

Novorossiysk Commercial Sea Port

Consolidated Financial Information
For the Nine Months Ended 30 September 2015

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS) FOR
THE NINE MONTHS ENDED 30 SEPTEMBER 2015**
(in thousands of US Dollars, except earnings per share)

	Notes	Nine months ended 30 September 2015	Nine months ended 30 September 2014
REVENUE	3	654,676	746,919
COST OF SERVICES	4	<u>(178,672)</u>	<u>(303,044)</u>
GROSS PROFIT		476,004	443,875
Selling, general and administrative expenses	5	(31,230)	(50,082)
Other operating income, net		<u>1,638</u>	<u>1,547</u>
OPERATING PROFIT		446,412	395,340
Finance income		42,054	24,744
Finance costs		(70,042)	(115,098)
Share of profit/(loss) in joint venture, net		1,986	(2,580)
Foreign exchange loss, net		(243,779)	(286,360)
Other income/(loss), net		<u>52</u>	<u>(777)</u>
PROFIT BEFORE INCOME TAX EXPENSE		176,683	15,269
Income tax expense		<u>(20,181)</u>	<u>(5,182)</u>
PROFIT FOR THE PERIOD		156,502	10,087
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Effect of translation to presentation currency		(45,495)	(185,466)
<i>Items that may not be subsequently reclassified to profit or loss:</i>			
Remeasurement of net defined benefit liability		16	(19)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		<u>(45,479)</u>	<u>(185,485)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		111,023	(175,398)
Profit for the period attributable to:			
Equity shareholders of the parent company		146,482	2,423
Non-controlling interests		<u>10,020</u>	<u>7,664</u>
		156,502	10,087
Total comprehensive income/(loss) attributable to:			
Equity shareholders of the parent company		105,020	(176,439)
Non-controlling interests		<u>6,003</u>	<u>1,041</u>
		111,023	(175,398)
Weighted average number of ordinary shares outstanding		18,743,128,904	18,743,128,904
BASIC AND DILUTED EARNINGS PER SHARE (US Dollars)		0.0078	0.0001

S.K. Batov
Chief Executive Officer



30 November 2015

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 2015
(in thousands of US Dollars)**

	Notes	30 September 2015	31 December 2014
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment		999,519	1,163,391
Goodwill		536,664	631,850
Mooring rights		2,855	3,602
Other financial assets		16,724	17,999
Investment in joint venture		1,554	-
Spare parts		4,491	4,721
Deferred tax assets		133,821	128,899
Other intangible assets		1,291	1,442
Other non-current assets		3,811	3,195
		<u>1,700,730</u>	<u>1,955,099</u>
CURRENT ASSETS:			
Inventories		8,305	9,069
Advances to suppliers		4,087	7,992
Trade and other receivables, net		26,422	20,979
VAT recoverable and other taxes receivable		14,064	15,518
Income tax receivable		761	355
Other financial assets		1,283	679
Cash and cash equivalents		317,405	310,723
		<u>372,327</u>	<u>365,315</u>
TOTAL ASSETS		<u>2,073,057</u>	<u>2,320,414</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		10,471	10,471
Treasury shares		(281)	(281)
Foreign currency translation reserve		(547,152)	(505,673)
Retained earnings		831,378	763,735
Equity attributable to shareholders of the parent company		<u>294,416</u>	<u>268,252</u>
Non-controlling interests		26,727	25,521
TOTAL EQUITY		321,143	293,773
NON-CURRENT LIABILITIES:			
Long-term debt	6	1,323,956	-
Obligations under finance leases		7,524	10,437
Defined benefit obligation		3,956	4,448
Deferred tax liabilities		129,406	152,437
Other non-current liabilities		2,553	711
		<u>1,467,395</u>	<u>168,033</u>
CURRENT LIABILITIES:			
Current portion of long-term debt	6	251,610	1,722,119
Current portion of obligations under finance leases		4,969	8,809
Trade and other payables		5,257	7,823
Advances received from customers		6,691	14,100
Taxes payable		2,830	3,247
Income tax payable		4,316	11,951
Cross-currency and interest rate swap		-	72,820
Accrued expenses		8,846	17,739
		<u>284,519</u>	<u>1,858,608</u>
TOTAL EQUITY AND LIABILITIES		<u>2,073,057</u>	<u>2,320,414</u>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015
(in thousands of US Dollars)**

	Notes	Nine months ended 30 September 2015	Nine months ended 30 September 2014
Cash flows from operating activities			
Cash from operations		470,904	433,161
Income tax paid		(54,512)	(43,760)
Interest paid		(68,852)	(85,103)
		<u>347,540</u>	<u>304,298</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		261	7,218
Purchases of property, plant and equipment		(50,415)	(58,773)
Proceeds from sale other financial assets		1,443	5,063
Purchases of other financial assets		(953)	(5,163)
Interest received		21,753	20,154
Purchases of other intangible assets		(782)	(782)
		<u>(28,693)</u>	<u>(32,283)</u>
Cash flows from financing activities			
Repayments of loans and borrowings		(151,476)	(207,664)
Dividends paid		(79,417)	(12,354)
Payments for cross-currency and interest rate swap		(57,857)	-
Payments under finance leases		(7,942)	(9,536)
		<u>(296,692)</u>	<u>(229,554)</u>
Net increase in cash and cash equivalents			
		22,155	42,461
Cash and cash equivalents at the beginning of the period		310,723	420,966
Effect of translation into presentation currency on cash and cash equivalents		(15,473)	(20,666)
		<u>317,405</u>	<u>442,761</u>
Cash and cash equivalents at the end of the period			

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**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**
(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 2014.

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 2015</u>	<u>31 December 2014</u>
Period-end rates		
RUR / 1 USD	66.24	56.26
RUR / 1 EUR	74.58	68.34
	<u>Nine months ended</u>	
	<u>30 September 2015</u>	<u>30 September 2014</u>
Average for the period		
RUR / 1 USD	59.28	35.39
RUR / 1 EUR	66.26	47.99

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 nine months ended 30 September 2015 and 2014 are as follows:

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(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 2015	30 September 2014	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Stevedoring and additional services	588,650	670,431	2,776	5,186	394,801	350,280
Novorossiysk	475,452	537,159	2,617	4,870	320,761	282,737
Primorsk	105,723	121,302	159	316	70,166	61,856
Baltiysk	7,475	11,970	-	-	3,874	5,687
Fleet services	57,906	63,140	1,275	1,959	36,448	28,414
Novorossiysk	35,381	40,554	1,260	1,875	20,852	17,304
Primorsk	22,525	22,586	15	84	15,596	11,110
Total reportable segments	646,556	733,571	4,051	7,145	431,249	378,694
Other	8,120	13,348	7,155	11,446	10,591	14,696
Total segments	654,676	746,919	11,206	18,591	441,840	393,390
Adjustments and eliminations					(265,157)	(378,121)
Profit before income tax expense					176,683	15,269

3. REVENUE

	Nine months ended	
	30 September 2015	30 September 2014
Stevedoring services	507,725	591,052
Additional port services	80,925	79,379
Fleet services	57,906	63,140
Other	8,120	13,348
Total	654,676	746,919

4. COST OF SERVICES

	Nine months ended	
	30 September 2015	30 September 2014
Fuel for resale and own consumption	41,729	94,632
Depreciation and amortisation	37,487	55,462
Salaries	36,936	55,507
Rent	27,542	44,551
Taxes directly attributable to salaries	10,026	15,190
Repairs and maintenance	8,635	12,291
Subcontractors	5,660	9,623
Materials	4,665	6,332
Energy and utilities	3,551	5,983
Other	2,441	3,473
Total	178,672	303,044

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5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended	
	30 September 2015	30 September 2014
Salaries	13,440	22,548
Taxes other than income tax	3,687	6,572
Taxes directly attributable to salaries	2,915	4,559
Depreciation and amortisation	2,416	3,342
Security services	1,905	3,025
Charitable donations	1,270	2,442
Repairs and maintenance	863	1,078
Impairment loss recognised on trade and other receivables	846	331
Materials	547	824
Other	3,341	5,361
Total	31,230	50,082

6. DEBT

	Interest rate	Maturity date	30 September 2015	31 December 2014
Unsecured borrowings				
Bonds (RUR)	9.0%	April 2015	-	72,180
Secured bank loans				
Sberbank (USD)	LIBOR 3M + 5%	January 2018	1,575,566	1,649,939
Total debt			1,575,566	1,722,119
Current portion of long-term borrowings			(251,610)	(1,722,119)
Total non-current debt			1,323,956	-

The Group borrowings as of 30 September 2015 are repayable as follows:

	Principal amount	Contractual interest liability	Total
Due within three months	74,652	20,989	95,641
Due from three to six months	-	19,989	19,989
Due from six months to twelve months	174,652	38,060	212,712
	249,304	79,038	328,342
Between 1 and 2 years	524,304	59,085	583,389
Between 2 and 5 years	799,652	14,058	813,710
Total	1,573,260	152,181	1,725,441

The Group borrowings as of 31 December 2014 are repayable as follows:

	Principal amount	Contractual interest liability	Total
Due within three months	1,498,191	22,495	1,520,686
Due from three to six months	145,623	23,908	169,531

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Due from six months to twelve months	74,548	41,434	115,982
	<u>1,718,362</u>	<u>87,837</u>	<u>1,806,199</u>
Between 1 and 2 years	-	74,318	74,318
Between 2 and 5 years	-	54,469	54,469
Total	<u><u>1,718,362</u></u>	<u><u>216,624</u></u>	<u><u>1,934,986</u></u>

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 2015 of 5.35% (31 December 2014: 5.25%).

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 nine months ended 30 September 2015, the foreign exchange loss on financial obligations decreased the Group's profit before income tax by 262,118 (during nine months ended 30 September 2014 the foreign exchange loss on financial obligations decreased the Group's profit before income tax by 346,843).

7. EVENTS AFTER THE BALANCE SHEET DATE

NCSP Board of Directors recommended to the extraordinary general meeting to pay dividends for the nine months ended 30 September 2015 at the rate of US cents 0.12 per 1 share. Total dividend payment recommended in the amount of 23,108.