

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

Consolidated Financial Information
For the Three Months Ended 31 March 2014

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2014**

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

	Notes	Three months ended 31 March 2014	Three months ended 31 March 2013
REVENUE	3	255,436	239,420
COST OF SERVICES	4	(106,712)	(106,135)
GROSS PROFIT		148,724	133,285
Selling, general and administrative expenses	5	(16,094)	(18,289)
Gain on disposal of property, plant and equipment		430	138
OPERATING PROFIT		133,060	115,134
Interest income		7,074	5,684
Finance costs		(41,522)	(33,744)
Share of (loss)/profit in joint venture, net		(1,707)	1,145
Foreign exchange loss, net		(135,885)	(41,526)
Other income, net		302	108
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE		(38,678)	46,801
Income tax expense		(17,279)	(13,164)
Deferred tax benefit		23,765	4,150
(LOSS)/PROFIT FOR THE PERIOD		(32,192)	37,787
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX			
<i>Items to be subsequently reclassified to profit or loss:</i>			
Effect of translation to presentation currency		(90,699)	(30,807)
<i>Items not to be subsequently reclassified to profit or loss:</i>			
Remeasurement of net defined benefit liability		15	-
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(90,684)	(30,807)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(122,876)	6,980
(Loss)/profit for the period attributable to:			
Equity shareholders of the parent company		(35,132)	35,922
Non-controlling interests		2,940	1,865
		(32,192)	37,787
Total comprehensive (loss)/income attributable to:			
Equity shareholders of the parent company		(122,856)	5,928
Non-controlling interests		(20)	1,052
		(122,876)	6,980
Weighted average number of ordinary shares outstanding BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE (US Dollars)		18,743,128,904 (0.0019)	18,743,128,904 0.0019

Y.V. Matvienko
Chief Executive Officer

5 June 2014



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 2014
(in thousands of US Dollars)**

	Notes	31 March 2014	31 December 2013
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment		1,790,059	1,959,812
Goodwill		1,035,326	1,128,893
Mooring rights		6,059	6,745
Investments in securities and other financial assets		18,611	18,615
Investment in joint venture		7,059	9,752
Spare parts		6,700	6,907
Deferred tax assets		27,158	4,623
Other intangible assets		1,900	2,244
Other non-current assets		1,942	1,643
		<u>2,894,814</u>	<u>3,139,234</u>
CURRENT ASSETS:			
Inventories		8,922	12,451
Advances to suppliers		4,019	4,197
Trade and other receivables, net		52,426	42,855
VAT recoverable and other taxes receivable		22,786	25,124
Income tax receivable		754	1,198
Investments in securities and other financial assets		4,605	5,032
Cash and cash equivalents		477,056	420,966
		<u>570,568</u>	<u>511,823</u>
Assets held for sale		5,930	6,466
		<u>5,930</u>	<u>6,466</u>
TOTAL ASSETS		<u>3,471,312</u>	<u>3,657,523</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		10,471	10,471
Treasury shares		(281)	(281)
Foreign currency translation reserve		(218,107)	(130,371)
Retained earnings		1,165,977	1,203,686
Equity attributable to shareholders of the parent company		<u>958,060</u>	<u>1,083,505</u>
Non-controlling interests		37,746	35,177
		<u>37,746</u>	<u>35,177</u>
TOTAL EQUITY		995,806	1,118,682
NON-CURRENT LIABILITIES:			
Long-term debt	6	1,757,680	1,767,379
Obligations under finance leases		17,772	20,260
Cross currency and interest rate swap		23,746	14,411
Defined benefit obligation		8,488	9,184
Deferred tax liabilities		240,674	262,819
Other non-current liabilities		1,123	1,301
		<u>2,049,483</u>	<u>2,075,354</u>
CURRENT LIABILITIES:			
Current portion of long-term debt	6	364,914	388,666
Current portion of obligations under finance leases		9,889	9,709
Trade and other payables		13,375	22,099
Advances received from customers		12,453	17,817
Taxes payable		6,332	5,420
Income tax payable		4,827	2,842
Accrued expenses		14,233	16,934
		<u>426,023</u>	<u>463,487</u>
TOTAL EQUITY AND LIABILITIES		<u>3,471,312</u>	<u>3,657,523</u>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2014
(in thousands of US Dollars)**

	Notes	Three months ended 31 March 2014	Three months ended 31 March 2013
Cash flows from operating activities			
Cash from operations		135,154	113,107
Income tax paid		(14,386)	(21,158)
Interest paid		(27,485)	(28,983)
		<u>93,283</u>	<u>62,966</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		472	255
Purchases of property, plant and equipment		(12,747)	(13,715)
Proceeds from investments in securities and other financial assets		1,934	46,037
Purchases of investments in securities and other financial assets		(1,946)	(7,993)
Interest received		5,927	11,094
Purchases of other intangible assets		(128)	(154)
		<u>(6,488)</u>	<u>35,524</u>
Cash flows from financing activities			
Repayments of loans and borrowings		(19,219)	(22,541)
Dividends paid		(10)	(72)
Payments under lease contracts		(3,184)	(1,077)
		<u>(22,413)</u>	<u>(23,690)</u>
Net increase in cash and cash equivalents			
		64,382	74,800
Cash and cash equivalents at the beginning of the year		420,966	242,579
Effect of translation into presentation currency on cash and cash equivalents		(8,292)	(4,330)
		<u>477,056</u>	<u>313,049</u>
Cash and cash equivalents at the end of the period			

PUBLIC JOINT STOCK COMPANY NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014 *(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 2013.

Functional and presentation currency

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

Exchange rates

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

	<u>31 March 2014</u>	<u>31 December 2013</u>
Period-end rates		
RUR / 1 USD	35.6871	32.7292
RUR / 1 EUR	49.0519	44.9699
	Three months ended	
	<u>31 March 2014</u>	<u>31 March 2013</u>
Average for the period		
RUR / 1 USD	34.9591	30.4142
RUR / 1 EUR	47.9460	40.1908

As at 31 March 2014 the USD exchange rate increased by 2.9579 rubles compared to 31 December 2013. This led to a significant amount of foreign exchange loss for the three months ended 31 March 2014 arising from loans from Sberbank received in USD.

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 price list. 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 close to market prices.

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

**SELECTED NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED 31 MARCH 2014**

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

The segment revenue and results for the three months, ended 31 March 2014 and 31 March 2013 are as follows:

	Segment revenue		Inter-segments sales		Segment profit	
	Three months ended		Three months ended		Three months ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Stevedoring and additional services	228,748	209,108	1,971	3,557	116,793	100,196
Novorossiysk	184,129	154,127	1,904	3,556	94,233	70,105
Primorsk	40,864	51,733	67	1	20,907	28,989
Baltiysk	3,755	3,248	-	-	1,653	1,102
Fleet services	22,643	26,124	683	1,279	11,433	11,003
Novorossiysk	14,294	13,548	625	623	6,766	3,327
Primorsk	8,349	12,576	58	656	4,667	7,676
Total reportable segments	251,391	235,232	2,654	4,836	128,226	111,199
Other services	4,045	4,188	3,808	4,297	4,515	5,221
Total segments	255,436	239,420	6,462	9,133	132,741	116,420
Adjustments and eliminations					(171,419)	(69,619)
(Loss)/profit before income tax expense					(38,678)	46,801

3. REVENUE

	Three months ended	
	31 March 2014	31 March 2013
Stevedoring services	200,880	184,302
Additional port services	27,868	24,806
Fleet services	22,643	26,124
Other	4,045	4,188
Total	255,436	239,420

4. COST OF SERVICES

	Three months ended	
	31 March 2014	31 March 2013
Fuel for resale and own consumption	38,650	34,029
Depreciation and amortisation	18,908	19,756
Salaries	18,238	19,471
Rent	15,076	17,258
Taxes directly attributable to salaries	5,061	5,372
Repairs and maintenance	2,729	2,660
Other	8,050	7,589
Total	106,712	106,135

**PUBLIC JOINT STOCK COMPANY
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**SELECTED NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED 31 MARCH 2014
(in thousands of US Dollars, except as otherwise stated)**

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
	31 March 2014	31 March 2013
Salaries	7,234	8,355
Taxes other than income tax	2,173	2,593
Taxes directly attributable to salaries	1,803	1,910
Other	4,884	5,431
Total	16,094	18,289

6. DEBT

	Interest rate	Maturity date	31 March 2014	31 December 2013
Unsecured borrowings				
Bonds (RUR)	9.0%	April 2015	116,156	123,909
Unsecured bank loans (RUR)				
Sberbank	8.5%	November 2014	56,591	82,274
Sberbank	8.5%	November 2014	2,105	3,060
Total unsecured borrowings			174,852	209,243
Secured bank loans (USD)				
Sberbank	LIBOR 3M + 5%	January 2018	1,947,742	1,946,802
Total debt			2,122,594	2,156,045
Current portion of long-term borrowings			(364,914)	(388,666)
Total non-current debt			1,757,680	1,767,379

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

	Principal amount	Contractual interest liability	Total
Due within three months	169,192	32,079	201,271
Due from three to six months	19,538	24,583	44,121
Due from six months to twelve months	168,825	50,016	218,841
	357,555	106,678	464,233
Between 1 and 2 years	260,530	87,700	348,230
Between 2 and 5 years	1,497,150	108,889	1,606,039
Total	2,115,235	303,267	2,418,502

7. EVENTS AFTER THE BALANCE SHEET DATE

No significant events after the balance sheet date occurred.