)	(82,986)
Proceeds from investments in securities and other financial assets		198,106	889,680
Purchases of investments in securities and other financial assets		(182,153)	(782,434)
Acquisition of subsidiary, net of cash acquired	25	(2,100,577)	-
Investment in joint venture	32	-	(15,060)
Interest received		6,861	17,798
Purchases of other intangible assets		(1,026)	(763)
Net cash (used in)/generated by investing activities		(2,172,806)	27,566
Cash flows from financing activities			
Repayments of loans and borrowings		(115,449)	(155,396)
Proceeds from loans and borrowings	20	1,938,300	20,350
Dividends paid	11	(14,797)	(79,410)
Payment for remediation of Loan Participation Notes covenants		-	(4,322)
Payment for buy-back of shares	19	(86,151)	-
Payment for shares buy-back costs	19	(126)	-
Net cash generated by/(used in) financing activities		1,721,777	(218,778)
Net (decrease)/increase in cash and cash equivalents		(130,667)	118,757
Cash and cash equivalents at the beginning of the year	18	265,017	159,075
Effect of translation into presentation currency on cash and cash equivalents		(6,828)	(12,815)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		127,522	265,017

The notes on pages 8 to 51 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(in thousands of US Dollars, except as otherwise stated)

1. General information

Organisation

Public Joint Stock Company (“PJSC”) Novorossiysk Commercial Sea Port (“NCSP”) was founded in 1845. NCSP was transformed from a state-owned enterprise to a PJSC in December 1992. NCSP’s principal activities include stevedoring, additional port services, and sea vessel services. NCSP and its subsidiaries (the “Group”) primarily operate in the Russian Federation. The principal activities and significant entities of the Group as at 31 December 2011 were as follows:

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

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

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

OJSC IPP (“IPP”)

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

PJSC Fleet NCSP (“Fleet”)

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

OJSC Novorossiysk Shipyard (“Shipyard”)

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

OJSC Novoroslesexport (“Novoroslesexport”)

Novoroslesexport provides stevedoring and storage services for the export of timber, containerised cargo, ferrous and nonferrous metals. It is engaged in all year-round cargo operations.

PJSC Novorossiysk Grain Terminal (“Grain Terminal”)

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

LLC Baltic Stevedore Company (“BSC”)

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

LLC Primorsk trade port (“PTP”)

PTP is involved in the transshipment of oil and oil products in the port of Primorsk, Leningrad District. The Group acquired 100% of the shares in PTP, in order to materially increase the scale of its operations and to become a market leader in port management in Russia’s two key regions, the North-Western and Southern basins (Note 25).

CJSC Sovfracht-Primorsk (“Sovfracht-Primorsk”)

Sovfracht-Primorsk is the subsidiary of PTP. Sovfracht-Primorsk is an 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 consolidated financial statements of the Group have been prepared assuming that the Group will continue as a going concern, which presumes that the Group will, for the foreseeable future, be able to realise its assets and discharge its liabilities in the normal course of business.

At 31 December 2011, current liabilities of the Group exceeded its current assets by 184,069. The Group is however profitable (year ended 31 December 2011: 130,313; year ended 31 December 2010: 258,440) and also historically has generated positive cash flow from operating activities (year ended 31 December 2011: 320,362; year ended 31 December 2010: 309,969).

Management has plans to raise additional funds through the sale of its treasury shares held, and if required, attract additional financing (Note 33) in order to settle a substantial portion of its current liabilities and improve working capital ratios. Management has prepared a detailed forecast of cash flows for 2012 and 2013 and believes that future cash flows from operating and financing activities will be sufficient for the Group to meet its obligations as they become due.

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

2. Basis for presentation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”), which includes standards and interpretations approved by the International Accounting Standards Board (the “IASB”), including International Accounting Standards (“IASs”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) which replaced the Standing Interpretations Committee.

In preparing these consolidated financial statements, management complied with existing standards and interpretations that are effective or available for early adoption at the Group’s IFRS annual reporting date.

New and revised Standards and Interpretations adopted in the current period

In the current period, the Group adopted all of the following new and revised Standards and Interpretations issued by the IASB and the IFRIC which became effective for the Group’s annual consolidated financial statement for the year ended 31 December 2011:

- IFRS 3 (2008) “Business Combinations” / IAS 27 “Consolidated and Separate Financial Statements” – amendments resulting from May 2010 Annual Improvements to IFRSs:
 1. Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS; and
 2. Clarification on measurement of non-controlling interests;
- IFRS 7 “Financial Instruments: Disclosures” – amendments resulting from May 2010 Annual Improvements to IFRSs: clarification of disclosures and release of requirement for disclosure regarding restructured loans; and
- IAS 24 “Related Party Disclosures” – (as revised in 2010) modifies the definition of a related party and simplifies disclosures for government-related entities.

The first-time application of the aforementioned amendments to Standards had no material effects on the consolidated financial statements of the Group for the period ended 31 December 2011.

Standards and Interpretations issued but not yet adopted

At the date of approval of the Group's 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 the transfer of financial assets	1 July 2011
- 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 12 "Income Taxes" – Limited scope amendment (recovery of underlying assets)	1 January 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 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 consolidated financial statements of the Group.

Exchange rates

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

	2011	2010
Year-end rates		
RUR / 1 USD	32.1961	30.4769
RUR / 1 EUR	41.6714	40.3331
Average for the period		
RUR / 1 USD	29.3874	30.3692
RUR / 1 EUR	40.8848	40.2980

3. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of NCSP and its subsidiaries (Note 31), from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are prepared for the same reporting period as those of NCSP; where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used by them in line with those of the Group.

All intra-group balances, transactions, and any unrealised profits or losses arising from intra-group transactions, are eliminated upon consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

When the consideration transferred by the Group includes any assets or liabilities resulting from a contingent consideration arrangement, they are measured at the acquisition-date fair value and included with the consideration transferred. Subsequent changes in the fair value of the contingent consideration are adjusted against the cost of the acquisition when they qualify as measurement period adjustments, with corresponding adjustments against goodwill. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year, and measurement period adjustments are adjustments arising from additional information obtained during the measurement period, about facts and circumstances that existed at the acquisition date. Contingent consideration classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is measured at subsequent reporting dates in accordance with the relevant IFRSs.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from the interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

At the acquisition date, the acquiree's identifiable assets and liabilities, meeting the recognition criteria of IFRS 3 (2008) "Business Combinations", are generally recognised at their fair value except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 "Share-based Payment"; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5") are recognised and measured at fair value less costs to sell.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted

during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill is measured as the excess of the sum of consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amount of identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Non-controlling interest, identified separately from the Group's equity, may be initially measured either: (i) at fair value; or (ii) at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Subsequent to acquisition, the non-controlling interest carrying amount is the amount at initial recognition, plus the non-controlling interests' share of changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations with third parties taking place prior to 1 January 2010 were accounted for in accordance with IFRS 3 (2004) "Business Combinations".

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The results and assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets and Held for Sale and Discontinued Operations". Under the equity method, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment in the value of individual investments. Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, forms part of the Group's net investment in the associate or joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" ("IAS 36") as a single asset by comparing its recoverable amount (higher of value in use or fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a Group entity transacts with an associate or joint venture of the Group, profit and losses resulting from transactions with associates or joint ventures are eliminated to the extent of the Group's interest in these associates.

Goodwill

Goodwill arising on an acquisition of a business, as described in "Business combinations" above, is carried at cost as established at the acquisition date less accumulated impairment loss, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergy of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates and joint ventures" above.

Foreign currencies

In preparing the financial statements of the individual entities forming part of the Group, transactions in currencies other than the functional currency of each entity (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the end of each reporting period presented. Non-monetary items carried at fair value that are

denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of the transaction. Exchange differences are recognised in profit or loss in the period in which they arise as a separate component, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements for the Group, the assets and liabilities of entities in the Group with functional currencies other than the USD are translated in USD at exchange rates prevailing at the end of each reporting period presented. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the date of transactions are used. Exchange differences arising on these translations, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, delivery has occurred, services have been rendered or construction works are fully completed, the amount of the revenue can be measured reliably, persuasive evidence of an arrangement exists and the collectability of the revenue is reasonably assured.

The Group's revenue is derived as follows:

- (i) Stevedoring services (liquid, dry bulk cargo, general cargo and containers transshipment) including loading and unloading of oil, oil products, grain, mineral fertilizers, chemicals, containers, timber, timber products, metal products (slabs, tubing, rolled metal and others), sugar, and other cargo, fuel bunkering;
- (ii) Additional port services provided to customers at their requests (e.g. forwarding, storage, custom documentation, repacking, ship repair services for all types of vessels and maintenance in docks, etc.);
- (iii) Fleet services including tag, towing and other related services; and
- (iv) Other services mainly including rent and resale of energy and utilities to external customers.

Revenue from cargo-transshipment, fleet and additional port services is recognised when the services are accepted by the customers (typically after the loading or unloading of cargo, as defined by the sales terms). Revenue from other services is recognised when the services are provided to the customers.

Prices for cargo transshipment and storage services are subject to Government regulations. The Group can provide discounts to its customers only within the limits set by the statutory legislation. Prices for additional port services, fleet services, ship repair and other services are set by the Group.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Depreciation of these assets is recorded on the same basis as for other property assets, and commences when the assets are put into operation.

Transaction costs associated with the issuance of a debt instrument are recorded as a reduction of the liability, and are amortised to interest expense over the term of the related borrowing. In any period in which the borrowing is redeemed, the related unamortized costs are expensed.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Defined contribution plan

The Group's Russian subsidiaries are legally obliged to make defined contributions to the Russian Federation State Pension Fund. The Group's contributions to the Russian Federation State Pension Fund relating to defined contribution plans are charged to the consolidated statement of comprehensive income in the period to which they relate.

In the Russian Federation, all state social contributions, including contributions to the Russian Federation State Pension Fund, are collected through taxes of 0 % to 34 %, directly calculated based on the annual gross remuneration of each employee. The rate of contribution to the Russian Federation State Pension Fund varies from 0 % to 26 %. When the annual gross remuneration of an employee exceeds 463 thousand RUR (USD 15.8), the 0 % tax rate is applied.

Contributions to the defined contribution retirement benefit plan are recognised as an expense as employees render service.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations performed at the end of each reporting period presented. Actuarial gains and losses are recognised in total in the period in which they occur. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the end of each reporting period presented.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period presented and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognised as an expense or income in the consolidated statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or they arise from the initial accounting for a business combination. In case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the cost.

Property, plant and equipment

The Group adopted IFRS effective 1 January 2005. As part of the adoption, the Group elected to utilise exemptions available for first-time adopters under IFRS 1, choosing to record property, plant and equipment at fair value (deemed cost). Valuations were performed by independent appraisers as at 1 January 2005. After that date, property, plant and equipment is stated at deemed cost less accumulated depreciation and impairment losses.

Property, plant and equipment acquired through acquisitions of subsidiaries is recorded at fair value on the date of the acquisition, as determined by an independent appraiser.

Additions to property, plant and equipment are recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs, including overhaul expenses, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Capitalised cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or deemed cost of assets, other than land and property under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

	Number of years
Buildings and completed constructions	3-75
Machinery and equipment	4-20
Marine vessels	4-25
Vehicles	4-7
Office and other equipment	3-10

Properties in the course of construction for production, rental or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are put into operation.

Construction in progress comprise costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is made.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mooring rights and other intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation of mooring rights and other intangible assets is charged to profit or loss.

Mooring rights and other intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is the fair value at the acquisition date.

Subsequent to initial recognition, mooring rights and other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets acquired separately.

Useful lives of mooring rights and other intangible assets are as follows:

	Number of years
Mooring rights	20
Marine vessels rights	10
Other intangible assets	3-5

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of

its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Spare parts

Major spare parts and stand-by equipment qualify as non-current assets when an entity expects to use them during more than one year. Such spare parts are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the spare parts to their present location and condition. Spare parts are recognised in profit or loss as consumed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial assets

Financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group's financial assets consist of cash and cash equivalents, loans and receivables.

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense, respectively, over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments, as applicable, through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised

cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, those are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period presented. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows have been impacted. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale ("AFS") equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the asset of an entity deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities can be classified into financial liabilities as at fair value through profit and loss ("FVTPL") and other financial liabilities.

Financial liabilities as at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities as at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 29.

Other financial liabilities

Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period presented. The resulting gain or loss is recognised 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.

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period presented, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Dividends declared

Dividends paid to shareholders are determined by the board of directors and declared and approved at the annual shareholders' meeting.

Dividends and related taxation thereon are recognised as a liability in the period in which they have been declared and legally payable.

Accumulated profits distributable by the Group's entities are based on the amounts available for distribution in accordance with the applicable legislation of the jurisdictions where each entity operates and as reflected in

the statutory financial statements of the individual entities of the Group based on calendar reporting years (years ended 31 December). These amounts may differ significantly from the amounts calculated on the basis of IFRSs.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods of the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period presented that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for trade and other receivables and advances to suppliers

The Group creates allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of the allowance for doubtful receivables, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the estimated allowance for doubtful receivables.

Useful lives of fixed assets

The useful economic lives of the Group's assets are determined by management at the time the asset is acquired and regularly reviewed for appropriateness. The Group defines useful lives of its assets in terms of the assets' expected utility to the Group. This judgment is based on the experience of the Group with similar assets. In determining the useful life of an asset, the Group also follows technical and/or commercial obsolescence arising on changes or improvements from a change in the market.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Key estimates used in the Group's annual impairment testing are presented in Note 13.

Impairment of assets (excluding goodwill)

The Group periodically evaluates the recoverability of the carrying amount of its assets. Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable, the Group estimates the recoverable amount of the asset. This requires the Group to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. In turn, these forecasts are uncertain in that they require assumptions about demand for products and future market conditions. Significant and unanticipated changes to these assumptions and estimates included within the impairment reviews could result in significantly different results than those recorded in the consolidated financial statements.

Taxation

The Group is subject to income tax and other taxes. Significant judgement is required in determining the provision for income tax and other taxes due to the complexity of the tax legislation of the Russian Federation where the Group's operations are principally located. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of the whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made.

In addition, the Group records deferred tax assets at the end of each reporting period presented based on the amount that management believes will be utilised in future periods. This determination is based on estimates of future profitability. A change in these estimates could result in the write off of deferred tax assets in future periods for assets that are currently recorded on the consolidated statement of financial position. In estimating levels of future profitability, the Group has considered historical results of operations in recent years and would, if necessary, consider the implementation of prudent and feasible tax planning strategies to generate future profitability. If future profitability is less than the amount that has been assumed in determining the deferred tax asset, then an adjustment to derecognise the deferred tax asset will be required, with the corresponding charge against income. On the other hand, if future profitability exceeds the level that has been assumed in calculating the deferred tax asset, the further recognition and utilisation of the deferred tax assets may be appropriate, with the corresponding credit recognised to income.

Current and deferred tax assets and liabilities are usually measured using the tax rates (and tax laws) that have been enacted. However, in some jurisdictions, announcements of tax rates (and tax laws) by the government have the substantive effect of actual enactment, which may follow the announcement by a period of several months. In these circumstances, tax assets and liabilities are measured using the announced tax rate (and tax laws).

Allowance for obsolete and slow-moving inventory

The Group creates an allowance for obsolete and slow-moving raw materials. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring subsequent to the end of each reporting period represented to the extent that such events confirm conditions existing at the end of the reporting period. Changes in the supply and demand for the products or any subsequent changes to prices or costs may require adjustments to the estimated allowance for obsolete and slow-moving raw materials.

5. Segment information

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

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

In 2011, in addition to the change in segments, the Group's management revised the presentation of segment profit/(loss) in management accounts. As such, certain comparative information, presented for the year ended 31 December 2010 has been reclassified in order to achieve comparability with the presentation used for the year ended 31 December 2011.

Segment revenue and segment results

The segment revenue and results for the years ended 31 December 2011 and 31 December 2010 are as follows:

	Segment revenue		Inter-segments sales		Segment profit	
	Year ended		Year ended		Year ended	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Stevedoring and additional services	941,009	578,271	8,786	4,885	426,753	318,522
Fleet services	92,902	45,028	5,092	2,398	42,876	24,690
Other services	15,628	12,016	14,609	11,685	17,323	11,599
Total reportable segments	1,049,539	635,315	28,487	18,968	486,952	354,811
Adjustments and eliminations (see following table)					(322,432)	(31,933)
CONSOLIDATED PROFIT BEFORE INCOME TAX					164,520	322,878

During the year ended 31 December 2011 and 31 December 2010, revenue from PORATH SERVICES LIMITED of 169,484 and 63,659, respectively, represents more than 10 % of revenue included in stevedoring and additional services segment. Management of the Group believes that it adequately manages the corresponding possible credit risk.

A loss on an advance for property, plant and equipment in the amount of 8,456 attributable to the Fleet services segment was recognised in the year ended 31 December 2009. This loss was subsequently reversed in 2010.

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

	Year ended 31 December 2011	Year ended 31 December 2010
Total segment profit	486,952	354,811
Unallocated amounts:		
Loss on disposal of property, plant and equipment	(692)	(131)
Defined benefit obligation benefit/(expense)	(820)	2,761
Differences between Russian statutory accounts and IFRS:		
Bank commission	10,307	-
Depreciation and amortisation	(20,720)	(22,334)
Payment for remediation of Loan Participation Notes covenants	-	4,322
Other	212	7,043
Operating profit	475,239	346,472
Interest income	4,434	18,632
Finance costs	(144,619)	(30,401)
Share of loss in joint venture	(4,746)	(831)
Foreign exchange loss, net	(167,940)	(12,753)
Other income, net	2,152	1,759
PROFIT BEFORE INCOME TAX	164,520	322,878

Other segment information

	Depreciation and amortisation charge		Capital expenditures	
	Year ended		Year ended	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Stevedoring and additional services	57,939	55,854	94,400	80,336
Fleet services	6,888	3,453	1,995	2,742
Other services	6,215	4,005	410	421
Total reportable segments	71,042	63,312	96,805	83,499
Adjustments and eliminations	6,587	5,263	2,545	2,486
CONSOLIDATED	77,629	68,575	99,350	85,985

Capital expenditures consist of additions of property, plant and equipment, which include construction in progress and the related advances paid in the period (Note 12).

Geographical information

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

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

	Year ended 31 December 2011	Year ended 31 December 2010
Revenue		
Novorossiysk	784,454	622,184
Primorsk	249,690	-
Baltiysk	12,901	11,690
Other	2,494	1,441
TOTAL	1,049,539	635,315

6. Revenue

	Year ended 31 December 2011	Year ended 31 December 2010
Stevedoring services	857,451	494,804
Additional port services	83,558	83,467
Fleet services	92,902	45,028
Other	15,628	12,016
TOTAL	1,049,539	635,315

7. Cost of services

	Year ended 31 December 2011	Year ended 31 December 2010
Fuel	214,649	64,767
Depreciation and amortisation	73,503	64,918
Personnel expenses	66,704	50,825
Rent	66,487	10,723
Repairs and maintenance	21,062	16,713
Taxes directly attributable to salaries	19,005	13,183
Subcontractors	13,695	8,467
Energy and utilities	8,653	6,129
Raw materials	7,787	8,031
Defined benefit obligation expense/(benefit)	1,443	(2,294)
Change in provision for payable to lessor	-	(2,857)
Insurance	503	430
Other	1,949	3,034
TOTAL	495,440	242,069

During 2009, a provision for a payable to lessor was recorded in Cost of services related to a provision for possible additional rental payments as at 31 December 2009. During 2009, based on the current legislation, but without lessor permission, the Group made lower rental payments. Due to the above fact, the Group recognized a provision for the possible additional rental payments in the amount of 2,735. In 2010, however, court rulings favourable to the lessee in similar situations occurred; thus, the Group fully reversed the provision for payable to lessor in fiscal 2010.

8. Selling, general and administrative expenses

	Year ended 31 December 2011	Year ended 31 December 2010
Personnel expenses	33,274	21,463
Taxes other than income tax	9,499	8,660
Taxes directly attributable to salaries	4,871	2,788
Professional services	4,859	5,830
Security services	4,737	4,038
Depreciation and amortisation	4,126	3,657
Charitable donations	3,196	2,515
Bank charges	2,066	1,762
Travel and representation expenses	1,982	1,467
Repairs and maintenance	1,356	1,074
Change in allowance for doubtful receivables	1,289	1,411
Rent	1,232	1,440
Advertising	1,101	981
Raw materials	1,053	591
Reversal of loss on advances for property, plant and equipment	-	(8,456)
Change in provision for payable to customer	-	(2,700)
Other	3,527	122
TOTAL	78,168	46,643

During 2009, the Group advanced Henford Logistics Ltd for a number of assets, which were ordered to be built at a foreign shipyard. One of the assets was not undergoing construction at the end of 2009 and receipt was deemed unlikely. As such, the Group wrote off the entire advance relating to this asset. During 2010, the Group acquired Henford Logistics Ltd, and was able to realise the benefit of the advances by utilising the advanced money in the construction of other assets. As such, the previously recognised impairment was reversed.

The change in provision for payable to customer recorded in Selling, general and administrative expenses in 2009 related to a potential reimbursement to a customer. In 2009, the Group was potentially liable to reimburse pass through expenses charged to a customer in relation to ongoing litigation with the taxation authority. As such, the Group recorded a provision for the charges totalling 2,585. In 2010, the claim made by the customer was settled in the customer's favour, and the Group was no longer liable to the customer for reimbursement. Accordingly, the full provision was subsequently reversed in 2010.

9. Finance costs

	Year ended 31 December 2011	Year ended 31 December 2010
Interest on loans and borrowings	144,619	26,079
Expense for remediation of Loan Participation Notes covenants	-	4,322
TOTAL	144,619	30,401

The interest expense incurred during 2011 is primarily related to the borrowing received in January 2011 related to the acquisition of PTP (Note 20).

During 2010, the Group paid a consent fee in amount of 3,544 to Loan Participation Note holders and 778 for transaction support and consulting services to waive the early repayment requirements under the loan agreement dated 14 May 2007 (Note 20).

10. Income tax

	Year ended 31 December 2011	Year ended 31 December 2010
Current income tax expense	54,755	66,568
Deferred tax benefit	(20,548)	(2,130)
TOTAL	34,207	64,438

The corporate income tax rate in the Russian Federation is calculated at 20 % of the estimated assessable profit for the year based on stand alone accounts. See below for a reconciliation of tax on profit before income tax at the statutory rate to actual income tax expense:

	Year ended 31 December 2011	Year ended 31 December 2010
Profit before income tax	164,520	322,878
Tax at the statutory rate of 20%	32,904	64,576
Effect of different tax rate of subsidiary	(550)	(135)
Effect on deferred tax balances due to the change in income tax rate of subsidiaries	-	(68)
Effect of other expenses that are not deductible in determining taxable profit	1,853	1,756
Non-deductible loss/(gain) on advances for property, plant and equipment	-	(1,691)
TOTAL	34,207	64,438

On 1 November 2010, in accordance with Federal Law No. 16 dated 10 January 2006, "On special economic zone in the Kaliningrad region and on amendments to certain legislative acts of the Russian Federation", the Group subsidiary BSC was included in the register of residents of the special economic zone in the Kaliningrad region. As a consequence of this inclusion, income earned by BSC for the first six years after admission to the register related to the implementation of investment projects in this region receives a full tax exemption (i.e. 0 % tax rate).

In November 2011 PTP signed an investment agreement with the authorities of Leningrad region. As a result PTP is eligible to apply a reduced income tax rate of 15.5 % beginning in 2012. There is no impact on deferred tax liabilities as at 31 December 2011 because the deferred tax liabilities are expected to be released after the period end of the tax rate reduction.

The movement in the Group's deferred taxation position was as follows:

	31 December 2011	31 December 2010
Net balance at the beginning of the year	29,781	32,149
Benefit recognised during the year	(20,548)	(2,130)
Deferred tax liability acquired on acquisition of subsidiaries	269,450	-
Effect of translation into presentation currency	(19,094)	(238)
NET BALANCE AT THE END OF THE YEAR	259,589	29,781

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The tax effects of temporary differences that give rise to deferred taxation are as follows:

	31 December 2011	31 December 2010
Deferred tax assets		
Tax loss carry forward	16,750	-
Investment valuation	2,037	52
Accrued expenses	1,572	1,081
Allowance for obsolete and slow-moving inventories	213	340
Vacation accruals	10	722
Allowance for doubtful receivables	4	529
Total	20,586	2,724
Deferred tax liabilities		
Difference in value of property, plant and equipment	276,630	30,413
Long-term debt	1,949	261
Mooring rights	1,596	1,805
Other adjustments	-	26
Total	280,175	32,505
NET DEFERRED TAX LIABILITY	259,589	29,781

The tax loss carry forward recognized expires within 10 years in accordance with the Tax Code. The Group's management believes that the tax loss carry forward will be utilized before the expiration date.

The movement in the difference in value of property, plant and equipment is principally attributable to deferred tax liabilities acquired on acquisition of subsidiaries of 269,450.

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) as they are recorded in the consolidated statement of financial position:

	31 December 2011	31 December 2010
Deferred tax assets	7,318	1,156
Deferred tax liabilities	266,907	30,937
NET DEFERRED TAX LIABILITY	259,589	29,781

11. Dividends and distributions

Dividends declared in 2011 and 2010 were 14,651 and 79,241, respectively. Dividends per share for 2011 and 2010 were US cents 0.077 and 0.411, respectively. The total dividends paid during 2011 and 2010 were 14,797 and 79,410, respectively.

12. Property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Marine vessels	Vehicles	Office and other equipment	Construction in progress	Total
Cost								
As at 1 January 2010	18,904	312,452	270,672	64,397	16,567	68,894	57,950	809,836
Additions	233	7,077	19,860	2,560	1,131	1,439	53,685	85,985
Acquired on acquisition of subsidiaries	-	-	-	22,745	-	-	-	22,745
Transfer	-	821	592	1,645	-	307	(3,365)	-
Disposals	-	(2,179)	(4,184)	(2,129)	(835)	(1,097)	(220)	(10,644)
Disposal of advances for property, plant and equipment	-	-	-	-	-	-	(30,375)	(30,375)
Effect of translation into presentation currency	(146)	(2,407)	(2,124)	(579)	(127)	(527)	(672)	(6,582)
As at 31 December 2010	18,991	315,764	284,816	88,639	16,736	69,016	77,003	870,965
Accumulated depreciation								
As at 1 January 2010	-	(59,386)	(130,644)	(23,810)	(8,759)	(28,500)	(8,870)	(259,969)
Current year depreciation expense	-	(23,038)	(31,750)	(4,923)	(1,617)	(6,003)	-	(67,331)
Disposals	-	1,725	4,140	1,800	706	810	-	9,181
Reversal of impairment on advances for property, plant and equipment	-	-	-	-	-	-	8,456	8,456
Effect of translation into presentation currency	-	528	1,095	193	71	236	414	2,537
As at 31 December 2010	-	(80,171)	(157,159)	(26,740)	(9,599)	(33,457)	-	(307,126)
Carrying value								
AS AT 1 JANUARY 2010	18,904	253,066	140,028	40,587	7,808	40,394	49,080	549,867
AS AT 31 DECEMBER 2010	18,991	235,593	127,657	61,899	7,137	35,559	77,003	563,839
As at 1 January 2011	18,991	315,764	284,816	88,639	16,736	69,016	77,003	870,965
Additions	150	26,484	29,625	2,340	1,676	2,476	36,599	99,350
Acquisitions through business combinations (Note 25)	1,274,775	121,508	21,023	55,116	937	280	48,277	1,521,916
Transfer	-	55,536	27,513	-	87	109	(83,245)	-
Disposals	-	(2,034)	(3,045)	(92)	(744)	(585)	(1,358)	(7,858)
Effect of translation into presentation currency	(91,357)	(32,449)	(21,417)	(8,380)	(1,050)	(3,879)	(3,345)	(161,877)
As at 31 December 2011	1,202,559	484,809	338,515	137,623	17,642	67,417	73,931	2,322,496
Accumulated depreciation								
As at 1 January 2011	-	(80,171)	(157,159)	(26,740)	(9,599)	(33,457)	-	(307,126)
Depreciation expense	-	(28,263)	(27,939)	(9,177)	(2,203)	(8,725)	-	(76,307)
Disposals	-	1,876	2,979	8	703	536	-	6,102
Effect of translation into presentation currency	-	6,584	10,569	2,476	643	2,501	-	22,773
As at 31 December 2011	-	(99,974)	(171,550)	(33,433)	(10,456)	(39,145)	-	(354,558)
Carrying value								
AS AT 1 JANUARY 2011	18,991	235,593	127,657	61,899	7,137	35,559	77,003	563,839
AS AT 31 DECEMBER 2011	1,202,559	384,835	166,965	104,190	7,186	28,272	73,931	1,967,938

As at 31 December 2011 the total amount of advances paid for property, plant and equipment recorded in construction in progress equals to 14,883 (31 December 2010: 44,194). The total amount of capitalised interest expenses for the year ended 31 December 2011 amounted to 1,003. During the year ended 31 December 2010 no interest expenses were capitalised.

13. Goodwill and impairment of goodwill

	31 December 2011	31 December 2010
Cost	1,493,996	394,710
Accumulated impairment loss	(2,926)	(3,092)
CARRYING AMOUNT	1,491,070	391,618

	31 December 2011	31 December 2010
Cost		
Balance at the beginning of year	394,710	397,747
Acquired through business combinations (Note 25)	1,205,806	-
Effect of translation into presentation currency	(106,520)	(3,037)
Balance at the end of the year	1,493,996	394,710
Accumulated impairment loss		
Balance at the beginning of year	(3,092)	(3,115)
Effect of translation into presentation currency	166	23
BALANCE AT THE END OF THE YEAR	(2,926)	(3,092)

For the purpose of impairment testing as at 31 December 2011, management of the Group estimated the recoverable amount of each of the Group's cash-generating units.

The recoverable amount of each 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 each individual cash generating unit.

The most significant estimates and assumptions used by management in the value in use calculations for 2011 are 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;
- Revenue rates for transshipment expressed in USD were translated into RUR based on RUR/USD currency rates projections from the Ministry of Finance of the Russian Federation 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 projects 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 in 2011 or 2010. Based on management's projections, up to 10% decrease of the budgeted cash flows would not cause the cash generating units carrying value to exceed their recoverable amounts.

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

	Carrying amount	
	31 December 2011	31 December 2010
Stevedoring and additional services segment:		
PTP	762,531	-
Grain Terminal	147,484	155,804
Novorosiexport	119,021	125,735
IPP	25,654	27,101
Shipyard	11,614	12,270
BSC	2,655	2,804
Fleet services segment:		
Sovfracht-Primorsk	357,832	-
Fleet	67,205	70,996
TOTAL	1,493,996	394,710

14. Mooring rights

	31 December 2011	31 December 2010
Cost	11,072	11,696
Accumulated amortisation	(3,092)	(2,672)
CARRYING VALUE	7,980	9,024

	31 December 2011	31 December 2010
Cost		
Balance at the beginning of year	11,696	11,786
Effect of translation into presentation currency	(624)	(90)
BALANCE AT THE END OF THE YEAR	11,072	11,696

	31 December 2011	31 December 2010
Accumulated amortisation		
Balance at the beginning of year	(2,672)	(2,094)
Charge for the year	(616)	(596)
Effect of translation into presentation currency	196	18
BALANCE AT THE END OF THE YEAR	(3,092)	(2,672)

Mooring rights represent the long-term lease rights of hydro technical infrastructure (e.g. berths, piers and vessels) held with the state.

15. Investments in securities and other financial assets

	31 December 2011	31 December 2010
Financial assets carried at amortised cost		
Current		
Deposits	18,976	46,323
Loans issued	2,857	596
TOTAL CURRENT	21,833	46,919

	31 December 2011	31 December 2010
Non-current		
Loans issued and other financial assets	34,842	22,219
TOTAL NON-CURRENT	34,842	22,219

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

from 2.40 % to 3.25 % per annum and in VTB bank with an interest rate of 2.25 % per annum.

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

Non-current loans issued and other financial assets consist of long-term loans to third parties and other related parties, including long-term loans denominated in USD to LLC Novorossiysk Fuel Oil Terminal ("LLC NFT"), a joint venture created in 2009 (Note 32), in the amount of 5,000 maturing in January 2019 with an interest rate of 7 % per annum, in the amount of 14,600 maturing in August 2019 with an interest rate of 7 % per annum and in the amount of 13,300 maturing in December 2019 with an interest rate of 7 % per annum each to be paid on the last day of the granted period. An additional agreement to postpone the maturity date from January 2012 to January 2019 was signed on the loan granted to LLC NFT in the amount of 5,000, and an additional agreement to postpone the maturity date from August 2012 to August 2019 was signed on the loan granted to LLC NFT in the amount of 14,600. Other long-term loans are denominated in USD with an interest rate of 5 % per annum and in RUR with an interest rate 7 % per annum.

16. Inventories

	31 December 2011	31 December 2010
Raw materials and low value items	8,045	6,884
Fuel	1,850	1,922
Goods for resale	2,195	1,324
Other	-	3
Less: Allowance for obsolete and slow-moving inventories	(832)	(1,142)
TOTAL	11,258	8,991

17. Trade and other receivables

	31 December 2011	31 December 2010
Trade accounts receivable (RUR)	25,598	10,152
Trade accounts receivable (USD)	19,222	15,557
Trade accounts receivable (EUR)	58	59
Other receivables and prepayments	5,628	3,901
Interest receivables	1,069	1,612
Less: Allowance for doubtful receivables	(3,779)	(2,841)
TOTAL	47,796	28,440

The average credit period for the Group's customers is 11 days. During this period no interest is charged on the outstanding balances. Thereafter, interest according to the contracts is charged at between 0.3 % and 6 % per month on the outstanding balance.

Before accepting any new customer, the Group uses an internal credit system to assess the potential customer's credit quality. Of the trade receivables balance at the end of the year, the Group's largest customers in total represent 67 % (2010: 65 %) of the outstanding balance.

The summary below shows the outstanding balances of the top main counterparties at the respective balance sheet dates (other counterparties are shown for comparative information):

	Customer location	31 December 2011	31 December 2010
BIG PORT SERVICE	United Arab Emirates	15,768	-
OJSC ROSNEFT OIL COMPANY	Moscow, Russia	5,895	602
OJSC Surgutneftegaz	Surgut, Russia	1,965	-
OJSC Lukoil	Moscow, Russia	1,943	286
FELION LIMITED	Limassol, Cyprus	1,877	959
LLC Ruskon	Novorossiysk, Russia	1,153	1,168
OJSC NLMK	Lipetsk, Russia	1,077	1,832
MILESEATRANS LTD	Wilmington, USA	295	1,126
PORATH SERVICES LIMITED	Marshall Islands	-	10,881
TOTAL		29,973	16,854

Included in the Group's receivable balance are debtors with a carrying value of 3,675 (2010: 1,913) which are past due at the respective reporting date but not impaired and which the Group still considers recoverable.

A maturity analysis of trade and other receivables is as follows:

	31 December 2011	31 December 2010
Not past due and not impaired	44,121	26,527
Past due but not impaired		
less than 45 days	2,214	1,147
45-90 days	473	585
90-180 days	683	115
180-365 days	305	66
Past due and impaired	3,779	2,841
TOTAL	51,575	31,281

The Group does not hold any collateral over these outstanding balances. No credit limits are set for the customers.

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

	31 December 2011	31 December 2010
As at beginning of the year	2,841	1,511
Recognised in the statement of comprehensive income	1,289	1,411
Amount recovered during the year	(96)	-
Effect of translation into presentation currency	(255)	(5)
Amounts written-off as uncollectable	-	(76)
AS AT END OF THE YEAR	3,779	2,841

Trade receivables and other receivables with due dates between 45 and 365 days are 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.

18. Cash and cash equivalents

	31 December 2011	31 December 2010
Bank deposits in USD	74,320	226,740
Bank deposits in RUR	24,132	23,029
Bank deposits in EUR	2	5,323
Current accounts in RUR	25,013	6,867
Current accounts in USD	4,018	2,250
Current accounts in EUR	13	787
Cash in hand	24	21
TOTAL	127,522	265,017

Bank deposits as at 31 December 2011 mainly represent deposits with Raiffeisenbank, Sberbank and VTB bank with an original maturity of three months or less.

Bank deposits with an original maturity of three months or less, placed in Raiffeisenbank, are represented by deposits denominated in RUR with interest rates varying from 0.06 % to 6.20 % per annum and deposits denominated in USD with interest from 1 % to 2.67 % per annum. Deposits denominated in RUR, placed in Sberbank, are represented by deposits with interest rates varying from 0.05 % to 5.69 % per annum, in USD with interest 0.59 % per annum. VTB Bank charges interest on deposits denominated in RUR with an original maturity of three months or less in a range from 6.07 % to 7.20 % and on deposits denominated in

USD in a range from 0.02 % to 1.70 %. Deposits denominated in RUR are placed in UniCredit Bank with an interest rate 4.60 % and in Russian Agricultural Bank with an interest rates varying from 4.60 % to 5.58 %.

19. Share capital

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

During the period from 24 February to 1 March 2011, NCSP repurchased 516,686,496 of its own shares for RUR 4.9 per share from shareholders of NSCP for a total of RUR 2,531,763 thousand (USD 86,151 thousand). The direct costs associated with the buy-back of shares were 126. The obligatory purchase was performed in accordance with the Federal Law on Joint Stock Companies and the resulting decisions of NCSP's Board of Directors on 4 February 2011 which they approved the obligatory purchase from shareholders who voted against or did not participate in the vote to approve the transaction to acquire 100% of the PTP share capital through a loan for 1,950,000 from Sberbank. The Group's repurchased shares are held as treasury shares in equity as at 31 December 2011.

20. Debt

	Interest rate	Maturity date	31 December 2011	31 December 2010
Unsecured bank loans(USD)				
Loan Participation Notes	7%	May 2012	302,241	301,312
Raiffeisenbank	4.5%	June 2012	-	20,000
Unsecured bank loans(RUR)				
Sberbank	8.5%	November 2014	250,908	-
Sberbank	8.5%	November 2014	9,331	-
Total unsecured bank loans			562,480	321,312
Secured bank loans(USD)				
Sberbank	LIBOR 3M + 4.85%	January 2018	1,943,776	-
Total debt			2,506,256	321,312
Current portion of long-term loans			(392,413)	(15,900)
TOTAL NON-CURRENT DEBT			2,113,843	305,412

Sberbank

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

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

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

Loan Participation Notes

On 17 May 2007, the Group, through a newly formed special purpose entity, Novorossiysk Port Capital S.A., issued 7 % loan participation notes due in May 2012 (the "Loan Participation Notes") in an aggregate principal amount of 300,000. The Group applied the proceeds of the Loan Participation Notes to repay a portion of the then existing outstanding principal amount of the Sberbank loans.

Interest on the Loan Participation Notes is payable semi-annually on 17 November and 17 May of each year. The Loan Participation Notes are subject to provisions, including representations and warranties, covenants, undertakings and events of default, including change of control, negative pledge and cross-default provisions. A

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

Holders of the Loan Participation Notes have, by the way of an Extraordinary Resolution duly passed at the meeting of the note holders held on 6 December 2010, approved the waiver of the loan advanced repayment in connection with the change of the control and the breach of the Consolidated Leverage Ratio contained in the limitation on indebtedness covenant. A consent fee of 0.0125 (twelve and one half US dollar) for each 1 (one thousand US dollar) in principal amount of the Loan Participation Notes held was paid to those holders of the Loan Participation Notes who had voted in favour of the extraordinary resolution. A total payment of 3,544 was paid to the note holders and 778 was paid for transaction support and consulting services. Such amounts were expensed as incurred (Note 9).

Raiffeisenbank

In December 2010, the Group entered into a loan agreement with Raiffeisenbank for 20,000 with an interest rate of 4.5 % per annum. The loan was granted to repay a loan from Sberbank. The loan principal was to be repaid in equal instalments of 3,333 on a quarterly basis beginning 31 March 2011. Loan interest was calculated and payable on monthly basis. The outstanding principal amount of the loan was repaid in full in September 2011 before the original maturity.

As at 31 December 2011, the average effective borrowing rate relating to the Group's debt was 5.73 % per annum (31 December 2010: 6.84 % per annum).

The Group borrowings as at 31 December 2011 are repayable as follows:

	Principal amount	Contractual interest liability	Total
Due within three months	21,656	30,638	52,294
Due from three to six months	321,330	40,927	362,257
Due from six months to twelve months	43,313	59,818	103,131
	386,299	131,383	517,682
Between 1 and 2 years	86,625	115,527	202,152
Between 2 and 5 years	1,541,295	290,309	1,831,604
Over 5 years	485,923	23,477	509,400
TOTAL	2,500,142	560,696	3,060,838

The contractual interest liability for future periods for variable rate borrowings was calculated based on the actual average interest rate for the year ended 31 December 2011 of 5.17 %.

The financial obligations of the Group consist primarily of borrowings denominated in USD.

The fluctuation of the USD exchange rate leads to foreign exchange rate gains or losses which affect the financial performance of the Group. During the year ended 31 December 2011, the to foreign exchange losses on financial obligations decreased the Group's profit by 171,356 and during the year ended 31 December 2010 decreased the Group's profit before income tax by 3,624.

21. Employee benefits

Unfunded defined benefit plan

The Group has defined benefit plans for employees of NCSP and some of its subsidiaries. Under the plans, the employees are entitled to one-time retirement benefits of 10% of the employee's final salary for every year worked for the eligible companies of the Group on attainment of a retirement age of 55 for women and 65 for men. Also, post-retirement benefits are provided to these employees ranging from RUR 200 (USD 0.006 thousand) to RUR 500 (USD 0.02 thousand) per month depending on each employee's years of service and qualifications.

The most recent actuarial valuation of the defined benefit obligation was carried out as at 31 December 2011. The present value of the defined benefit obligation, the related current service cost and the past service cost were all measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	31 December 2011	31 December 2010
Discount rate	8%	8%
Employees turnover per annum	5%	5%
Expected annual rate of salary increase	10%	10%
Expected annual rate of post retirement benefits increase	0%	0%
Average residual period of work	7 years	7 years

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Interest on obligation	628	923
Current service cost	275	271
Past service cost	494	239
Actuarial losses/(gains) recognised during the year	46	(3,727)
TOTAL	1,443	(2,294)

The defined benefit obligation charge for the year has been included in cost of services.

In 2011, the number of retired employees who received benefits was 2,668 (2010: 2,662).

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	31 December 2011	31 December 2010
Present value of unfunded benefit obligation	7,286	7,382
Past service cost not yet recognised	-	(476)
NET LIABILITY ARISING FROM DEFINED BENEFIT OBLIGATION	7,286	6,906

Movements in the present value of the defined benefit obligations in the current period were as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Opening defined benefit obligation	7,382	10,451
Actuarial losses/(gains) recognised during the year	46	(3,727)
Interest cost	628	923
Current service cost	275	271
Benefits paid	(623)	(467)
Effect of translation to presentation currency	(422)	(69)
CLOSING DEFINED BENEFIT OBLIGATION	7,286	7,382

The history of experience adjustments for defined benefit plan are as follows is as follows.

	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Present value of defined benefit obligation	7,286	6,906	9,732	7,643	8,181
Experience adjustments on plan liabilities	46	(3,727)	1,380	339	580

Defined contribution plans

Contributions to the Russian Federation State Pension Fund amounted to 19,613 and 11,839 for the years ended 31 December 2011 and 2010, respectively, which related to employee services rendered during each year.

22. Trade and other payables

	31 December 2011	31 December 2010
Trade payables (RUR)	13,176	4,804
Trade payables (USD)	303	804
Trade payables (EUR)	125	99
Trade payables (GBP)	1	-
Payables for property, plant and equipment	4,429	4,121
Other accounts payable	217	-
TOTAL	18,251	9,828

The average credit period for trade payables relating to the purchase of inventories (e.g. fuel) and services (e.g. utilities) in the territory of the Russian Federation is 14 days. No interest is charged on the outstanding balance for trade and other payables during the credit period. Thereafter, interest may be charged from 0.3 % to 9 % per month on the outstanding balance.

The maturity profile of trade and other payables is as follows:

	31 December 2011	31 December 2010
Past due	4,695	1,094
Due within three months	13,196	8,172
Due from three to six months	47	213
Due from six months to twelve months	313	349
TOTAL	18,251	9,828

23. Accrued expenses

	31 December 2011	31 December 2010
Accrued salaries and wages	9,908	6,936
Accrued professional service expenses	713	3,617
Other accrued expenses	757	980
TOTAL	11,378	11,533

24. Cash flows from operating activities

	Year ended 31 December 2011	Year ended 31 December 2010
Profit for the year	130,313	258,440
Adjustments for:		
Depreciation and amortisation	77,629	68,575
Finance costs	144,619	30,401
Loss on disposal of property, plant and equipment	692	131
Foreign exchange loss, net	167,940	12,753
Income tax expense	34,207	64,438
Change in retirement benefit obligation	820	(2,761)
Interest income	(4,434)	(18,632)
Change in allowance for doubtful receivables	1,289	1,411
Change in allowance for spare parts and slow-moving inventories	193	(2,053)
Reversal of loss on advances for property, plant and equipment	-	(8,456)
Change in provisions for probable economic outflows	-	(5,557)
Share of loss in joint venture	4,746	831
Other adjustments	269	3,259
	558,283	402,780
Working capital changes:		
(Increase)/decrease in inventories	(3,507)	1,138
(Increase)/decrease in trade and other receivables	(42,231)	7,234
Decrease in long-term VAT receivables	890	228
Increase/(decrease) in trade and other payables and accruals	41,151	(11,266)
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	554,586	400,114

The Change in provision for probable economic outflows relates to the provisions and subsequent reversals for the potential lease payments and customer payments recorded within Cost of services and Selling, general and administrative expenses, respectively. Refer to Note 7 and Note 8 for further details.

25. Business combination

On 21 January 2011, NCSP acquired 100 % of the shares in PTP, an operator of oil and oil product transshipment at the port of Primorsk, Leningrad District, for a cash consideration of 2,153,000 from OMIRICO LIMITED. The Group also incurred acquisition costs of 4,077 which were recognised as an expense in profit or loss in December 2010. By acquiring PTP,

management believes the Group will be able to materially increase the scale of its operations and to become a market leader in port management in Russia's two key regions, the North-Western and Southern basins.

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

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

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

Goodwill arose in the acquisition of PTP because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of PTP. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Had this business combination occurred as at 1 January 2011, the revenue of the Group from operations would have been 1,064,408, the finance costs would have been 151,931 and the profit for the year would have been 145,210. Management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of 33,419 had gross contractual amounts of 33,419. The best estimate at acquisition date of the contractual cash flows not expected to be collected equals to nil.

PTP contributed 249,690 of revenue and 119,163 of profit before tax from the date of acquisition to 31 December 2011.

26. 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 2011 and 2010, the Group transacted with Sberbank, Russian Agricultural Bank, VTB bank, Rosneft, various military divisions of the Russian Federation, Russian Railways, and other state-controlled entities.

Transactions with state-controlled entities:

	Year ended 31 December 2011	Year ended 31 December 2010
Sales and income received from related parties		
Sales and income received from related parties	113,671	87,688
Interest income	2,357	17,342
Purchases from related parties		
Services rendered and materials received	76,098	5,714
Finance costs	121,832	2,596

Balances with state-controlled entities:

	31 December 2011	31 December 2010
Cash and cash equivalents		
Cash and cash equivalents	50,034	260,921
Deposit with related parties	4,840	46,323
Receivables from related parties		
Trade and other receivables	7,929	2,417
Advances to suppliers	437	375
Payables to related parties		
Trade and other payables	1,045	112
Advances received from customers	2,080	3,074
Financial debt to related parties		
Long-term debt	2,113,843	-
Current portion of long-term debt	90,172	-

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

During 2011, ultimate control and ownership of the Group were changed. In conjunction with the Group's acquisition of PTP, Kadina Limited Company, the prior ultimate parent of the Group, sold 100 % of the shares in Novoport Holding Ltd. (which owned 50.1 % of the Group) to OMIRICO LIMITED, the prior owner of PTP, and now ultimate parent of the Group.

OMIRICO LIMITED is registered under the legislation of the Republic of Cyprus, and is jointly controlled by OJSC Transneft and Z. Magomedov.

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

NCSP and its subsidiaries in the ordinary course of business enter into various sales, purchases and service transactions with related parties, including LLC NFT (Note 32), OJSC Transneft and its subsidiaries, etc. For the year ended 31 December 2011 the transactions and balances with OJSC Transneft were reflected as transactions and balances with related parties while for the year ended 31 December 2010 as transactions and balances with state-controlled entities.

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

Transactions with joint venture:

	Year ended 31 December 2011	Year ended 31 December 2010
Sales and income received from related parties		
Sales and income received from related parties	109	101
Interest income	1,085	589
Purchases from related parties		
Services rendered and materials received	-	7
Capital expenditures	11	-

Balances with joint venture:

	31 December 2011	31 December 2010
Receivables from related parties		
Trade and other receivables	6	9
Long-term loans given to related parties and interest receivable	35,655	20,185
Payables to related parties		
Advances received from customers	3	-

Transactions with other related parties:

	Year ended 31 December 2011	Year ended 31 December 2010
Sales and income received from related parties		
Sales and income received from related parties	84,816	1,899
Interest income	206	148
Purchases from related parties		
Services rendered and materials received	56,747	1,628
Capital expenditures	8	-

Balances with other related parties:

	31 December 2011	31 December 2010
Receivables from related parties		
Trade and other receivables	2,917	349
Advances to suppliers	62	-
Short-term loans given to related parties and interest receivable	3,353	937
Long-term loans given to related parties and interest receivable	2,530	2,607
Payables to related parties		
Trade and other payables	2,154	120
Advances received from customers	14,700	-

Compensation of key management personnel

For the year ended 31 December 2011 and 2010, the remuneration of the directors and other members of key management was 11,622 (including termination benefits in amount of 512) and 8,359, 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.

27. Commitments and contingencies

Proceedings

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

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

The Group has cancelled agreement with OJSC Leningrad shipyard Pella (OJSC Pella) for construction of a tug boat as the boat constructed did not satisfy the Group's requirements. In 2011 OJSC Pella (shipyard) filed a complaint with the Arbitration Court of Saint-Petersburg and Leningrad Region against PTP for invalid unilateral termination by PTP of the tug-boat construction due to the breach of contractual terms by OJSC Pella. The amount under dispute excluding penalties was 10,386, consisting of the prepayment to OJSC Pella of 10,386. In June 2011, the Arbitration Court of Saint-Petersburg and Leningrad Region dismissed the case, and in November 2011, the Thirteenth Arbitration Court of Appeal confirmed

the dismissal. However, in February 2012, the Arbitration Federal Court of North-West Region reversed the decision of the above courts. PTP has filed an application with the Supreme Arbitration Court for the review of the case.

Management believes it is probable that the Group will recover the amount of the prepayment and that the Group will not incur any liabilities under these litigations. No amounts were written off or provided for in connection with the Group's potential obligations under this litigation.

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, adversely

affect the Group's access to capital and cost of capital for the Group and, more generally, its business.

Because Russian Federation produces and exports large volumes of oil and gas, Russian Federation's economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during 2011 and 2010.

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 five and 49 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the land and mooring installations at the expiry of the lease period.

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

	31 December
2012	73,413
2013	66,381
2014	65,192
2015	64,545
2016	64,346
Thereafter	1,054,963
TOTAL	1,388,840

The increase in operating lease arrangements is associated with commitments assumed through the acquisition of PTP (Note 25).

28. Capital commitments

At 31 December 2011, the Group had the following commitments for the acquisition of property, plant and equipment and construction works at:

	31 December 2011	31 December 2010
IPP	8,366	809
NCSP	8,062	49,241
Novoroslesexport	1,992	2,028
Shipyard	211	4
PTP	49	-
BSC	-	12,074
Grain Terminal	-	7
TOTAL	18,680	64,163

The above commitments were entered into to enhance of the Group's transshipment capacities during the following 3-10 years.

29. Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analyses using prices from observable current market transactions.

As at 31 December 2011 and 2010, management believes that the carrying values of significant financial assets (Notes 15, 17 and 18) and financial liabilities (Notes 20 and 22) recorded at amortised cost in the consolidated financial statements approximated their fair value due to their short-term nature, except for the long term loans and borrowings and long-term investments.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy includes the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value compared to the carrying value of long-term financial liabilities as at 31 December 2011 and 2010 is as follows:

	31 December 2011		31 December 2010	
	Carrying value	Fair value	Carrying value	Fair value
Loan Participation Notes (Level 1)	302,241	301,875	301,312	310,125
Fixed rate financial liabilities (Level 2)	260,239	248,168	20,000	18,989
LIBOR+ rate agreement with Sberbank (Level 2)	1,943,776	1,878,506	-	-

The Group's management believes that the carrying values of the long-term financial assets (Note 15) recorded at amortised cost in the consolidated financial statements approximates their fair values as at 31 December 2011 and 2010.

30. Risk management

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holder through the optimisation of the debt and equity balance. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

Major categories of financial instruments

The Group's principle financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, investments in securities and cash and cash equivalents.

	31 December 2011	31 December 2010
Financial assets		
Cash and cash equivalents	127,522	265,017
Investments and receivables carried at amortised cost		
Deposits	18,976	46,323
Trade and other receivables	47,796	28,440
Loans issued	37,699	22,815
TOTAL FINANCIAL ASSETS	231,993	362,595

Financial liabilities carried at amortised cost

Loans and borrowings	(2,506,256)	(321,312)
Trade payables	(14,093)	(5,781)
Payables for property, plant and equipment	(7,022)	(5,117)
TOTAL FINANCIAL LIABILITIES	(2,527,371)	(332,210)

The main risks arising from the Group's financial instruments are foreign currency, interest rate, credit and liquidity risks.

Foreign currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the Group is trying to mitigate such risk by obtaining loans and borrowings in the same currency as the Group's major operating inflows.

The carrying amount of the Group's US Dollar denominated monetary assets and liabilities as at the reporting date are as follows:

	31 December 2011	31 December 2010
Assets		
Cash and cash equivalents	78,338	228,990
Investments and receivables carried at amortised cost	72,769	38,293
TOTAL ASSETS	151,107	267,283
Liabilities		
Loans and borrowings	(2,246,017)	(321,312)
Trade payables	(303)	(805)
TOTAL LIABILITIES	(2,246,320)	(322,117)
TOTAL NET LIABILITY POSITION	(2,095,213)	(54,834)

The table below details the Group's sensitivity to a 10% depreciation of the Russian Rouble against the US Dollar if all other variables are held constant. The analysis was applied to monetary items at the year end dates denominated in USD. A 10% appreciation of the Russian Rouble against the US dollar would have opposite impact as seen below:

	31 December 2011	31 December 2010
Depreciation loss	(209,521)	(5,483)

The carrying amount of the Group's EURO denominated monetary assets and liabilities as at the reporting date are as follows:

	31 December 2011	31 December 2010
Assets		
Cash and cash equivalents	15	6,110
Investments and receivables carried at amortised cost	58	59
TOTAL ASSETS	73	6,169
Liabilities		
Trade payables	(125)	(99)
TOTAL LIABILITIES	(125)	(99)
TOTAL NET (LIABILITY)/ASSETS POSITION	(52)	6,070

The table below details the Group's sensitivity to a 10% depreciation of the Russian Rouble against the EURO if all other variables are held constant. The analysis was applied to monetary items at the year end dates denominated in the EURO. A 10% appreciation of the Russian Rouble against the EURO would have opposite impact as seen below:

	31 December 2011	31 December 2010
Depreciation (loss)/gain	(5)	607

Interest rate risk

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. Floating interest rate of LIBOR 3M + 4.85% per annum is applied during the first 3 years of the loan, fixed interest rate of 7.48% is applied from 19 January 2014. The change in LIBOR rate by 1% would lead to an increase in interest expense on 19,500.

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses for the Group.

Before accepting of any new customer, the Group uses an internal credit system to assess the potential customer's credit quality. No credit limits are set to the customers.

The summary below shows the turnover and outstanding balances of top five counterparties as at the respective balance sheet dates and for the period then ended:

	Customer location	Turnover for 2011	31 December 2011
PORATH SERVICES LIMITED	Marshall Islands	169,484	-
ROSNEFT	Russia	90,422	5,895
TRANSNEFT-SERVICE	Russia	72,346	21
Palmpoint International Inc.	Panama	51,630	268
LUKOIL	Russia	40,506	1,943
TOTAL		424,388	8,127

	Customer location	Turnover for 2011	31 December 2011
PORATH SERVICES LIMITED	British Virgin Island	63,659	10,881
TRANSNEFT-SERVICE	Russia	60,777	2
Palmpoint International Inc.	Panama	52,141	1
OJSC NLMK	Russia	29,568	1,832
MILESEATRANS LTD	USA	26,311	1,126
TOTAL		232,456	13,842

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

Maturity analyses of financial liabilities are presented in Notes 20 and 22.

31. Investments in significant subsidiaries

Subsidiary	Country of incorporation	Ownership % held*	
		31 December 2011	31 December 2010
IPP	Russian Federation	99.97%	99.97%
Fleet	Russian Federation	95.19%	95.19%
Shipyards	Russian Federation	65.18%	65.18%
Novorossiyskexport	Russian Federation	91.38%	91.38%
Grain Terminal	Russian Federation	100.00%	100.00%
BSC	Russian Federation	100.00%	100.00%
PTP	Russian Federation	100.00%	-
Sovfracht-Primorsk	Russian Federation	99.99%	-

* The ownership is calculated based on the total number of shares owned by the Group as of the reporting dates including preferred shares.

32. Investment in joint venture

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

LLC NFT is in the final stage of construction of storage facilities and reconstruction and modernization of liquid cargo berths in order to facilitate loading of oil products from the terminal to tanker ships. The Group's share in the financial results of the joint venture for the year ended 31 December 2011 and 31 December 2010 amounted to (4,746) and (831), respectively. This loss is the result of fluctuations in the USD exchange rate which has led to a significant foreign exchange loss related to the financial debt of LLC NFT.

	Ownership % held	
	31 December 2011	31 December 2010
Joint venture		
LLC NFT	50.00%	50.00%

Summarised financial information LLC NFT is represented below:

	31 December 2011	31 December 2010
Total assets	160,284	89,657
Total liabilities	(139,454)	(58,501)
Net assets	20,830	31,156
Group's share of joint venture net assets	10,415	15,578
Elimination of unrealised profit	(990)	-
Carrying value of investment	9,425	15,578

33. Events after the balance sheet date

The Group completed the conversion of the NCSP treasury shares, 2.68 % of their shares, into global depository receipts (GDRs). The NCSP Board of Directors voted affirmatively to convert the shares within the framework of the registered program of GDRs on 17 February 2012. Further decisions for the GDRs will be made by NCSP based on future market conditions.

The NCSP Board of Directors met on 4 March 2012, during which they approved the issuance of Russian ruble bond tranches BO-1, BO-2, BO-3, BO-4 and BO-5 and the related offering circular for the bond program. The par values of the Russian ruble bond tranches BO-1, BO-2, BO-3, BO-4 and BO-5 are 5 billion rubles, 4 billion rubles, 4 billion rubles, 3 billion rubles and 2 billion rubles, respectively, with maturity of 3 years.

On 3 April 2012, ruble bond tranches BO-01, BO-02, BO-03, BO-04 and BO-05 were admitted to the list of securities traded on the MICEX.

On 10 April 2012, the NCSP Board of Directors approved the decision to raise additional funds either through the issuance of an additional ruble bond tranche or through a bank borrowing under a line of credit or loan not to exceed 5 billion rubles and with a maturity of not more than 3 years.

On 10 April 2012, the NCSP Board of Directors has decided to suspend the authority of NSCP Chief Executive Officer Vilinov I.E. and to appoint Rado Antolovic acting as Chief Executive Officer, former Deputy CEO for marketing and sales.

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