

NCSP Group Q1 Results
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Chaired by Michael Grigoriev

Michael Grigoriev

Good afternoon ladies and gentlemen. Thanks to all for finding the time to join us on NCSP Group's Q1 IFRS Results conference call. Today on this call we have Mr Rado Antolovic, Acting CEO of NCSP Group, Mr Anton Vishanenko, CFO, and myself, Michael Grigoriev, Head of Investor Relations. I hope you all have our results presentations in front of you and now let me please pass the floor to Rado Antolovic and Anton Vishanenko, who are going to take you through the presentation. Rado, please.

Rado Antolovic

Ladies and gentlemen, good morning, good afternoon for some; you probably all know me already, so it's not the point to introduce me again. I will guide you through the operational performance of the Company and then leave it to Anton to give you details on financial performance, and later on will be questions.

As already informed you during my visit of some of you, we had in the first quarter experienced extremely difficult weather, which was unprecedented for many, many years; not a usual one. It affected our operations in overseas between 14 and 30 days depending of type of cargo. Certainly, this had an impact on our cargo volumes. However, I am pleased to inform you that our turnaround volumes of 41 million tons was the record in the Group's history and that represented 10.4% year-on-year growth.

If we compare our growth of 10.4% to the industry, which was working on 5.3, certainly this is another strong statement for us. We saw a recovery in ferrous metals of over 33%, which is a good sign, and also we saw starting recovery in timber, which was somehow disappearing last year, but recovery is a positive sign that this industry is still going on, and we also saw a growth in crude oil by 5.2% and oil products by 5.9%; if we compare these to the industry in Russia, the industry in Russia actually declined in both of these commodities by 1.9%.

Just a short brief, I will pass to Anton to tell you about the key highlights on the financial performance and then I will continue with my speech.

Anton Vishanenko

Hello ladies gentlemen, my name is Anton Vishanenko, as I was introduced, I am the CFO of the Group, and I joined the Company almost one month ago. As you can see in front of you, our EBITDA for the first quarter 2012 was \$174 million, which represents 48% increase compared to EBITDA of the first quarter 2011 and our revenue represents an

increase of 18% compared to first quarter 2011, and revenues stood at 275 million. Our EBITDA margin hit 63% compared to 54% for the first quarter last year.

There are explanations for these goals and we will provide you with explanations; later on we will just go into details. Rado?

Rado Antolovic

Thanks. Let's move to page four. Basically, I already highlighted the total cargo turnover of the Group has grown by 10.4% on a year to year quarter basis compared to '11, and I also explained that we stay in respect to the Russian cargo growth and I would like to add another very important factor that our share of total cargo, Russian cargo, turnover has increased from 29% last year to 32%. This is a summary of this stage.

I would like then to move forward to more detailed cargo by cargo type analysis. If we look, our oil handling from quarter '11 to quarter '12 you can see an increase of 5.2%, which was a strong increase, and again I would like to highlight that there was a decline in Russian exports of oil handling, so we are definitely keeping about the industry standard, and you all know the reasons behind that. We are strategically located and also we have a strategic partner that will help.

Moving forward to oil products, again, I would say this is a very, very strong growth and not only as comparing to '11 quarter one to quarter one '12, we see 5.9%, but more importantly we see the growth on the fourth quarter of '11 to quarter one, which is 42.5%; again, over and above the industry standard.

Moving to grain, of course talking about grain, when we had in first quarter '11 an embargo on grain, it's not the right comparison, but if we look basically...if we would look historically back, the 2.3 million on the first quarter, considering here is the impact of weather, considering that we actually couldn't work over 20 days grain on all modus operandi in that from the elevator or in the direct load from wagons into vessels. I would say that this is an extremely good result.

Moving to our container commodities, there is a slight decline. Please let me explain. Firstly, it is related to the weather conditions; strong winds did prevent us to efficiently and continuously operate on the container vessels. That was quite a substantial impact, but I would like to remind you that our facilities in Novorossiysk are working to capacity and I'm pleased to inform you that the Board has been...had approved development and investment in annually to rise the capacity from today, 270,000 TEUs, up to 700,000 TEUs; that has been already highlighted in March when we had presented our master plan, so this has been approved and I am pleased to see that.

In respect to the growth in our small terminal in Baltiysk, in Kaliningrad, there has been growth; I'm pleased to say that.

Moving forward, some other commodities like iron ore, we had seen decline in our own iron ore; there are two major issues there. One issue is we cannot load iron ore when it's rain or sub-zero temp; unfortunately, sub-zero temperatures, heavy wind, we were not able to do that and another issue, which are in a way of negotiation to handle larger than 80,000 deadweight vessels, we succeeded to move our size vessels last year from...last year and

from 60 to 80,000 the clients and now due to the slower demand of purchasing this commodity, demanding economy of scale, so we must be competitive handle over 80,000 deadweight vessels. We are working on this and we should see recovery of this commodity in time.

Timber, I'm pleased to see after quite a big decline, now I see more stability; year-on-year 8.5% increase, but I see this trend is continuing.

Moving forward, ferrous metal, a strong increase on a quarterly basis, but also a strong increase from the last quarter of '11, 32.6 and 57.9% is important. I would like to highlight that while we were losing on iron ore, we didn't sit back and wait and hope this will happen. We were actively working with the exporters to compensate iron ore and we succeeded with ferrous metals. I would also like to highlight this better margin on cargo for us in respect to EBITDA, so that also compensated better our revenues and, as I say, EBITDA margins.

Non-ferrous metals I think we are stable there, again considering the market demand, but I would also like to highlight that some of these commodities actually increasing now is moving more and more into containers.

I have finalised my operating speech. I would like to pass the financial performance to Anton and then, of course, it would be time for questions.

Anton Vishanenko

If you could please turn to page 12. On this page we have the key financial highlights. As you can see that in Q1 2012 we reported consolidated revenue of 275 million and consolidated EBITDA of 174 million, which represents growth of 3 and 19% respectively. Our EBITDA margin was very high, equal to 63%, and I will go in more details later to explain what was the rationale for that. Our operating cash flow increased by 3.6 times year-on-year to 144 million, primarily as a result of higher operating profit, combined with better working capital management, which I will also cover in a few slides. In addition to stronger cash flow generation, we are making good progress on decreasing our debt levels with net debt to EBITDA as of 31st March 2012 down to 3.8 coefficient compared to 4.3 at the end of 2011.

Despite weather conditions in Novorossiysk in the beginning of the year where we had 8 degrees storm alert during one month and temperature was minus 21 degrees celsius compared to 10 degrees celsius average, and the wind was 55 metres per second, we increased our revenue by 18% year-on-year basis and 3% on quarter to quarter basis.

If we look at the revenue reconciliation, the year-on-year increase was mainly driven by growth in revenue from grain handling. We have seen a strong recovery I grain volumes after the grain export ban in full effect in Q1 2011, was lifted in the second half of 2011.

Other port services contributed an additional 6 million to revenue due to the increase in the volume of cargo turnover shipments and extra storage services that we provided to our clients during temporary shutdown of our stevedoring services in January/February. The 3 million increase in fleet services was in line with an increase in cargo handling volumes. Revenue structure in products remains stable overall with a share of liquid cargo of 54%,

bulk cargo 24%, general cargo 14%, and containers 8%. The change in the share of revenue from grain was due to the lifting of the export ban, as we discussed earlier.

One of our top priorities has been implementing cost controls and we are quite pleased with the results of our cost management efforts over the last year, which you can see on this slide; including bunkering services, our cost of services decreased by 6%. If bunkering services are factored back in, cost of the services increased by 5%, which still represents healthy growth rate of total cargo turnover volumes. Decrease in the fuel purchases is driven by market conditions and is compensated by higher margin on bunkering services. We continue to focus on cost optimisation. As you can see, we decreased subcontractors and other costs by 28% and 49% respectively. Personnel costs grew at the same 10% rate, as total cargo turnover volumes did in the first quarter 2012 compared to the first quarter 2011, and the cost per ton of cargo also remained at the same level of \$360 per ton.

The increase in repairs was due to extra work we had to perform following the harsh weather conditions at the beginning of the year; S&G expenses decreased by 17% as a result of improved work with our customers and decrease in bad debt provision, as well as other optimisation measures.

As a result of the factors, which we discussed before on the preceding slides, we achieved EBITDA growth of 48% year to year to 174 million. The primary factors for this increase were the provisions of one-off nature and some accounting treatment of our equity investments. Due to seasonality factors and weather conditions, repairs and maintenance were 5.5 million lower in first quarter 2012 compared to the fourth quarter 2011. Contractual obligations to our consultants, mainly McKinsey and our audit accruals, decreased first quarter EBITDA by 2.7 million compared to first quarter 2012. Also, accruals for yearly bonuses decreased fourth quarter EBITDA by 2 million compared to the first quarter 2012 and also accounting treatment of our equity investment in our JV in our oil terminal and in respect of 6.8 million, which was attributable to accounting for exchange rate, because exchange rate is part of P&L and it had positive effect for net profits of our oil terminal. This is why it was also proportionately 50% of the proportion accrued to our equity charge in P&L. This is why, as I said earlier, it gave positive effects of 6.8 million to the first quarter 2012 compared to the fourth quarter 2011, and this is why EBITDA margin net of these one-off effects would have been in the high-50s.

We are making good progress on cash flow generation, while bringing our debt level down to more comfortable levels with strong EBITDA growth, operating cash flow in the first quarter 2012 increased by 18% compared to the fourth quarter 2011 and by more than three times compared to the first quarter 2011, and we had a freakish low of 133 million in the first quarter 2012. Strong cash flow generation meant that the Group was able to decrease net debt by almost 100 million during the first quarter of the year. On 15th May, we repaid 300 million of Eurobonds and issued Russian bonds for only 135 million. The Group leverage is gradually decreasing with net debt to net to debt to long-term EBITDA as of 31st March 2012 at 3.8 compared to 4.3 as of year-end 2011, and 6.3 at the end of first quarter 2011. With strong EBITDA and cash flow generation, we feel comfortable in our ability to handle our debt repayment schedule and we plan to be well prepared for the first significant repayments, which start in 2014, as you can see on the chart at the bottom right.

That is all what we wanted to say to you today. On the next slide you can see the appendix with a detailed breakdown of quarterly cargo transfer shipment volumes and with this I am passing the word to the moderator and we are opening the Q&A session.

Questions and Answers

Ivan Kim – Renaissance Capital

Two questions, please; one relating to tariffs. Basically, do you expect that the tariffs could be deregulated and what's the update on the station there, and also have you filed for any regulated tariff increases and have you...like do you have an understanding from the regulator whether you will get the tariff increases you applied for before? Secondly, do you see any slowdown in terms of like potential slowdown in volumes, talking to exporters basically? Thank you.

Tariffs deregulation, obviously now the Russian new Government, new cabinet is in place; as we informed you last time, we had lodged for two separate requests. One was to increase the tariffs for oil products and oil from the mid of this year and the second is for total deregulation of our tariffs. The process of deregulation has been confirmed by the Government. The timing is not yet clear, but we understand that this should be happening sometime this year. The effect of this deregulation to our tariffs certainly is a long-term effect rather than just short-term effect. As you know, we are locked in a conflict with clients for tariffs on an annual basis. We do have still some margins in efforts for the tariffs to increase – not much though – but for us it's very important the first stage, we are basically a little bit penalised to give our clients prolonged free storages, which have two effects; one is they have, of course, commercial effect in revenue, but more importantly for us is that our utilisation of our assets is not at the level we would like to see. Once, for example, for containers to some extent we need to give 10 days' free storage for empty boxes, which basically some of our clients are using our facility as a storage depot rather than we would be stevedoring, and this is important. As I mentioned, we are utilising our container terminals to 100% capacity in Novorossiysk, so this is the first stage what we are going to do. To give you a specific answer when this is happening we still are looking for it to happen this year. Obviously, oil and oil products will be increased to the level we already mentioned before. That was 30 cents from 2.726 to \$2.93.

In respect to slowdown, yes, certainly there are some slowdowns. You saw the iron ore boats slowing down from the demand of these commodities and fierce competition from Ukraine. Every client now is looking to see economy of scale by deploying larger vessels to compensate with the freight per ton to be more competitive. We are prepared for that. In respect to containers, though, we didn't grow as the Russian container market. Obviously, our capacity is working to maximum. We don't see slowdown in that. In respect to some other commodities, there perhaps is some slowdown, but this is seasonal for grain and is going to pick up again, because the grain seasons are considered from 1st July to 30th June. We have actually bookings confirmed. We believe that our terminal facility, as the zerno terminal would be in line of 6 million, as we have declared; we're on line in that. Some other commodities, sugar; last year, sugar production actually was cut, so import was slow, but we see some pick up, increasing; interestingly, but it's picking up, as I mentioned, and actually it is picking up in containers, which is very good for us, because, as you know, the tariffs for empty boxes are much lower than flattened boxes, so

we're now finding commodities for export on containers; good for shipping lines, good for us, added value services.

Oil and oil products, one might say you will...a lot of extra capacity is coming online. We mentioned it. We explained in details last time it's consolidation both in the South Mazut, for example, our fuel, and these are commodities coming from Ukraine back to us; it's a Russian commodity handled by Ukraine, and also in the north we see [St. Petersburg] closing down their terminals for oil and oil products. Already last year we got 2 million tons of diesel there. Some is going to Ust Luga, some to us, but we should not forget Estonia and Belorussia, which is handling quite a few millions of these commodities and we see consolidation of this cargo going back to Russian ports.

This is...actually I gave you quite a detailed answer and I hope this answers your questions, thank you.

Nadezhda Timokhova – JP Morgan

I have several questions on your possible new facilities. First of all, I would like to know when you will launch your fuel oil terminal this year and what amount of fuel oil you expect to handle by the end of this year.

We will answer both. I will answer basically a general issue about this terminal and I will put Anton to add on my comments. Novorossiysk Mazut Terminal, which you are referring to fuel, has been completed. It has already handled over 1.4 million tons of commodities under the test regime. We had all the licensing in place (part 1) and this final license is not...we applied for this license; it's not in place, because Government has changed certain requirements and in Russia today it's over 100 companies, which are waiting to be issued such a licence to be...basically it's an operating license for cargo and we are continuously engaging with lawyers to obtain this licence, but we are continuing to work. Today, how much cargo we are going to move, we are working on our budget, there could be some corrections, but we are working with many operators and there is a high demand for this. Certainly, at this stage we cannot work still at full facility, but we expect this licence to be coming to us soon. Again, it's out...it was not under our control. The Government has changed some regulations. There are over 100 companies in Russia, a variety of companies, which are waiting for licence to start operating. We actually took even legal action to obtain that. Now, I will Anton if he wants to add something in more details.

As you can see from our financials, our share in oil terminal was equal to 3.6 million for the first quarter 2012 and we've taken a conservative approach with respect to what we model in our budget for 2012 in order to be on the safe side with respect to cash producing capacity of our operating cash flow. That's why we just budgeted at the same speed that we were handling before around 350K tonnes per month. That's all.

Okay. Yes and I also would like to ask you about the expansion of grain terminal, because previously you announced the plans for an extension, but the timing wasn't clear for me.

Yes, let me answer this – allow me to answer this question (Rado speaking). You are referring to Novorossiysk Zernovoi Terminal, which is our facility; I don't know if you heard, I actually made this morning a very detailed, technical answer why we were delivering our master plan. Firstly, the facility was technically calculated to handle 3.7 million. We succeeded and we've proven to the market that facility can handle with some

very small technical changes and more logistic changes to handle 6 million tons, and this is actually presently handling. What we did is we improved our logistic work together closely with all clients and now instead of handling only 45,000 deadweight vessels, we are able to handle up to 65,000, actually 80,000 deadweight vessels, which is loading 64,000 tons of grain. This puts us into much more competitive regime and also the turnaround of commodities faster, so we are able to have more capacity, which means that at this stage, at this very stage, this year we don't see the necessity to invest in expansion. We do have plans to invest. When we see that the growth is there and the demand from our clients is there, we can easily upgrade; basically, what we need to put is only additional 30/40,000 tons of storages. Our elevator per second handle with speed it handle or lading speed can handle easily an additional 2 million tons if we have storage capacity, but at the moment 6 million tons is what we see. We're on standby; we have a conceptual plan and we are looking at what's happening on the market, and we are ready to do that any time. Thank you.

Did I understand correctly that currently you do not plan to expand the grain oil terminal if there is no demand?

No, you didn't. Sorry, I didn't explain myself correctly. We are...we have a conceptual plan. We will invest as soon as we see demand for that, but in the meantime we actually increased our efficiency from 3.7 million, which this facility used to handle before, to 6 million tons, so because we increase that, we already covered the month for these extra 2 million tons from 4 to 6 and at the moment, as soon as we see continuous growth, we will immediately invest in this project.

Vladimir Dorogov – Alfa-Bank

Actually, I had a question on the oil terminal, but you have answered it. My second question is regarding the performance in May, operating performance in May; can you just give some explanation for some drop in oil and oil product volumes, also in grain handling?

Okay, I mean firstly we are discussing first quarter and, you know, look, in one month it could be diluted, because you need to look at least on a quarterly basis. However, I am ready to answer to you. Firstly, May, you know there was a prolonged holiday this year; it was up to, I forgot, but the first 10 days basically and in this period of time, unfortunately, some of the factories which export were closed down. Also, the oil companies...all of the oil companies after the very severe winter used this time to do upgrades and repair maintenance of their facilities, in particular for their oil products. I can with certainty tell you that we immediately issued letters to all our clients in all products and confirming their original budgeted volumes and they all confirmed that the volumes will be as per budget by the end of the year. This is about in all products.

In respect to the grain – again a facility just closed down and a lot of commodities didn't come on time, but there is also unfortunately a factor of what will be the new crop for the year 2012/2013, and a lot of speculation unfortunately on the market for the pricing, and that somehow slowed down. We see this is now stabilising in June, and as I said before we are positive that our volumes for the year will be fulfilled.

In respect of other commodities – there were some fluctuations up and down, some were better, some were lower, but again it is affected also by the trend of the few days at the beginning of the month. We see recovery in June of that. All in all we believe that our budget is in line and there might be some small adjustment but not really material at this stage.

Thank you.

Nikita Milnikov – Aton

Good afternoon. I have got a question about, just like a follow up question. You have said that you note some slowdown in the cargo flow and I would like to make sure that your previously announced guidances for financial results, operating results for 2012 is still on track or are they are under question now. This is my question.

We have not given specific guidance with respect to what will be our EBITDA or revenue for this year. We were giving guidance with respect overall cargo which we produced and what we will handle and it was just indicative, which is also subject to several factors which do not depend on us, for example increase in tariffs or liberalisation. We were giving guidance with respect to growth in total cargo for this year, but as you know there were serious conditions so we lost cargo, which is now we are compensating month by month for this cargo that we lost during January and February.

Sorry that is as far as I remember and there was a meeting with journalists and analysts during the presentation of your development programme, and then as far as I remember Rado was also present during this presentation and I am quite sure that we have heard some guidance for revenues and EBITDA for 2012. Am I to understand that at least this indicative wording is not applied now?

Again the figures which we gave was indicating – the figures are still the same, indicated are the same. That is what we are saying. I heard your question was what would be our financial result; I didn't hear your question as indicative. If you were referring to indicative figures – yes we stay behind this indication. No we were mentioning between 164,000-170,000 in ton and something around 600+ in EBITDA. This is staying, no question asked.

If I give you today or unto today the exact figures of course that will be premature and will not be professional.

In respect to the market as Anton rightly says – yes we see some things up and down, but we are a well diversified company, we act immediately as was the case in iron ore and we got black metals, more black metals to compensate. Yes we look wisely where to invest; that is why we rather utilise maximisation in our facility; that was the case in grain. Yes we look at added value services to get more revenue out of, because we are limited by regulated tariffs, this is the case in containers to get commodities to be loaded for exports, we get better stevedoring charges, and yes we are working very hard with the regulators to deregulate our tariffs so we can at least start to do something immediately in that respect, it is of course reducing the pre-storages to be able to manage our facility more efficiently.

Again this is half a year, we are actually going back to all the clients on a quarterly basis or even on a monthly to see if their prognosis of bookings stays, and I can tell you that in overall they are stable, in some respects they are growing, some respects they are down, but again we see that the picture today is more or less similar to what we said before.

Irina Stupachenko – Otkritie Capital

Good afternoon gentlemen, thank you for your presentation, I have a couple of questions. My first question relates to your bunkering volumes. As far as I know you launched this new bunkering facility in Primorsk Port and it just started working in full capacity, only in the first quarter of this year. Could you please provide us with the total bunkering volume in Novorossiysk and Primorsk and so how much of this came from Primorsk in particular. This is my first question, should I just ask the second one or later.

My second question relates to iron ore handling. Last year it was announced that you have agreed quite a large contract with Metalinvest which should have substantially increased your handling of iron ore. As far as I understand this is not in place since you do not see any increase in iron ore volumes and you speak about tough market conditions. Should we expect the implementation of this contract in the second half of the year, by the end of the year and so what volumes could be expected.

In respect to iron ore – the agreement with certain companies is very simple. There are agreements associated with what kind of vessels we must handle, so agreements which says up to vessel this and this. Let me give you a full picture – the loss again in iron ore was compensated by dark metals which was from the same company you mentioned. While we lost something we gained something which was highly marginal cargo to compensate for that or partly compensate. We are actively looking to get additional cargo to compensate for the volumes of that. This is about iron ore.

The contract is still playing in place, the agreement is still in place, and we are working on that. actually we are even looking to speed up our market plan, to build sophisticated, dedicated facility in Novorossiysk which will be able to handle the largest vessel possible for this kind of cargo and much more efficient productivity and being environment friendly, so we will speed up this process because we realise this is important and there is a cargo base, the exporters need to have economy of scale.

In respect to bunkering I think you are referring to Primorsk. I told you that the facility has been put in operations. We told you that the facility was put ahead of the time, though we don't have yet railways built there, they are working on that, but nevertheless we do work on it, we did handle some cargo there. We are looking how to be more efficient to fill this facility and actually do even bunkering export, with lowering the facility from the small vessel into facility and then pump it on the larger tanker vessels which they need for the fuel.

It is a rather slow process but we are moving in that, and the critical mass will be when the railway will be built. However we have a client which is also locked into conditions that they must provide volumes. This is about the bunkering, so it is not that bunkering has not started, it started, and the volumes are progressively growing.

What about volumes at Novorossiysk, so last year you said that you see the reduction of bunkering volumes at Novorossiysk due to the market maturing, you increase your bunkering margins, but decreased volumes, and this time in the first quarter we saw just even lower than the expected fuel costs. I believe that this is due to just lower bunkering volumes at Novorossiysk.

I will let Anton answer in detail.

Hi yes you have noticed absolutely correctly and actually we provided more disclosure this time that we did customary in the past. This is why you are absolutely correct that volume decreased while the financial contribution from bunkering has increased. Revenue from bunkering for the first quarter 2012 was equal to \$37.2 million compared to \$43 million in the first quarter of 2011, while costs decreased as well from 42 million in the first quarter of 2011, to 31 million in 2012, while the margin has increased but the margin depends on a number of market conditions. This is why we cannot say that we will operate in this specific range of margin, because once again it depends on weather conditions, it depends on the load of fuel which ships have when they enter the bay, this is why it is just pure demand and supply compared to FST tariffs.

Okay and what is the volume in tons, just how much tons, because you do not disclose it anywhere, you have your handling statistics, but we do not have bunkering volumes.

It was 116,000 tons in first quarter 2011 and it was 78,000 tons in first quarter 2012.

Let me also highlight it, in the first quarter we had terrible weather. The bunkering facility, bunker from the shore, but mostly from the barges also, and when you have winds of 55m a second which is over 117km/h you cannot – we were actually stopped, the port was stopped so no operations and we lost certainly for the bunkering at least 20 days, also this reflecting to that, not we, all the clients in that. Our clients, actually container vessels was one of the biggest clients for us, because they are coming fully laden and then they empty and they bunker with us. They had to deviate and do bunkering in Turkey which is not economical for them, so this is one impact also. When you see 30,000 tons is not a big difference for a quarter. This is basically not bunkering about eight vessels. Take eight vessels of this size not bunkering you lose that 30,000 tons.

Kirill Kazanli – Citigroup

Good afternoon, I have a couple of questions. Can you please tell us, maybe give us an update on your Capex plans for the year, because it looks pretty low and I remember that you have mentioned a \$200 million figure for 2012. Are you still on track for that? Also are you still comfortable with your guidance for tonnage for 170 million tons that you mentioned during your master plan presentation.

First of all let me guide you to our page where we have highlighted financial performance, yes it is page 12. If you compare Capex of first quarter 2012 with Capex for the fourth quarter 2011, you can see that there was a decrease of virtually \$20 million quarter to quarter, the explanation for that is follows. In the fourth quarter 2011 we finished maintenance, well it is not maintenance – it is virtually Capex which was aimed at berth number four for hydro-technical, and shipment equipment. It gave effect of \$9 million for the first quarter of 2011 compared to the first quarter 2012. Second – we acquired Liebherr crane with capacity of 100 tons for \$4 million. Secondly we acquired two rich stackers with capacity of 45 tons for \$1 million in total. Also we have acquired 14 loaders with different capacities starting from 28 tons to 2.2 tons and that came in total 1 million, in the fourth quarter compared to the first quarter.

Also there was because as you see we disclosed Capex straight from our cash flow in Capex also reflected advance payments to our subcontractors and these advances were equal to 4 million in the fourth quarter 2011 which we paid for increasing capacity of IPP

Now your question with respect to total Capex for this year – it was budgeted net of VAT in amount of \$140 million for this year, and the majority of it is aimed at Shishkaris then it is development of IPP which we disclosed and also it was financing of our oil terminal with our oil JV, and also reconstruction of berth number four. The rest of that is just maintenance Capex.

With respect to maintenance Capex we are taking a very [cautious] approach and we are just scrutinising every figure now because that cargo that was not handled in January and February this year are maintenance Capex which channels through P&L. It is not part of Capex which is disclosed in cash flow. That one will be permanently terminated because that cargo was not trans-shipped.

I hope Anton answered all; maybe I can give some more details, technical details. Basically what we are saying in 2011 last quarter we put a lot of money and prepayments for equipment Capex which we will be seeing coming online.

In respect to the items which Anton has said, for example Shishkaris this is the pier which is basically a mirror pier which is under capital repair and simply also you cannot do that, we had to slightly postpone. That doesn't affect our business because we erected a new one; we spent a lot of money, so this is kind of a reserve which is required in case of some damages to the new areas. Other investments they will be for actually upgrading our fire-fighting systems.

In respect to Pisheprom or IPP which is a diesel area, we continue with work again. There were some delays but we are online to finalise paying to the year. In respect to the Capex for, I would call it repairing maintenance, because of low cargo volumes in the first quarter, we are taking a different approach. This experiment, which is linked to the hours that the equipment was working; that is number one. Two – we are actually even now working hard to purchase additional equipment which will be multipurpose, but we are conscious as we disclosed during our master plan that any investment in equipment must be multipurpose and also we shouldn't overinvest, because we are entering into this specialised facility whereby we are not going to use standard cranes. We look into that and we are basically not just opening the gates and spending money left and right, but doing it wisely, long term and that has also affected both Capex in addition to the delay due to weather and prepayment which happened in the last quarter last year. You will see that the trend, we will see more Capex coming online as the time progresses, thank you.

In terms of your guidance for tonnage growth of about 8% for the year, at 170 million tons – do you still feel comfortable with that number?

I didn't understand your question.

I wanted to ask you – a couple of months ago you said that you were budgeting essentially tonnage growth for 2012 of about 8% to 170 million tons. Given recent trends in April and May when we saw some deceleration, I am asking essentially if you still feel comfortable with that 8% increase that you were planning to achieve in 2012.

Firstly if we are to handle 170 million, the increase would be 8.8%. At the moment as we said to you our indicative volumes are between 165, 164 to 170 million. There are some items which might be beyond our control but we are working very hard to be in line with that, so we are peaking on time for the cargo, and more importantly I would like to say to you we are now choosing the cargo which is better marginal to replace certain cargo which is by volume. However we are working on those specific volumes.

Andrey Rozhkov – Metropol

Good afternoon. I have just one question on treasury shares – do you have now any plans in agenda for treasury share sales for this year?

Well as you can see market conditions now they do not justify selling of the treasury shares right now, because we have sustainable operating cash flow which covers our Capex projects, first, and secondly you see that we're very comfortable with our debt maturity profile. This is why we do not need, we are not in high necessity to sell them right now, but we are considering where markets will move and just general progression of all equity markets.

Michael Ganelin – Troika

Good day gentlemen. My question is about FX, so your tariffs are nominated in Dollars and Roubles. Can you tell me what is the share of Dollar and Rouble that is in your revenue and EBITDA, approximately?

We can give you specific figures not approximate. It is part of our financial strategy and it explains why our debt is denominated in Dollars because if you look at the consolidated revenue we can say that 55% is denominated in foreign currency, US and in Euro, and 45% is denominated in Roubles. If we take average long-term EBITDA margin of 55, max 58, it will give us virtually 97% coverage of our Rouble cost with Rouble revenue and the remaining portion will be denominated in foreign currency. This is why for ourselves we see that currency of our operating cash flow is denominated in US. That is why in order to measure currency of operating cash flow with currency of our debt facility we decided to stay in Dollars. This is why it will give us natural hedge compared to financial hedge, because as you know financial hedge is always connected with risk profile and this is why you will see a fluctuation of Forex in our P&L, and it was also one of the explanations for this increase in EBITDA margin because Forex was secondary included in our equity charge for oil terminal and so this equity charge was influenced by Forex. We cannot walk away from that it is part of our financial reporting, but on the other side if we just look at quality of financial modelling we do believe that this is a more sound strategy, natural hedge and this is why just be ready that there will be fluctuation of Forex in our P&L with respect to re-evaluation of our Dollar denominated debt, but once again it is all taken into account, it is also through and it is our choice, we have decided to do that.

It is a very balanced choice if I may, it works in both ways, when the Dollar exchange is high, and the Dollar exchange is lower, because again as slightly Anton said it is over 70% of our running costs, operating costs is in Roubles and debt is basically covered by our Roubles revenue, so we are very balanced here.

Nadezhda Timokhova – JP Morgan

I would like to clarify one thing. Today I saw Interfax citing your report that you plan an SPO to finance your debt or to use it to decrease your debt. Actually I thought that this was probably related to treasury shares but you say that you do not plan to realise treasury shares currently. Do you plan anything on the public offer?

You were referring to Interfax and Interfax used the words, there was a message that the company is planning to do SPO. That was the question.

Exactly I can send it to you.

Ladies and gentlemen we are pleased to tell we had Mikhail Sidrov, our VP PR has joined us and actually he overheard this information, your question, he misunderstood it, maybe this is from journalists. He might give a comment to you about this article today in Interfax; unfortunately he will answer in Russian if that is okay. Do you understand Russian?

Yes I am fine with it.

[Answer in Russian]

For the listeners who didn't understand, basically this was a misrepresentation from the Interfax article about the selling of 20% of the government shares of Novorossiysk Commercial Sea Port.

Irina Stupachenko – Otkritie Capital

Good afternoon. I have one more question, regarding this profit from associates which you show in your P&L statement. Am I correct that this is from the re-evaluation of some inventories or something like this, or is it from the separations in the testing mode which you mentioned while speaking about this new fuel oil terminal.

If you could open our financials; that is note 11, it will give you guidance with respect to what it is and it is exactly what we have said. It is part of our LLC in oil terminal where we own 50%.

With respect to inventories – if you are talking about re-evaluation of inventories it is part of our cost of service. It is not part of equity charge. Equity charge refers only to our equity investments which once again it is straightforward, it is simple, and it is just only one equity investment in 50% for this JV, which now as you correctly said operating testing mode.

This is the operating result of this fuel terminal right, or is it some just accounting effect. I do not actually understand, last year in the first quarter of 2011, this facility was not even completed, and still it shows some profits. So, and I am trying to understand what is this.

It is handling of cargo in our test mode. That is the whole point.

Last year, I mean in the first quarter of 2011 was it also handling something in testing mode.

Can we come back to Irina with these questions?

Yes sure.

To explain what is this here, let us analyse what you are referring last year at this time of the first quarter. As you know we as a new operator, we started to operate this facility in March, so I mean the first quarter of last year might not have the correct information on hand to provide you. Anton will come back to you, if you can leave... Michael knows you; Anton knows you Irina and we will come back to you. Michael has your contact or maybe you can... We have it.

Closing Comments

Thank you everyone for dialling in and if you have any further questions you know that our IR team will be more than happy to answer any of them. Thank you very much, bye.