

Novorossiysk Commercial Sea Port

Consolidated Financial Information
For the Nine Months Ended 30 September 2016

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
NINE MONTHS ENDED 30 SEPTEMBER 2016**

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

	Notes	Nine months ended 30 September 2016	Nine months ended 30 September 2015
REVENUE	3	649,305	654,676
COST OF SERVICES	4	(157,027)	(178,672)
GROSS PROFIT		492,278	476,004
Selling, general and administrative expenses	5	(31,949)	(31,230)
Impairment of restricted cash in Vneshprombank LLC		(19,935)	-
Other operating income, net		296	1,638
OPERATING PROFIT		440,690	446,412
Finance income		12,114	42,054
Finance costs		(74,346)	(70,042)
Share of profit in joint venture, net		16,601	1,986
Foreign exchange gain/(loss), net		214,024	(243,779)
Other income, net		800	52
PROFIT BEFORE INCOME TAX EXPENSE		609,883	176,683
Income tax expense		(121,414)	(20,181)
PROFIT FOR THE PERIOD		488,469	156,502
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		39,304	(45,495)
<i>Items that may not be subsequently reclassified to profit or loss:</i>			
Remeasurement of net defined benefit liability		(6)	16
OTHER COMPREHENSIVE INCOME /(LOSS) FOR THE PERIOD, NET OF TAX		39,298	(45,479)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		527,767	111,023
Profit for the period attributable to:			
Equity shareholders of the parent company		482,801	146,482
Non-controlling interests		5,668	10,020
		488,469	156,502
Total comprehensive income attributable to:			
Equity shareholders of the parent company		520,274	105,020
Non-controlling interests		7,493	6,003
		527,767	111,023
Weighted average number of ordinary shares outstanding		18.743.273.348	18.743,128,904
BASIC AND DILUTED EARNINGS PER SHARE			
(US Dollars)		0.0258	0.0078

S.K. Batov
Chief Executive Officer

5 December 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 30 SEPTEMBER 2016
(in thousands of US Dollars)**

	Notes	30 September 2016	31 December 2015
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment		1,070,034	910,008
Goodwill		562,824	487,727
Mooring rights		2,707	2,532
Other financial assets		6,558	16,724
Investment in joint venture		21,390	3,249
Spare parts		5,641	4,312
Deferred tax assets		129,996	182,446
Other intangible assets		1,906	1,370
Other non-current assets		285	4,105
		<u>1,801,341</u>	<u>1,612,473</u>
CURRENT ASSETS:			
Inventories		7,769	7,478
Advances to suppliers		5,626	5,993
Trade and other receivables, net		60,445	16,309
VAT recoverable and other taxes receivable		13,648	11,654
Income tax receivable		35	407
Cash and cash equivalents		383,209	108,671
		<u>470,732</u>	<u>150,512</u>
TOTAL ASSETS		<u>2,272,073</u>	<u>1,762,985</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		10,471	10,471
Treasury shares		(280)	(281)
Foreign currency translation reserve		(494,153)	(531,609)
Retained earnings		932,884	599,056
Equity attributable to shareholders of the parent company		<u>448,922</u>	<u>77,637</u>
Non-controlling interests		12,051	15,134
TOTAL EQUITY		460,973	92,771
NON-CURRENT LIABILITIES:			
Long-term debt	8	1,289,009	1,149,296
Obligations under finance leases		4,104	6,683
Defined benefit obligation		6,125	5,043
Deferred tax liabilities		128,124	111,547
Other non-current liabilities		1,224	982
		<u>1,428,586</u>	<u>1,273,551</u>
CURRENT LIABILITIES:			
Short-term debt and current portion of long-term debt	8	200,071	351,825
Current portion of obligations under finance leases		3,421	3,712
Trade and other payables		14,250	6,679
Advances received from customers		5,467	11,671
Taxes payable		3,641	2,421
Income tax payable		3,495	7,258
Accrued expenses		152,169	13,097
		<u>382,514</u>	<u>396,663</u>
TOTAL EQUITY AND LIABILITIES		<u>2,272,073</u>	<u>1,762,985</u>

**PUBLIC JOINT STOCK COMPANY
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED AT 30 SEPTEMBER 2016
(in thousands of US Dollars)**

	Notes	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Cash flows from operating activities			
Cash from operations		480,667	470,904
Income tax paid		(51,701)	(54,512)
Interest paid		(82,842)	(68,852)
		<u>346,124</u>	<u>347,540</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		207	261
Purchases of property, plant and equipment		(57,223)	(50,415)
Proceeds from sale other financial assets		9,784	1,443
Purchases of other financial assets		-	(953)
Net cash inflow on acquisition of subsidiaries		224	-
Interest received		16,250	21,753
Purchases of other intangible assets		(1,078)	(782)
		<u>(31,836)</u>	<u>(28,693)</u>
Cash flows from financing activities			
Proceeds from long-term borrowings	8	1,500,008	-
Repayments of loans and borrowings		(1,500,000)	(151,476)
Increase of ownership in subsidiaries	9	(16,111)	-
Dividends paid		(16,808)	(79,417)
Payments for cross-currency and interest rate swap		-	(57,857)
Payments under finance leases		(3,999)	(7,942)
Sale of treasury shares	7	110	-
		<u>(36,800)</u>	<u>(296,692)</u>
Net increase in cash and cash equivalents			
		277,488	22,155
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		(2,950)	(15,473)
		<u>383,209</u>	<u>317,405</u>
Cash and cash equivalents at the end of the period			

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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>30 September 2016</u>	<u>31 December 2015</u>
Period-end rates		
RUR / 1 USD	63.16	72.88
RUR / 1 EUR	70.88	79.70
	Nine months ended	
	<u>30 September 2016</u>	<u>30 September 2015</u>
Average for the period		
RUR / 1 USD	68.37	59.28
RUR / 1 EUR	76.28	66.26

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 and 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 set by the Group and monitored by the state and other services for which prices are not regulated. Non-regulated services are delivered at market prices.

The segment revenue and results for the nine months ended 30 September 2016 and 2015 are as follows:

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FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**
(in thousands of US Dollars, except as otherwise stated)

	Segment revenue		Inter-segment sales		Segment profit	
	Nine months ended		Nine months ended		Nine months ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Stevedoring and additional services	587,393	588,650	2,076	2,776	422,863	394,801
Novorossiysk	451,431	475,452	1,868	2,617	324,358	320,761
Primorsk	128,792	105,723	208	159	95,003	70,166
Baltiysk	7,170	7,475	-	-	3,502	3,874
Fleet services	56,442	57,906	1,240	1,275	33,989	36,448
Novorossiysk	30,835	35,381	1,216	1,260	16,677	20,852
Primorsk	25,607	22,525	24	15	17,312	15,596
Total reportable segments	643,835	646,556	3,316	4,051	456,852	431,249
Other	5,470	8,120	8,178	7,155	6,693	10,591
Total segments	649,305	654,676	11,494	11,206	463,545	441,840
Adjustments and eliminations					146,338	(265,157)
Profit before income tax expense					609,883	176,683

3. REVENUE

	Nine months ended	
	30 September 2016	30 September 2015
Stevedoring services	513,207	507,725
Additional port services	74,186	80,925
Fleet services	56,442	57,906
Other	5,470	8,120
Total	649,305	654,676

4. COST OF SERVICES

	Nine months ended	
	30 September 2016	30 September 2015
Depreciation and amortisation	36,225	37,487
Salaries	35,840	36,936
Rent	26,776	27,542
Fuel for resale and own consumption	21,901	41,729
Repairs and maintenance	10,413	8,635
Taxes directly attributable to salaries	9,561	10,026
Subcontractors	5,529	5,660
Materials	4,950	4,665
Energy and utilities	3,380	3,551
Other	2,452	2,441
Total	157,027	178,672

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**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**
(in thousands of US Dollars, except as otherwise stated)

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended	
	30 September 2016	30 September 2015
Salaries	13,275	13,440
Taxes other than income tax	3,452	3,687
Taxes directly attributable to salaries	2,799	2,915
Advertising	2,597	230
Depreciation and amortisation	2,505	2,416
Security services	1,818	1,905
Charitable donations	1,178	1,270
Repairs and maintenance	890	863
Materials	512	547
Other	2,923	3,957
Total	31,949	31,230

6. DIVIDENDS

Dividends declared by the Group during the nine months ended 30 September 2016 and 30 September 2015 were 143,552 and 83,653, respectively, including dividends to non-controlling interest. Dividends declared by the parent company per share for the nine months ended 30 September 2016 and 30 September 2015 were US cents 0.759 and 0.421, respectively. The total dividends paid during the nine months ended 30 September 2016 and 30 September 2015 were 16,808 and 79,417, respectively.

As at 30 September 2016 the dividend liability of the Group amounted to 143,050 (31 December 2015: 1,767). It is included in accrued expenses in statement of financial position as at 30 September 2016 and 31 December 2015.

7. 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 (0.015 Russian roubles) per share. Authorised share capital at par is 10,471. Each ordinary share has equal voting rights.

As at 26 September 2016 1,300,000 ordinary registered shares, repurchased previously, and registered on the account as treasury shares in equity as of 31 December 2015, was sold to Novoport Holding Ltd. for a cash consideration of 110.

The number of shares outstanding is 18,744,428,904 and 18,743,128,904 as of 30 September 2016 and 31 December 2015.

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8. DEBT

	<u>Interest rate</u>	<u>Maturity date</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Secured bank loans				
Bank VTB (USD)	LIBOR 3M + 3.99%	June 2023	1,489,080	-
Sberbank (USD)	LIBOR 3M + 5%	January 2018	-	1,501,121
Total debt			1,489,080	1,501,121
Short-term debt	10.5%	October 2016	(8)	-
Current portion of long-term debt			(200,063)	(351,825)
Total non-current debt			1,289,009	1,149,296

As at 12 September 2016 the Group's company LLC Night Hockey League ("NHL") received a short-term loan from an individual in the amount of 500,000 Russian roubles (8,000 USD) with interest rate of 10.5% per annum, with a maturity 3 October 2016, for the implementation of the current activities. The loan with interest was fully repaid on 3 October 2016.

The Group borrowings as of 30 September 2016 are repayable as follows:

	<u>Principal amount</u>	<u>Contractual interest liability</u>	<u>Total</u>
Due within three months	8	18,074	18,082
Due from three to six months	100,000	16,745	116,745
Due from six months to twelve months	100,000	32,945	132,945
	200,008	67,764	267,772
Between 1 and 2 years	200,000	58,062	258,062
Between 2 and 5 years	600,000	116,084	716,084
Over 5 years	500,000	27,523	527,523
Total	1,500,008	269,433	1,769,441

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

	<u>Principal amount</u>	<u>Contractual interest liability</u>	<u>Total</u>
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

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 30 September 2016 of 4.63% (31 December 2015: 5.57%).

The financial obligations of the Group, with the exception of NHL, 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 nine months ended 30 September 2016, the foreign exchange gain on financial obligations increased the Group's profit before income tax by

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215,077 (during nine months ended 30 September 2015 the foreign exchange loss on financial obligations decreased the Group's profit before income tax by 262,118).

9. INCREASE OF OWNERSHIP IN SUBSIDIARIES

During the nine months ended 30 September 2016 the Group acquired an additional 30.28% of interest in JSC Novorossiysk Shipyard ("Shipyard") for a cash consideration of 16,111. The carrying value of Shipyard's net assets in the consolidated financial statements on the date of last acquisition of non-controlling interest was 32,637 in total. As a result of these transactions, the Group recognised a decrease in net assets attributable to non-controlling interests in the amount of 9,279. The excess of the consideration paid over the Group's share in net assets acquired in the amount of 6,832 was recognised in the statement of changes in equity as a decrease of retained earnings.

10. EVENTS AFTER THE BALANCE SHEET DATE

On 20 November 2016 in the seaport of Primorsk berth №1 fell out as a result of the berthing impact of m/v «Delta Pioneer». According to preliminary estimates, management of LLC Primorsk Trade Port ("PTP") concluded that removal from operation of berth №1 would not have a material adverse effect on the financial statements of PTP. Customer transshipment liabilities of PTP will be carried out in full.

On 21 November 2016, Federal Antimonopoly Service of the Russian Federation ("FAS") issued an injunction with regard to case №1-10-84/00-03-16 of infraction of Clause 1 Part 1 Article 10 of the Law on Protection of Competition against PTP. Commission of FAS instructs PTP to:

- cancel the established by order of №104 from 30 April 2015 the monopolistically high price (cost) for the services of transshipment of crude oil at a rate of 2.25 USD;
 - establish an economically reasonable price for services on transportation of oil at a level no higher than the actual price established by the Company in the year preceding the beginning of the violations of the antimonopoly legislation, taking into account the possible indexation to the consumer price index;
 - publish the internal local act, according to which the price (tariff) for the services on transportation of oil provided by PTP is denominated in the currency (rubles) of the Russian Federation.
- The management of PTP is considering this requirement.

On 25 November 2016, a supplementary agreement under the lease of hydraulic structures, leased by PJSC "NCSP" from FSUE "Rosmorport", came into effect, annual rent rate changed for 7,013. FSUE "Rosmorport" stated a refusal of further proceedings.