

# **Novorossiysk Commercial Sea Port**

**Consolidated Financial Information**  
For the Nine Months Ended 30 September 2017

# NOVOROSSIYSK COMMERCIAL SEA PORT

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (in thousands of US Dollars, except for earnings per share)

	Notes	Nine months ended 30 September 2017	Nine months ended 30 September 2016*
REVENUE	3	661,557	649,305
COST OF SERVICES	4	(194,795)	(157,027)
<b>GROSS PROFIT</b>		<b>466,762</b>	<b>492,278</b>
Selling, general and administrative expenses	5	(46,030)	(31,949)
Other operating income, net		103	296
<b>OPERATING PROFIT</b>		<b>420,835</b>	<b>460,625</b>
Finance income		12,776	12,114
Finance costs		(54,421)	(74,346)
Share of profit in joint venture, net		4,452	16,601
Foreign exchange gain, net		59,663	194,089
Other income, net		2,373	800
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>445,678</b>	<b>609,883</b>
Income tax		(86,324)	(121,414)
<b>PROFIT FOR THE PERIOD</b>		<b>359,354</b>	<b>488,469</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		33,727	39,304
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of net defined benefit liability		14	(6)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		33,741	39,298
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>393,095</b>	<b>527,767</b>
Profit for the period attributable to:			
Equity shareholders of the parent company		356,642	482,801
Non-controlling interests		2,712	5,668
		<b>359,354</b>	<b>488,469</b>
Total comprehensive income attributable to:			
Equity shareholders of the parent company		389,880	520,274
Non-controlling interests		3,215	7,493
		<b>393,095</b>	<b>527,767</b>
Weighted average number of ordinary shares outstanding		18,481,516,593	18,743,273,348
BASIC AND DILUTED EARNINGS PER SHARE (US Dollars)		0.0193	0.0258

**I.V. Terentyev**  
Chief Operating Officer

4 December 2017

\* Presentation of comparative information was revised to conform with the current period presentation.



**G.I. Kachan**  
Chief Accountant

# NOVOROSSIYSK COMMERCIAL SEA PORT

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017 (in thousands of US Dollars, except as otherwise stated)

	Notes	30 September 2017	31 December 2016
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment		1,262,936	1,144,539
Goodwill		612,699	586,032
Mooring rights		2,635	2,744
Investment in joint venture		27,955	27,824
Spare parts		7,411	6,196
Deferred tax assets		94,671	113,244
Other intangible assets		2,062	2,059
Other non-current assets		1,067	24
		<u>2,011,436</u>	<u>1,882,662</u>
CURRENT ASSETS:			
Inventories		10,109	7,908
Advances to suppliers		6,142	4,146
Trade and other receivables, net		20,041	28,087
VAT recoverable and other taxes receivable		14,135	18,325
Income tax receivable		547	127
Other financial assets		-	6,557
Cash and cash equivalents		150,177	234,138
		<u>201,151</u>	<u>299,288</u>
<b>TOTAL ASSETS</b>		<b><u>2,212,587</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		(432,430)	(465,655)
Retained earnings		1,136,852	1,035,134
Equity attributable to shareholders of the parent company		<u>714,470</u>	<u>579,527</u>
Non-controlling interests		10,606	11,774
<b>TOTAL EQUITY</b>		<b>725,076</b>	<b>591,301</b>
NON-CURRENT LIABILITIES:			
Long-term debt	7	1,090,121	1,189,055
Obligations under finance leases		529	2,743
Defined benefit obligation		6,464	5,986
Deferred tax liabilities		140,199	134,319
Other non-current liabilities		4,928	1,972
		<u>1,242,241</u>	<u>1,334,075</u>
CURRENT LIABILITIES:			
Current portion of long-term debt and short-term borrowing	7	202,429	200,097
Current portion of obligations under finance leases		3,575	3,940
Trade and other payables		10,668	11,944
Advances received from customers		6,439	15,925
Taxes payable, excluding income tax		3,747	3,828
Income tax payable		5,352	4,373
Accrued expenses		13,060	16,467
		<u>245,270</u>	<u>256,574</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,212,587</u></b>	<b><u>2,181,950</u></b>

## NOVOROSSIYSK COMMERCIAL SEA PORT

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED AT 30 SEPTEMBER 2017 *(in thousands of US Dollars, except as otherwise stated)*

	Notes	Nine months ended 30 September 2017	Nine months ended 30 September 2016
<b>Cash flows from operating activities</b>			
Cash from operations		470,290	480,667
Income tax paid		(60,838)	(51,701)
Interest paid		(52,244)	(82,842)
<b>Net cash generated by operating activities</b>		<b>357,208</b>	<b>346,124</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		350	207
Purchases of property, plant and equipment		(120,353)	(57,223)
Proceeds from sale of other financial assets		6,733	9,784
Interest received		13,163	16,250
Dividends received from joint venture, net of dividend tax		5,293	-
Purchases of other intangible assets		(719)	(1,078)
Net cash inflow on acquisition of subsidiaries		-	224
<b>Net cash used in investing activities</b>		<b>(95,533)</b>	<b>(31,836)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	7	2,572	1,500,008
Repayments of borrowings		(100,000)	(1,500,000)
Increase of ownership in subsidiary	8	(2,483)	(16,111)
Dividends paid		(249,461)	(16,808)
Advances paid under lease contracts		(3,249)	(3,999)
Sale of treasury shares		-	110
<b>Net cash used in financing activities</b>		<b>(352,621)</b>	<b>(36,800)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(90,946)</b>	<b>277,488</b>
Cash and cash equivalents at the beginning of the period		234,138	108,671
Effect of exchange rate changes on the balance of cash held in foreign currencies and effect of translation into presentation currency on cash and cash equivalents		6,985	(2,950)
<b>Cash and cash equivalents at the end of the period</b>		<b>150,177</b>	<b>383,209</b>

# NOVOROSSIYSK COMMERCIAL SEA PORT

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (in thousands of US Dollars, except as otherwise stated)

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### 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 is presented in US Dollars ("USD").

#### Exchange rates

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

	<u>30 September 2017</u>	<u>31 December 2016</u>
<b>Period-end rates</b>		
RUR / 1 USD	58.02	60.66
RUR / 1 EUR	64.93	63.81
	<b>Nine months ended</b>	
	<u>30 September 2017</u>	<u>30 September 2016</u>
<b>Average for the period</b>		
RUR / 1 USD	58.33	68.37
RUR / 1 EUR	64.45	76.28

### 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 Federal Tariff Service of Russia. Prices for services are at market rates.

The segment revenue and results for the nine months ended 30 September 2017 and 2016 are as follows:

## NOVOROSSIYSK COMMERCIAL SEA PORT

### NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (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 2017	30 September 2016	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Stevedoring and additional services	602,377	587,393	1,466	2,076	396,098	422,863
Novorossiysk	470,777	451,431	1,215	1,868	313,692	324,358
Primorsk	120,588	128,792	251	208	76,672	95,003
Baltiysk	11,012	7,170	-	-	5,734	3,502
Fleet services	52,035	56,442	1,560	1,240	24,619	33,989
Novorossiysk	25,616	30,835	1,492	1,216	8,867	16,677
Primorsk	26,419	25,607	68	24	15,752	17,312
<b>Total reportable segments</b>	<b>654,412</b>	<b>643,835</b>	<b>3,026</b>	<b>3,316</b>	<b>420,717</b>	<b>456,852</b>
Other	7,145	5,470	7,839	8,178	6,994	6,693
<b>Total segments</b>	<b>661,557</b>	<b>649,305</b>	<b>10,865</b>	<b>11,494</b>	<b>427,711</b>	<b>463,545</b>
Unallocated amounts					17,967	146,338
<b>Profit before income tax</b>					<b>445,678</b>	<b>609,883</b>

### 3. REVENUE

	Nine months ended	
	30 September 2017	30 September 2016
Stevedoring services	520,420	513,207
Additional port services	81,957	74,186
Fleet services	52,035	56,442
Other	7,145	5,470
<b>Total</b>	<b>661,557</b>	<b>649,305</b>

### 4. COST OF SERVICES

	Nine months ended	
	30 September 2017	30 September 2016
Depreciation and amortisation	50,813	36,225
Salaries	43,652	35,840
Rent	36,477	26,776
Fuel for resale and own consumption	17,805	21,901
Repairs and maintenance	12,667	10,413
Taxes directly attributable to salaries	11,583	9,561
Subcontractors	8,747	5,529
Materials	5,396	4,950
Energy and utilities	4,622	3,380
Other	3,033	2,452
<b>Total</b>	<b>194,795</b>	<b>157,027</b>

## NOVOROSSIYSK COMMERCIAL SEA PORT

### NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (in thousands of US Dollars, except as otherwise stated)

#### 5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended	
	30 September 2017	30 September 2016
Salaries	17,236	13,275
Charitable donations	4,186	1,178
Taxes other than income tax	3,861	3,452
Taxes directly attributable to salaries	3,690	2,799
Impairment loss of trade and other receivables	3,657	82
Depreciation and amortisation	3,127	2,505
Security services	2,350	1,818
Professional services	2,179	414
Other	5,744	6,426
<b>Total</b>	<b>46,030</b>	<b>31,949</b>

#### 6. DIVIDENDS

Dividends declared by the Group during the nine months ended 30 September 2017 and 30 September 2016 were 256,837 and 143,552, respectively, including dividends to non-controlling interest. Dividends declared by the parent company per share for the nine months ended 30 September 2017 and 30 September 2016 were US cents 1.372 and 0.759, respectively. The total dividends paid during the nine months ended 30 September 2017 and 30 September 2016 were 249,461 and 16,808, respectively.

As at 30 September 2017 the dividend liability of the Group amounted to 1,467 (31 December 2016: 932). It is included in accrued expenses in statement of financial position as at 30 September 2017 and 31 December 2016.

#### 7. DEBT

	Interest rate	Maturity date	30 September 2017	31 December 2016
<b>Unsecured borrowings</b>				
NFT (RUR)	7.00%	July 2018	2,627	-
<b>Secured bank loans</b>				
Bank VTB (USD)	LIBOR 3M + 3.99%	June 2023	1,289,923	1,389,152
<b>Total debt</b>			<b>1,292,550</b>	<b>1,389,152</b>
Short-term borrowing			(2,627)	-
Current portion of long-term debt			(199,802)	(200,097)
<b>Total non-current debt</b>			<b>1,090,121</b>	<b>1,189,055</b>

## NOVOROSIYSK COMMERCIAL SEA PORT

### NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (in thousands of US Dollars, except as otherwise stated)

The Group borrowings as of 30 September 2017 are repayable as follows:

	<u>Principal amount</u>	<u>Contractual interest liability</u>	<u>Total</u>
Due within three months	100,000	17,157	117,157
Due from three to six months	-	15,730	15,730
Due from six months to twelve months	102,627	30,885	133,512
	<b>202,627</b>	<b>63,772</b>	<b>266,399</b>
Between 1 and 2 years	200,000	53,001	253,001
Between 2 and 5 years	600,000	95,326	695,326
Over 5 years	300,000	9,205	309,205
<b>Total</b>	<b>1,302,627</b>	<b>221,304</b>	<b>1,523,931</b>

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

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

As at 7 July 2017 NCSP received a short-term borrowing from LLC Novorossiysk Fuel Oil Terminal ("NFT") of 150,000,000 Russian roubles (2,489,932 USD) with interest rate of 7% per annum, with a maturity 7 July 2018, for the security of pressing payments.

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 2017 of 5.32% (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 nine months ended 30 September 2017, the foreign exchange gain on financial obligations increased the Group's profit before income tax by 65,258 (during nine months ended 30 September 2016: by 215,077).

## 8. 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 41,179 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 1,155. The excess of the consideration paid over the Group's share in net assets acquired in the amount of 1,328 was recognised in the consolidated statement of changes in equity as a decrease of retained earnings.



## **NOVOROSSIYSK COMMERCIAL SEA PORT**

### **NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 *(in thousands of US Dollars, except as otherwise stated)***

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

On 24 October 2017 NCSP concluded contracts of assignment of receivables (claims) with LLC SBK-Retail in the amount of 24,534 in connection with the interest in acquiring of assets of LLC Terminal MEGA and OJSC Mega, which are in the stage of bankruptcy and include land plots, port production complexes for transshipment of goods (covered and open storage yards, railway branch roads, handling equipment).

On 15 November 2017, the NCSP Board of Directors has decided to suspend the authority of NSCP Chief Executive Officer Batov S.K. and to appoint Kireev S.G. acting as Chief Executive Officer.