

# **Novorossiysk Commercial Sea Port**

**Consolidated Financial Information**  
For the Three Months Ended 31 March 2017

# NOVOROSSIYSK COMMERCIAL SEA PORT

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2017

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

	Notes	Three months ended 31 March 2017	Three months ended 31 March 2016
REVENUE	3	226,498	221,265
COST OF SERVICES	4	(62,653)	(43,604)
<b>GROSS PROFIT</b>		<b>163,845</b>	<b>177,661</b>
Selling, general and administrative expenses	5	(12,993)	(8,246)
Impairment of restricted cash in Vneshprombank LLC		-	(18,263)
Other operating (loss)/income, net		(62)	144
<b>OPERATING PROFIT</b>		<b>150,790</b>	<b>151,296</b>
Finance income		4,949	3,335
Finance costs		(17,941)	(20,838)
Share of profit in joint venture, net		3,906	7,093
Foreign exchange gain, net		96,431	116,076
Other (loss)/income, net		(33)	3,614
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>238,102</b>	<b>260,576</b>
Income tax		(46,777)	(50,373)
<b>PROFIT FOR THE PERIOD</b>		<b>191,325</b>	<b>210,203</b>
OTHER COMPREHENSIVE 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		52,075	27,971
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of net defined benefit liability		10	(230)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX			
		52,085	27,741
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>243,410</b>	<b>237,944</b>
Profit for the period attributable to:			
Equity shareholders of the parent company		190,484	207,931
Non-controlling interests		841	2,272
		<b>191,325</b>	<b>210,203</b>
Total comprehensive income attributable to:			
Equity shareholders of the parent company		241,747	234,331
Non-controlling interests		1,663	3,613
		<b>243,410</b>	<b>237,944</b>
Weighted average number of ordinary shares outstanding		18,481,516,593	18,743,128,904
BASIC AND DILUTED EARNINGS PER SHARE, US Dollars		0.0103	0.0110

S.K. Bator  
Chief Executive Officer

5 June 2017



G.I. Kachan  
Chief Accountant

# NOVOROSSIYSK COMMERCIAL SEA PORT

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017 (in thousands of US Dollars, except as otherwise stated)

	Notes	31 March 2017	31 December 2016
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment		1,238,995	1,144,539
Goodwill		630,511	586,032
Mooring rights		2,872	2,744
Investment in joint venture		33,601	27,824
Spare parts		7,450	6,196
Deferred tax assets		104,472	113,244
Other intangible assets		2,127	2,059
Other non-current assets		38	24
		<u>2,020,066</u>	<u>1,882,662</u>
CURRENT ASSETS:			
Inventories		9,110	7,908
Advances to suppliers		5,613	4,146
Trade and other receivables, net		30,436	28,087
VAT recoverable and other taxes receivable		15,486	18,325
Income tax receivable		26	127
Other financial assets		-	6,557
Cash and cash equivalents		348,387	234,138
		<u>409,058</u>	<u>299,288</u>
<b>TOTAL ASSETS</b>		<b><u>2,429,124</u></b>	<b><u>2,181,950</u></b>
<b>EQUITY AND LIABILITIES</b>			
EQUITY:			
Share capital		10,471	10,471
Treasury shares		(423)	(423)
Foreign currency translation reserve		(414,402)	(465,655)
Retained earnings		1,224,292	1,035,134
Equity attributable to shareholders of the parent company		<u>819,938</u>	<u>579,527</u>
Non-controlling interests		12,290	11,774
<b>TOTAL EQUITY</b>		<b>832,228</b>	<b>591,301</b>
NON-CURRENT LIABILITIES:			
Long-term debt	6	1,188,755	1,189,055
Obligations under finance leases		1,979	2,743
Defined benefit obligation		6,511	5,986
Deferred tax liabilities		144,563	134,319
Other non-current liabilities		2,436	1,972
		<u>1,344,244</u>	<u>1,334,075</u>
CURRENT LIABILITIES:			
Current portion of long-term debt	6	200,017	200,097
Current portion of obligations under finance leases		3,857	3,940
Trade and other payables		11,880	11,944
Advances received from customers		6,503	15,925
Taxes payable, excluding income tax		4,296	3,828
Income tax payable		9,455	4,373
Accrued expenses		16,644	16,467
		<u>252,652</u>	<u>256,574</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,429,124</u></b>	<b><u>2,181,950</u></b>

# NOVOROSSIYSK COMMERCIAL SEA PORT

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED AT 31 MARCH 2017 *(in thousands of US Dollars, except as otherwise stated)*

	Notes	Three months ended 31 March 2017	Three months ended 31 March 2016
<b>Cash flows from operating activities</b>			
Cash from operations		158,818	189,034
Income tax paid		(24,401)	(19,892)
Interest paid		(16,937)	(19,065)
<b>Net cash generated by operating activities</b>		<b>117,480</b>	<b>150,077</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		47	90
Purchases of property, plant and equipment		(27,026)	(13,391)
Proceeds from disposal of other financial assets		6,675	-
Interest received		4,915	2,998
Purchases of other intangible assets		(178)	(303)
<b>Net cash used in investing activities</b>		<b>(15,567)</b>	<b>(10,606)</b>
<b>Cash flows from financing activities</b>			
Increase of ownership in subsidiary	7	(2,483)	-
Dividends paid		-	(1,173)
Advances paid under lease contracts		(1,107)	(1,608)
<b>Net cash used in financing activities</b>		<b>(3,590)</b>	<b>(2,781)</b>
<b>Net increase in cash and cash equivalents</b>		<b>98,323</b>	<b>136,690</b>
Cash and cash equivalents at the beginning of the period		234,138	108,671
Effect of translation into presentation currency on cash and cash equivalents		15,926	(6,684)
<b>Cash and cash equivalents at the end of the period</b>		<b>348,387</b>	<b>238,677</b>

# NOVOROSSIYSK COMMERCIAL SEA PORT

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2017 *(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 2016.

#### 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 ("USD").

#### Exchange rates

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

	<u>31 March 2017</u>	<u>31 December 2016</u>
<b>Period-end rates</b>		
RUR / 1 USD	56.38	60.66
RUR / 1 EUR	60.60	63.81
	<b>Three months ended</b>	
	<u>31 March 2017</u>	<u>31 March 2016</u>
<b>Average for the period</b>		
RUR / 1 USD	58.84	74.63
RUR / 1 EUR	62.65	82.34

### 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 not monitored by FAS. Prices for services are at market rates.

The segment revenue and results for the three months ended 31 March 2017 and 2016 are as follows:

# NOVOROSSIYSK COMMERCIAL SEA PORT

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2017 (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 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Stevedoring and additional services	205,596	199,122	588	885	138,646	151,501
Novorossiysk	158,422	154,626	532	841	107,135	118,094
Primorsk	44,371	42,184	56	44	30,210	32,238
Baltiysk	2,803	2,312	-	-	1,301	1,169
Fleet services	18,859	20,735	518	365	10,148	14,832
Novorossiysk	8,739	11,744	457	347	3,576	7,726
Primorsk	10,120	8,991	61	18	6,572	7,106
<b>Total reportable segments</b>	<b>224,455</b>	<b>219,857</b>	<b>1,106</b>	<b>1,250</b>	<b>148,794</b>	<b>166,333</b>
Other	2,043	1,408	2,572	1,981	2,323	2,064
<b>Total segments</b>	<b>226,498</b>	<b>221,265</b>	<b>3,678</b>	<b>3,231</b>	<b>151,117</b>	<b>168,397</b>
Unallocated amounts					86,985	92,179
<b>Profit before income tax</b>					<b>238,102</b>	<b>260,576</b>

### 3. REVENUE

	Three months ended	
	31 March 2017	31 March 2016
Stevedoring services	177,642	172,440
Additional port services	27,954	26,682
Fleet services	18,859	20,735
Other	2,043	1,408
<b>Total</b>	<b>226,498</b>	<b>221,265</b>

### 4. COST OF SERVICES

	Three months ended	
	31 March 2017	31 March 2016
Depreciation and amortisation	16,158	10,729
Salaries	14,168	10,718
Rent	12,081	8,005
Fuel for resale and own consumption	7,122	4,595
Taxes directly attributable to salaries	3,782	2,963
Repairs and maintenance	2,525	1,882
Subcontractors	2,284	1,360
Energy and utilities	1,925	1,323
Materials	1,592	1,300
Other	1,016	729
<b>Total</b>	<b>62,653</b>	<b>43,604</b>

# NOVOROSSIYSK COMMERCIAL SEA PORT

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2017 (in thousands of US Dollars, except as otherwise stated)

### 5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
	31 March 2017	31 March 2016
Salaries	5,336	3,532
Charitable donations	1,560	314
Taxes directly attributable to salaries	1,287	888
Taxes other than income tax	1,221	991
Depreciation and amortisation	1,201	740
Security services	752	558
Other	1,636	1,223
<b>Total</b>	<b>12,993</b>	<b>8,246</b>

### 6. DEBT

	Interest rate	Maturity date	31 March 2017	31 December 2016
<b>Secured bank loans</b>				
Bank VTB (USD)	LIBOR 3M + 3.99%	June 2023	1,388,772	1,389,152
<b>Total debt</b>			<b>1,388,772</b>	<b>1,389,152</b>
Current portion of long-term debt			(200,017)	(200,097)
<b>Total non-current debt</b>			<b>1,188,755</b>	<b>1,189,055</b>

The Group borrowings as of 31 March 2017 are repayable as follows:

	Principal amount	Contractual interest liability	Total
Due within three months	100,000	18,074	118,074
Due from three to six months	-	16,848	16,848
Due from six months to twelve months	100,000	31,809	131,809
	<b>200,000</b>	<b>66,731</b>	<b>266,731</b>
Between 1 and 2 years	200,000	56,447	256,447
Between 2 and 5 years	600,000	107,752	707,752
Over 5 years	400,000	17,905	417,905
<b>Total</b>	<b>1,400,000</b>	<b>248,835</b>	<b>1,648,835</b>

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

	Principal amount	Contractual interest liability	Total
Due within three months	-	17,206	17,206
Due from three to six months	100,000	17,520	117,520
Due from six months to twelve months	100,000	32,418	132,418
	<b>200,000</b>	<b>67,144</b>	<b>267,144</b>
Between 1 and 2 years	200,000	57,176	257,176
Between 2 and 5 years	600,000	111,825	711,825
Over 5 years	400,000	22,272	422,272
<b>Total</b>	<b>1,400,000</b>	<b>258,417</b>	<b>1,658,417</b>

# NOVOROSSIYSK COMMERCIAL SEA PORT

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2017 *(in thousands of US Dollars, except as otherwise stated)*

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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 2017 of 5.14% (31 December 2016: 4.98%).

The financial obligations of the Group 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 2017, the foreign exchange gain on financial obligations increased the Group's profit before income tax by 102,139 (during three months ended 31 March 2016: by 107,414).

### **7. INCREASE OF OWNERSHIP IN SUBSIDIARIES**

On 20 January 2017 the Group acquired an additional 2.81% of interest in Shipyard for a cash consideration of 2,483. The carrying value of Shipyard's net assets in the consolidated financial statements on the date of acquisition shares was 40,900 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 1,147. The excess of the consideration paid over the Group's share in net assets acquired in the amount of 1,336 was recognised in the consolidated statement of changes in equity as a decrease of retained earnings.

### **8. EVENTS AFTER THE BALANCE SHEET DATE**

On 17 April 2017 NCSP became the founder of a subsidiary company LLC "NCSP-Capital" with 100% participation for execution of fiscal agent functions for attracting public debt via floatation of bonds with further rendering of services in the implementation of investment projects to the parent company. As payment for the charter capital of LLC "NCSP-Capital" 262,912,311 treasury shares were contributed, the assessment of the market value was estimated by an independent valuator and amounted to 28,194.

On 24 May 2017 the NCSP has signed a contract of acquisition of movable and immovable property and land of JSC "Vagonremmash" for a cash consideration of 28,952 with the purpose of further construction of a terminal for transshipment of vegetable oils.