

Novorossiysk Commercial Sea Port

Consolidated Financial Information
For the Three Months Ended 31 March 2016

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
THREE MONTHS ENDED 31 MARCH 2016**

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

	Notes	Three months ended 31 March 2016	Three months ended 31 March 2015
REVENUE	3	221,265	219,834
COST OF SERVICES	4	(43,604)	(55,124)
GROSS PROFIT		177,661	164,710
Selling, general and administrative expenses	5	(8,246)	(8,875)
Impairment of restricted cash in Vneshprombank LLC		(18,263)	-
Other operating income/(loss), net		144	(182)
OPERATING PROFIT		151,296	155,653
Finance income		3,335	8,655
Finance costs		(20,838)	(21,889)
Share of profit in joint venture, net		7,093	-
Foreign exchange gain/(loss), net		116,076	(53,734)
Other income, net		3,614	215
PROFIT BEFORE INCOME TAX EXPENSE		260,576	88,900
Income tax expense		(50,373)	(17,899)
PROFIT FOR THE PERIOD		210,203	71,001
OTHER COMPREHENSIVE INCOME /(LOSS) FOR THE PERIOD, NET OF TAX			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Effect of translation to presentation currency		27,971	(5,933)
<i>Items that may not be subsequently reclassified to profit or loss:</i>			
Remeasurement of net defined benefit liability		(230)	31
OTHER COMPREHENSIVE INCOME /(LOSS) FOR THE PERIOD, NET OF TAX		27,741	(5,902)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		237,944	65,099
Profit for the period attributable to:			
Equity shareholders of the parent company		207,931	67,727
Non-controlling interests		2,272	3,274
		210,203	71,001
Total comprehensive income attributable to:			
Equity shareholders of the parent company		234,331	62,542
Non-controlling interests		3,613	2,557
		237,944	65,099
Weighted average number of ordinary shares outstanding		18,743,128,904	18,743,128,904
BASIC AND DILUTED EARNINGS PER SHARE (US Dollars)		0.0110	0.0036

S.K. Batov
Chief Executive Officer

6 June 2016



G.I. Kachan
Chief Accountant

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016
(in thousands of US Dollars)**

	Notes	<u>31 March 2016</u>	<u>31 December 2015</u>
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment		980,891	910,008
Goodwill		525,782	487,727
Mooring rights		2,663	2,532
Other financial assets		16,724	16,724
Investment in joint venture		11,060	3,249
Spare parts		4,704	4,312
Deferred tax assets		160,649	182,446
Other intangible assets		1,562	1,370
Other non-current assets		4,404	4,105
		<u>1,708,439</u>	<u>1,612,473</u>
CURRENT ASSETS:			
Inventories		11,066	7,478
Advances to suppliers		6,575	5,993
Trade and other receivables, net		25,849	16,309
VAT recoverable and other taxes receivable		11,192	11,654
Income tax receivable		24	407
Cash and cash equivalents		238,677	108,671
		<u>293,383</u>	<u>150,512</u>
TOTAL ASSETS		<u>2,001,822</u>	<u>1,762,985</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		10,471	10,471
Treasury shares		(281)	(281)
Foreign currency translation reserve		(505,000)	(531,609)
Retained earnings		806,778	599,056
Equity attributable to shareholders of the parent company		<u>311,968</u>	<u>77,637</u>
Non-controlling interests		18,747	15,134
TOTAL EQUITY		330,715	92,771
NON-CURRENT LIABILITIES:			
Long-term debt	6	1,149,333	1,149,296
Obligations under finance leases		5,836	6,683
Defined benefit obligation		5,532	5,043
Deferred tax liabilities		120,078	111,547
Other non-current liabilities		1,171	982
		<u>1,281,950</u>	<u>1,273,551</u>
CURRENT LIABILITIES:			
Current portion of long-term debt	6	351,868	351,825
Current portion of obligations under finance leases		3,357	3,712
Trade and other payables		5,974	6,679
Advances received from customers		5,210	11,671
Taxes payable		3,645	2,421
Income tax payable		5,247	7,258
Accrued expenses		13,856	13,097
		<u>389,157</u>	<u>396,663</u>
TOTAL EQUITY AND LIABILITIES		<u>2,001,822</u>	<u>1,762,985</u>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED AT 31 MARCH 2016
(in thousands of US Dollars)**

	Notes	Three months ended 31 March 2016	Three months ended 31 March 2015
Cash flows from operating activities			
Cash from operations		189,034	152,662
Income tax paid		(19,892)	(25,623)
Interest paid		(19,065)	(21,573)
Net cash generated by operating activities		150,077	105,466
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		90	248
Purchases of property, plant and equipment		(13,391)	(14,219)
Proceeds from sale other financial assets		-	8
Purchases of other financial assets		-	(908)
Interest received		2,998	6,944
Purchases of other intangible assets		(303)	(266)
Net cash used in investing activities		(10,606)	(8,193)
Cash flows from financing activities			
Dividends paid		(1,173)	(515)
Payments under finance leases		(1,608)	(2,839)
Net cash used in financing activities		(2,781)	(3,354)
Net increase in cash and cash equivalents		136,690	93,919
Cash and cash equivalents at the beginning of the period		108,671	310,723
Effect of translation into presentation currency on cash and cash equivalents		(6,684)	(2,685)
Cash and cash equivalents at the end of the period		238,677	401,957

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2016 *(in thousands of US Dollars, except as otherwise stated)*

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies applied in consolidated financial information are consistent with those applied in the consolidated financial statements for the year ended 31 December 2015.

Functional and presentation currency

The functional currency of NCSP and principally all of its subsidiaries is the Russian Rouble ("RUR"). The consolidated financial information are presented in US Dollars.

Exchange rates

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

	<u>31 March 2016</u>	<u>31 December 2015</u>
Period-end rates		
RUR / 1 USD	67.61	72.88
RUR / 1 EUR	76.54	79.70
	Three months ended	
	<u>31 March 2016</u>	<u>31 March 2015</u>
Average for the period		
RUR / 1 USD	74.63	62.19
RUR / 1 EUR	82.34	70.43

2. SEGMENT INFORMATION

The Group's operations are managed by type of services: stevedoring services and additional port services; fleet services; and other services mainly comprising rent, resale of energy and utilities to external customers (which individually do not constitute separate reportable segments). Stevedoring services, additional port services and fleet services are then managed by regions. As a result, all decisions regarding allocation of resources and further assessment of performance are made separately for Novorossiysk, Primorsk and Baltiysk in respect of stevedoring and additional services and for Novorossiysk and Primorsk in respect of fleet services. All segments have different segment managers responsible for each segment's operations. The chief operating decision maker is responsible for allocating resources to and assessing the performance of each segment of the business.

Segment revenue and segment results

Sales transactions between segments are made at prices which are defined in the Group companies' price lists. The price list contains both services for which tariffs are monitored by the state and other services for which prices are set by the Group. Prices for non-regulated services are at market rates.

The segment revenue and results for the three months ended 31 March 2016 and 2015 are as follows:

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FOR THE THREE MONTHS ENDED 31 MARCH 2016**
(in thousands of US Dollars, except as otherwise stated)

	Segment revenue		Inter-segment sales		Segment profit	
	Three months ended		Three months ended		Three months ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Stevedoring and additional services	199,122	196,456	885	940	151,501	137,085
Novorossiysk	154,626	165,217	841	894	118,094	118,134
Primorsk	42,184	29,045	44	46	32,238	17,855
Baltiysk	2,312	2,194	-	-	1,169	1,096
Fleet services	20,735	20,872	365	391	14,832	14,173
Novorossiysk	11,744	12,730	347	386	7,726	8,170
Primorsk	8,991	8,142	18	5	7,106	6,003
Total reportable segments	219,857	217,328	1,250	1,331	166,333	151,258
Other	1,408	2,506	1,981	2,369	2,064	3,142
Total segments	221,265	219,834	3,231	3,700	168,397	154,400
Adjustments and eliminations					92,179	(65,500)
Profit before income tax expense					260,576	88,900

3. REVENUE

	Three months ended	
	31 March 2016	31 March 2015
Stevedoring services	172,440	167,295
Additional port services	26,682	29,161
Fleet services	20,735	20,872
Other	1,408	2,506
Total	221,265	219,834

4. COST OF SERVICES

	Three months ended	
	31 March 2016	31 March 2015
Depreciation and amortisation	10,729	11,774
Salaries	10,718	11,352
Rent	8,005	8,766
Fuel for resale and own consumption	4,595	13,221
Taxes directly attributable to salaries	2,963	3,164
Repairs and maintenance	1,882	1,530
Subcontractors	1,360	1,637
Energy and utilities	1,323	1,402
Materials	1,300	1,327
Other	729	951
Total	43,604	55,124

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**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
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5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
	31 March 2016	31 March 2015
Salaries	3,532	4,123
Taxes other than income tax	991	1,193
Taxes directly attributable to salaries	888	988
Depreciation and amortisation	740	734
Security services	558	604
Charitable donations	314	229
Impairment loss recognised on trade and other receivables	145	236
Other	1,078	768
Total	8,246	8,875

6. DEBT

	Interest rate	Maturity date	31 March 2016	31 December 2015
Secured bank loans				
Sberbank (USD)	LIBOR 3M + 5%	January 2018	1,501,201	1,501,121
Total debt			1,501,201	1,501,121
Current portion of long-term borrowings			(351,868)	(351,825)
Total non-current debt			1,149,333	1,149,296

The Group borrowings as of 31 March 2016 are repayable as follows:

	Principal amount	Contractual interest liability	Total
Due within three months	174,667	21,203	195,870
Due from three to six months	-	18,781	18,781
Due from six months to twelve months	174,667	34,522	209,189
	349,334	74,506	423,840
Between 1 and 2 years	1,149,333	42,430	1,191,763
Total	1,498,667	116,936	1,615,603

The Group borrowings as of 31 December 2015 are repayable as follows:

	Principal amount	Contractual interest liability	Total
Due within three months	-	20,790	20,790
Due from three to six months	174,648	21,057	195,705
Due from six months to twelve months	174,648	36,999	211,647
	349,296	78,846	428,142
Between 1 and 2 years	349,648	54,276	403,924
Between 2 and 5 years	799,648	3,540	803,188
Total	1,498,592	136,662	1,635,254

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The group is negotiating with banks and considering the possibility of restructuring or refinancing of debt of Sberbank in future periods, to ensure a balance between payments on the debt and the provision of investment.

For variable rate borrowings, the contractual interest liability for future periods was calculated based on the effective borrowing rate relating to the Group's variable rate borrowings as at 31 March 2016 of 5.62% (31 December 2015: 5.57%).

The financial obligations of the Group consist 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 three months ended 31 March 2016, the foreign exchange gain on financial obligations increased the Group's profit before income tax by 107,414 (during three months ended 31 March 2015 the foreign exchange loss on financial obligations decreased the Group's profit before income tax by 57,477).

7. EVENTS AFTER THE BALANCE SHEET DATE

On 1 April 2016 SFP purchase 95% stake in LLC "Night Hockey League."

On 25 May 2016 the NCSP has signed a contract of sale of shares NSRZ owned by JSC "YUTSSS", increasing its ownership to 30.28% of the share capital.