



# NCSP Group First Quarter 2012 Financial Results Presentation

22 June 2012





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# Key Highlights

## Operational performance

### Operational performance – twice as fast as the market

- Highest quarterly total cargo turnover volumes in the Group's history (41 million tonnes, +10.4% YoY) despite severe weather conditions in Novorossiysk causing cargo handling to be shut down for 14 to 30 days depending on type of cargo
- In Q1 2012 the Group's turnover grew almost two times faster than the market average: 10.4% vs. 5.3% total YoY turnover growth for Russian sea ports\*
- Recovery in ferrous metals (+33% YoY and +58% QoQ) and timber (+8.5% YoY)
- Growth in crude oil (+5.2% YoY) and oil products (+5.9% YoY) compared to decline in liquid cargo handling volumes (-1.9% YoY) for all Russian sea ports

## Financial performance

### Financial performance – considerable growth in revenue and profitability both on quarterly and annual basis

- Q1 2012 revenue of USD275 mln represents an 18% increase vs Q1 2011 and a 3% increase vs Q4 2011
- Q1 2012 EBITDA of USD174 mln represents a 48% increase vs Q1 2011 and 19% vs Q4 2011
- EBITDA margin in Q1 2012 increased to 63.4% - the highest quarterly EBITDA margin level since Q3 2010

## Debt

### Gradual decrease in leverage

- Net debt as of 31 March 2012 decreased by USD99 mln (-4%)
- Net debt/LTM\*\* EBITDA as of 31 March 2012 decreased to 3.8x from 4.3x as of 31 December 2011 and from 6.3x as of 31 March 2011

## Cash flow

### Strong Operating Cash Flow

- Q1 2012 operating cash flow increased by 18% QoQ and 3.6 times YoY to USD143 mln
- USD133 mln of free cash flow for Q1 2012

\* Sea trade ports association, NCSP estimates

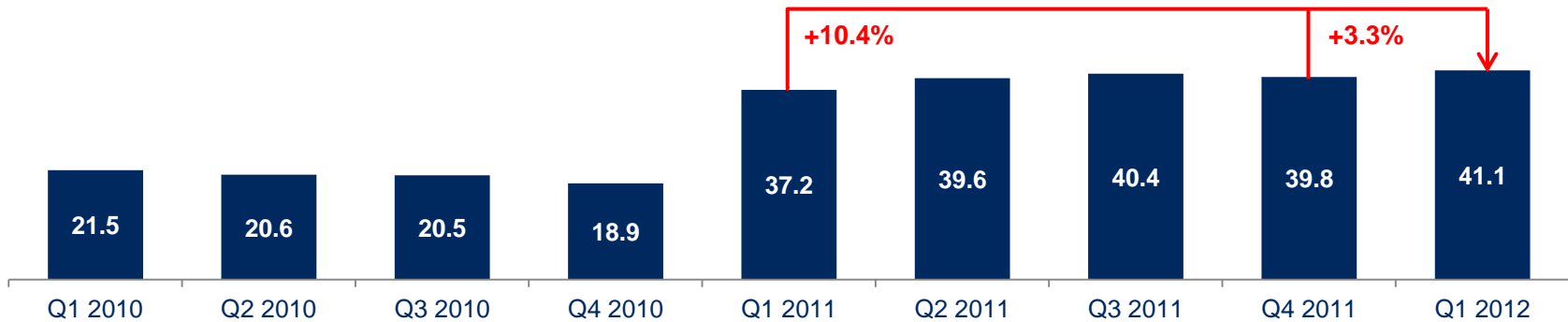
\*\* LTM: last twelve months



# Operational performance

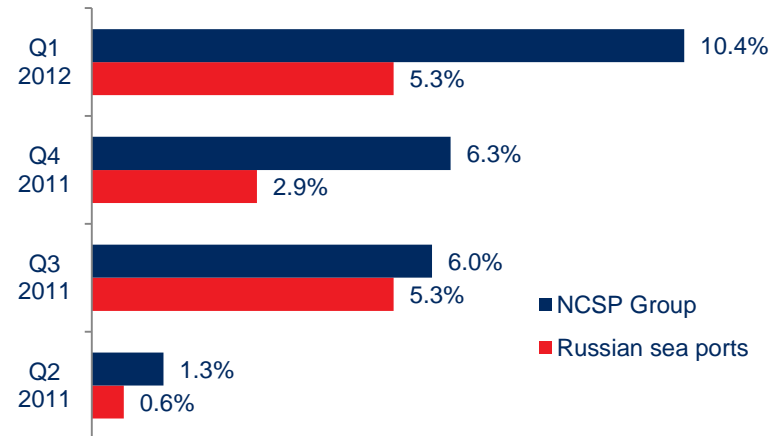
## Section 1. Taking lead over the market

Total cargo turnover of NCSP Group\*\*, mln tonnes

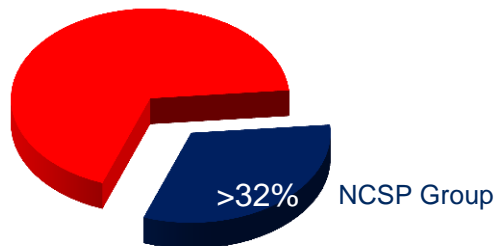


- Total cargo turnover increased by 10.4% compared to 5.3% market average
- Q1 2012 became the fourth quarter in a row when NCSP Group's total cargo turnover growth exceeded the market's average growth rate
- In Q1 2012 NCSP Group's share in total turnover at Russian sea ports exceeded 32%, vs. less than 31% in Q1 2011

Total cargo turnover change\*, YoY %



Russian sea trade ports cargo turnover in Q1 2012

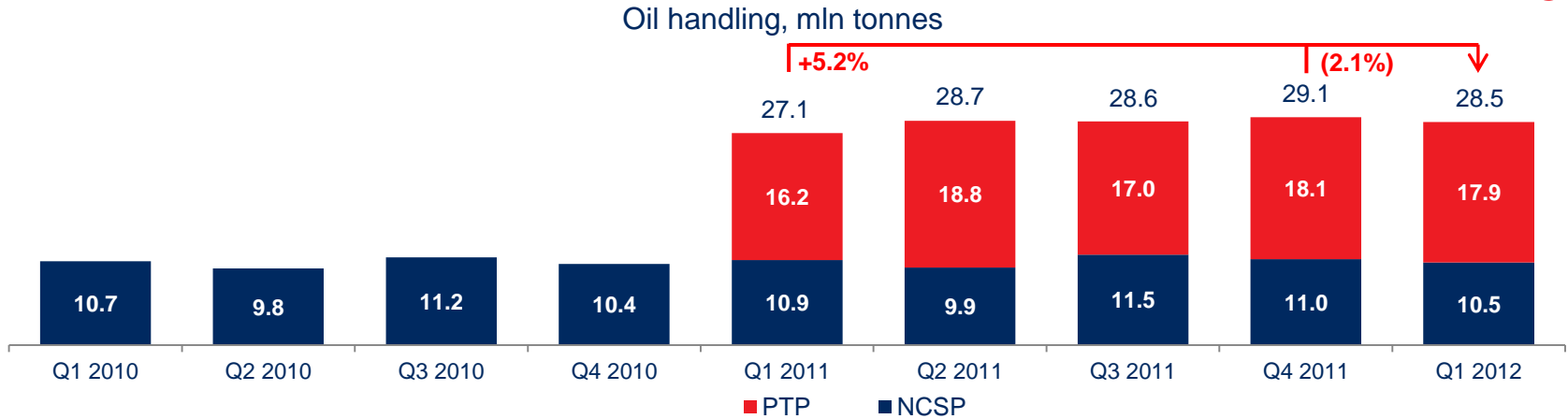


\* Source: Sea trade ports association, NCSP estimates

\*\* PTP's cargo turnover is included starting Q1 2011



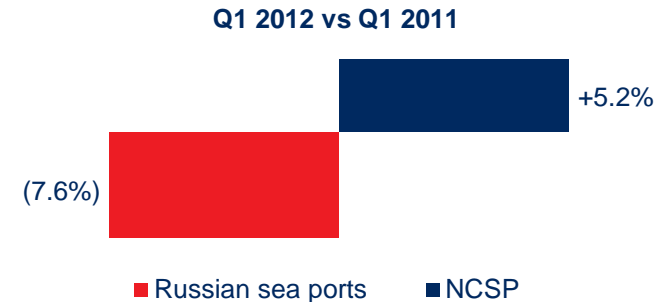
## Section 1. Strengthening positions in oil handling market



NCSP Group monthly crude oil handling, mln tonnes



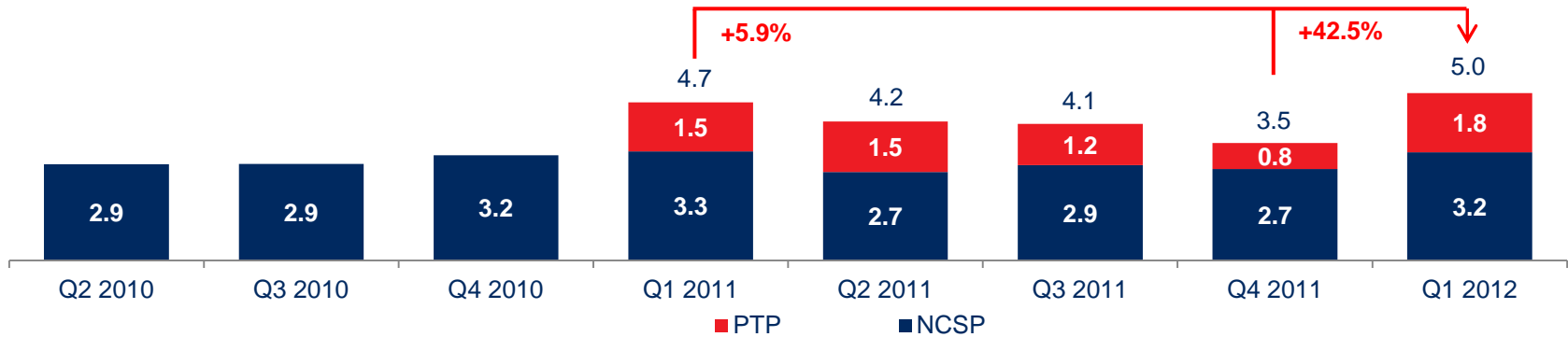
Crude oil cargo operations change, %



- NCSP Group outperforms Russian sea ports in oil cargo handling on both quarterly and annual basis, maintaining its key role on the market

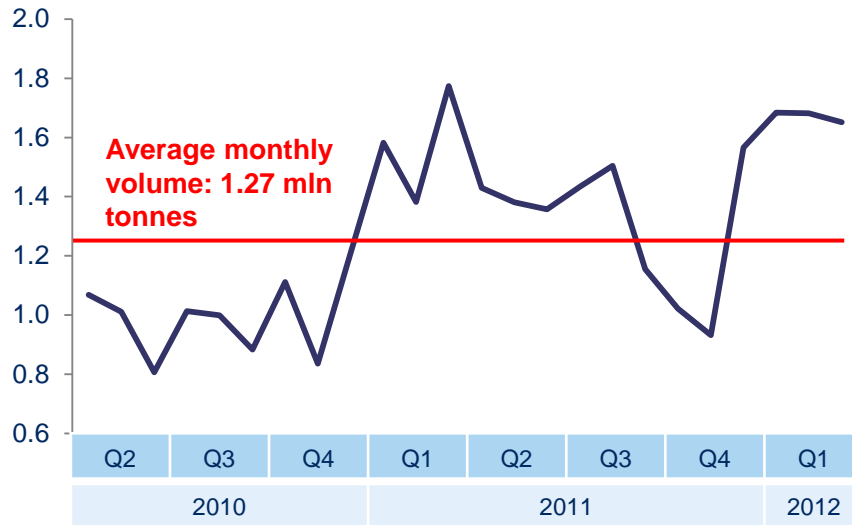
# Section 1. Oil products – record quarterly volumes

Oil products, mln tonnes



NCSP oil products monthly volumes, mln tonnes

Comments



- The Group’s oil products handling volumes in the end of 2011 were influenced by limitations on oil products exports
- The turnover volumes promptly recovered in Q1 2012
- Oil products handling was also influenced by severe weather conditions

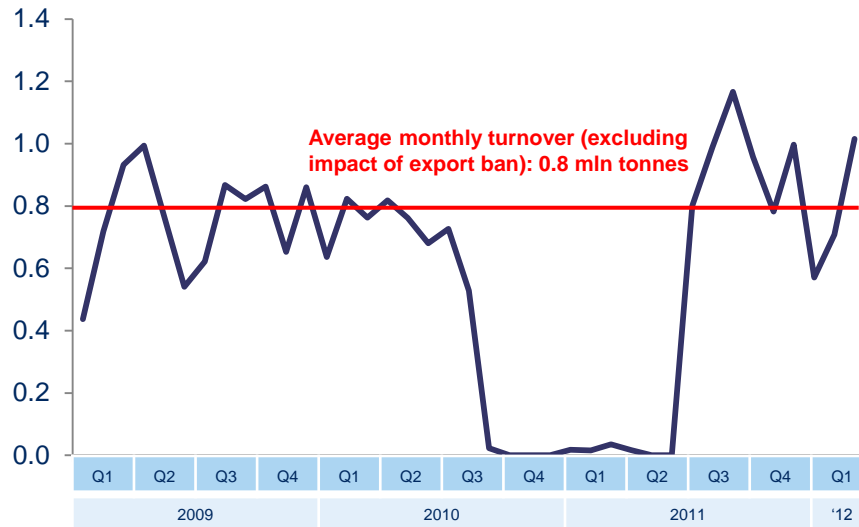


## Section 1. Grain – consistently high volumes

Grain, mln tonnes



NCSP grain monthly volumes, mln tonnes



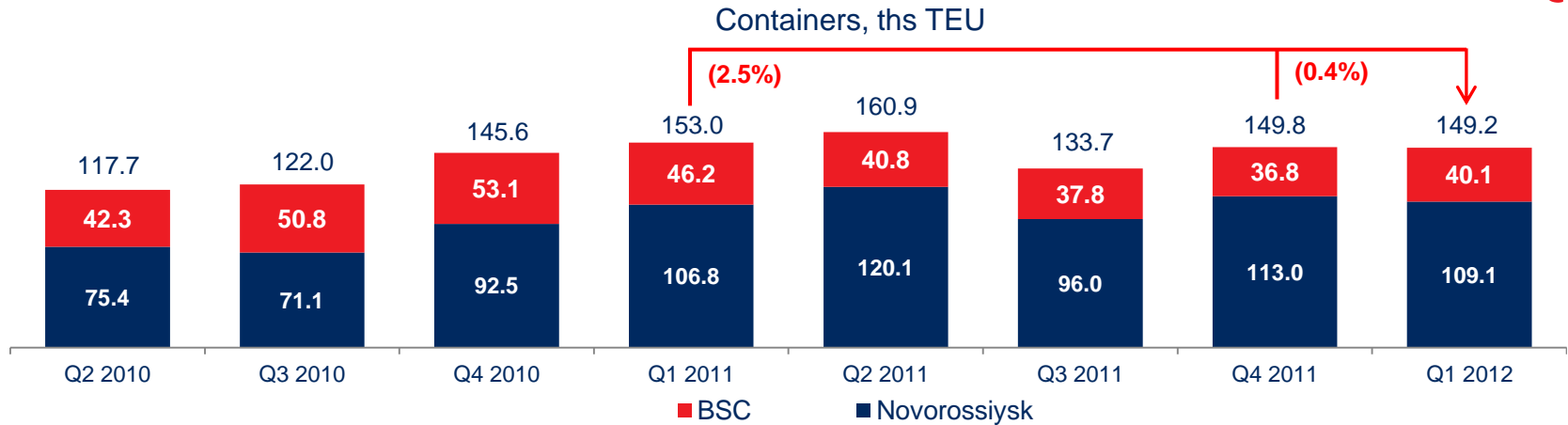
Comments

- YoY growth attributed to grain export ban removal from 1 July 2011
- Grain handling volumes in the beginning of Q1 2012 were influenced by severe weather conditions in Novorossiysk
- Volumes promptly recovered in March 2012 to the second-highest monthly volume in the Company's history, with more than a million tonnes handled

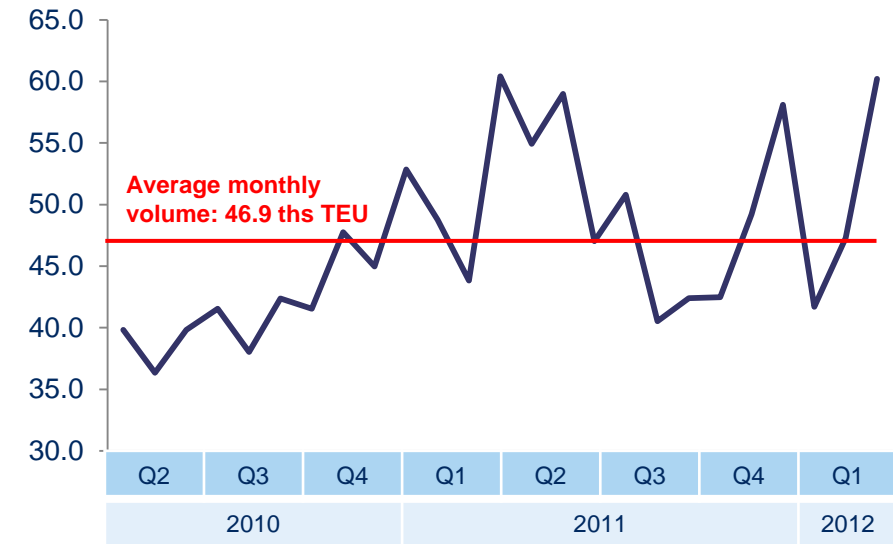




## Section 1. Containers – volumes influenced by weather and temporary capacity limitations



**NCSP container monthly volumes, ths TEU**

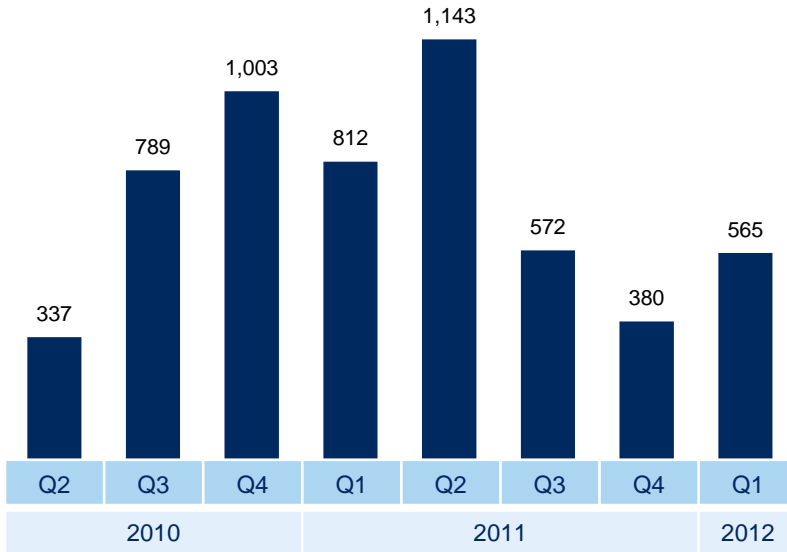


**Comments**

- January-February 2012 container handling volumes were under pressure due to severe weather conditions in Novorossiysk
- Volumes promptly recovered to historical highs in March 2012
- Substantial allocations in 2012-2014 CAPEX program for NLE terminal capacity expansion to 500-700 thousand TEUs

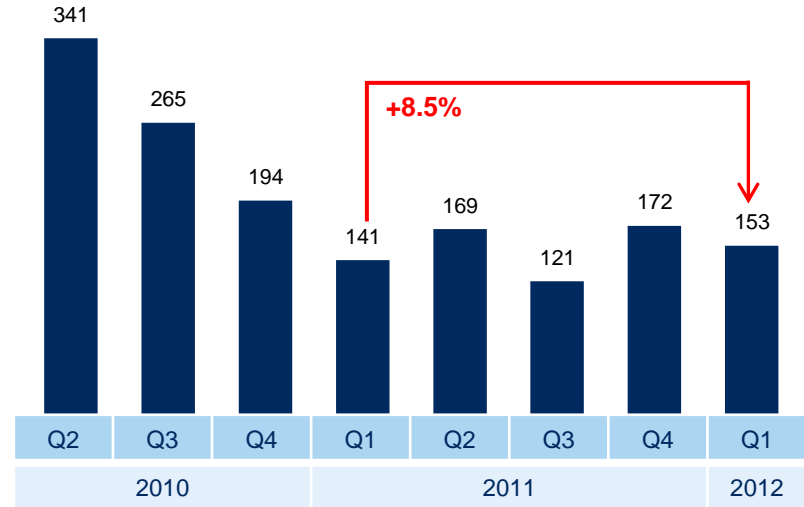
## Section 1. General cargo

### Iron ore. Positioned for growth, ths tonnes



- Q1 2012 iron ore volumes increased due to market recovery and renewed export demand
- Producers' readiness to increase current volumes and redirect cargo flows from other ports provides confidence in NCSP mid-term potential to increase iron ore handling volumes

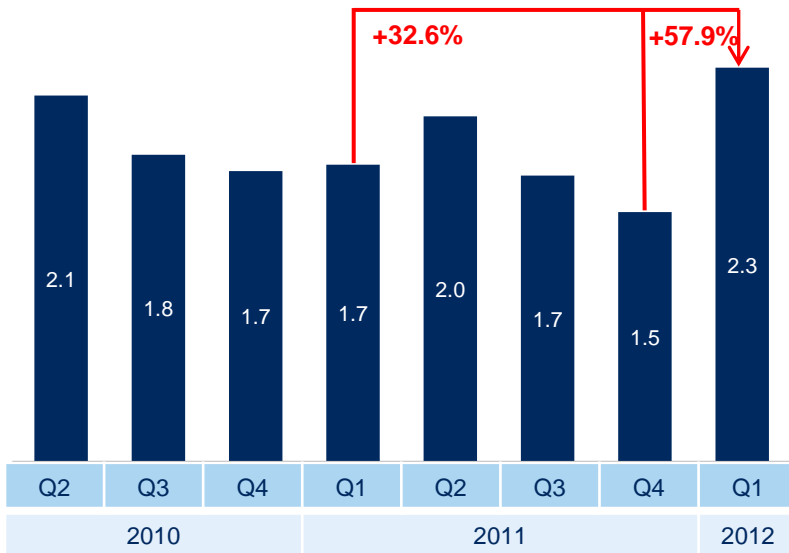
### Timber, ths tonnes



- Despite minor impact on total cargo turnover (0.4% in Q1 2012), NCSP Group is actively trying to smooth out consequences of demand decline in 2011
- YoY growth was 8.5% vs only 1.9% market average

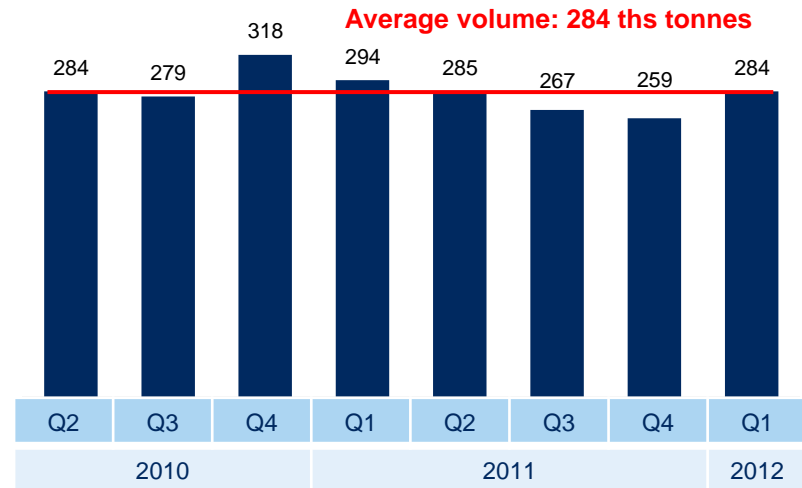
## Section 1. Metals

### Ferrous metals. Strong growth, record volumes, mln tonnes



- Q1 2012 ferrous metals volumes recovered to highest quarterly level in two years
- Q1 2012 ferrous metals growth rate (+32.6%) more than twice exceeded market average (+14.1%)

### Non-ferrous metals. Stable volumes, ths tonnes



- Low volatility of non-ferrous metals market provides stability in handling of this cargo, with minor deviations from the mean from quarter to quarter and relatively constant market share



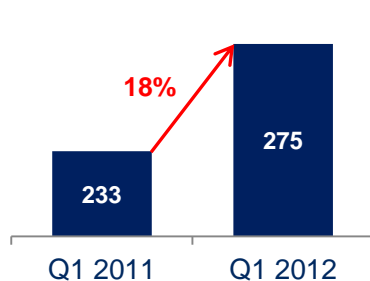
# Financial Performance



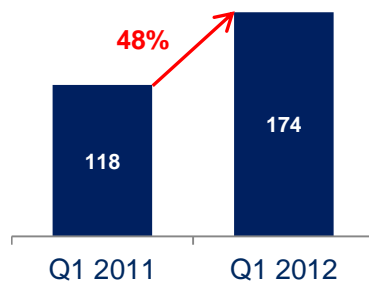
## Section 2. Key Financial Highlights

	Q1 2012 '000 USD	Q4 2011 '000 USD	Change, '000 USD	Change, %	Q1 2011 '000 USD	Change, '000 USD	Change, %
Revenue	274,678	267,498	7,180	2.7%	233,056	41,622	17.9%
EBITDA	174,111	146,467	27,644	18.9%	117,641	56,470	48.0%
<i>EBITDA margin, %</i>	63.4%	54.8%			50.5%		
Operating Cash Flow	142,859	121,182	21,677	17.9%	39,283	103,576	263.7%
CAPEX	9,461	29,219	(19,758)	(67.6%)	20,993	(11,532)	(54.9%)
Net Debt (at the end of the period)	2,280,060	2,378,734	(98,674)	(4.1%)	2,587,511	(307,451)	(11.9%)
Net Debt / LTM EBITDA	3.8	4.3			6.3		

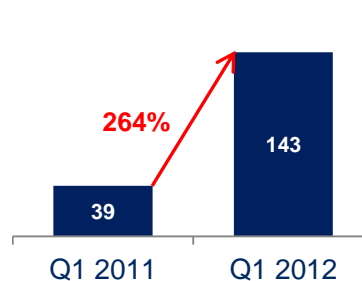
Revenue, mln USD



EBITDA, mln USD



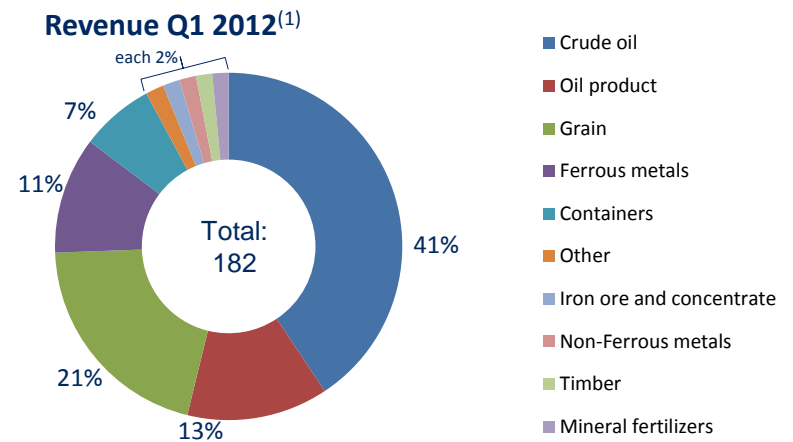
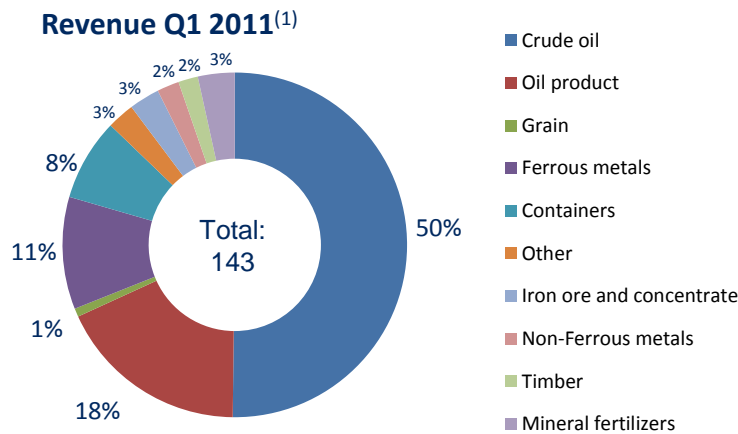
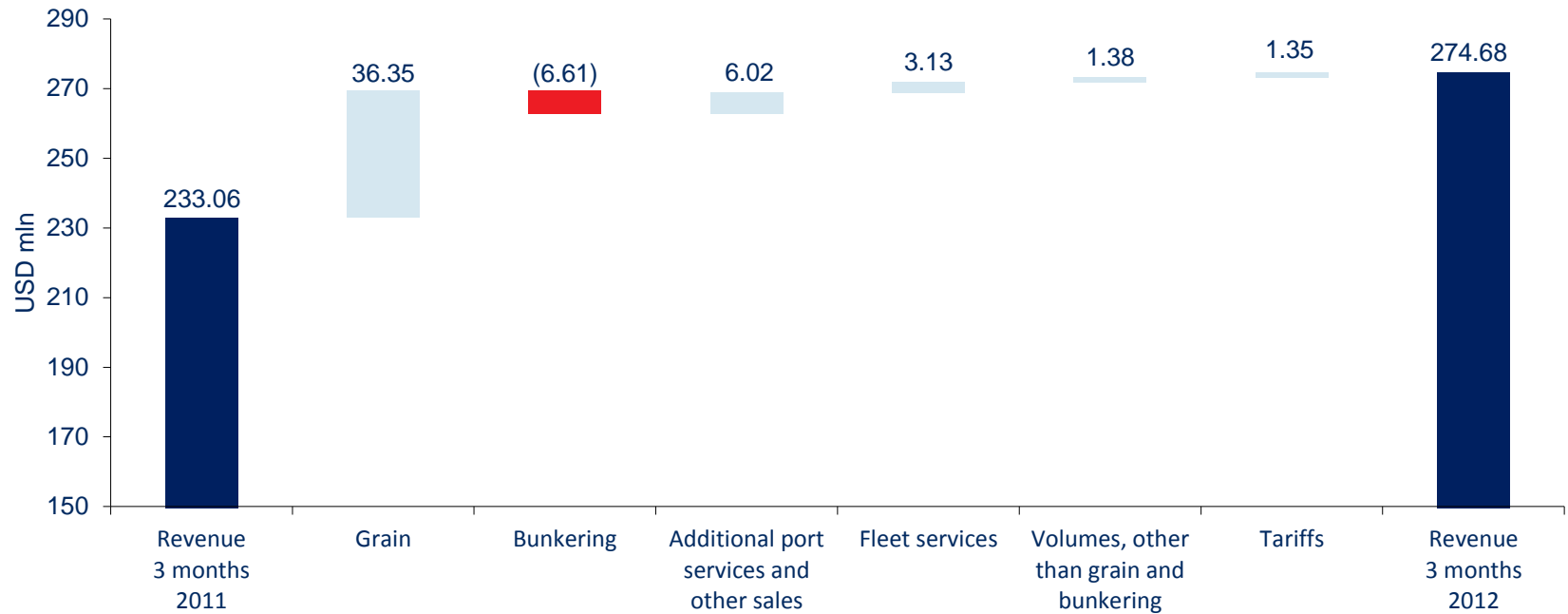
OCF, mln USD



Net Debt, mln USD



## Section 2. Revenue Reconciliation



1. Revenue from stevedoring services excluding bunkering based on '000 USD



## Section 2. Improving cost management

Cost of Services (USD '000)	3 months		Change, Change,	
	2012	2011	'000 USD	%
Fuel	36,340	45,770	(9,430)	(21%)
Depreciation and amortisation	21,091	19,317	1,774	9%
Rent	16,852	17,398	(546)	(3%)
Personnel expenses	17,422	15,773	1,649	10%
Subcontractors	2,202	3,060	(858)	(28%)
Taxes directly attributable to salaries	4,696	4,847	(151)	(3%)
Repairs and maintenance	3,674	2,881	793	28%
Energy and utilities	2,649	2,772	(123)	(4%)
Raw materials	2,355	1,478	877	59%
Other	942	1,833	(891)	(49%)
<b>Total</b>	<b>108,223</b>	<b>115,129</b>	<b>(6,906)</b>	<b>(6%)</b>

Selling, General and Administrative Expenses (USD '000)	3 months		Change, Change,	
	2012	2011	'000 USD	%
Personnel expenses	8,601	7,097	1,504	21%
Taxes other than income tax	2,215	4,659	(2,444)	(52%)
Taxes directly attributable to salaries	1,823	1,705	118	7%
Security services	1,099	1,180	(81)	(7%)
Depreciation and amortisation	1,018	1,098	(80)	(7%)
Charitable donations	483	405	78	19%
Rent	370	195	175	90%
Other	2,712	5,713	(3,001)	(53%)
<b>Total</b>	<b>18,321</b>	<b>22,052</b>	<b>(3,731)</b>	<b>(17%)</b>

### Improving Cost and SG&A Control

- Q1 2012 cost of services of USD108 mln represents a 6% decrease vs Q1 2011
- Adjusted for bunkering operations cost of services increased by 5% YoY – in line with increase in cargo handling
- SG&A expenses decreased by 17% YoY

### Personnel expenses

- The increase in personnel expenses follows the higher cargo handling; personnel cost per ton in Q1 2012 remained on the same level as in Q1 2011 – 360 \$/ton (excluding bunkering services)

### Raw materials

- 59% increase mainly due to grain handling cost vs no cost in Q1 2011 due to export ban

### Repairs

- 28% increase is mainly due to railroad and equipment repairs after damage caused by severe weather conditions

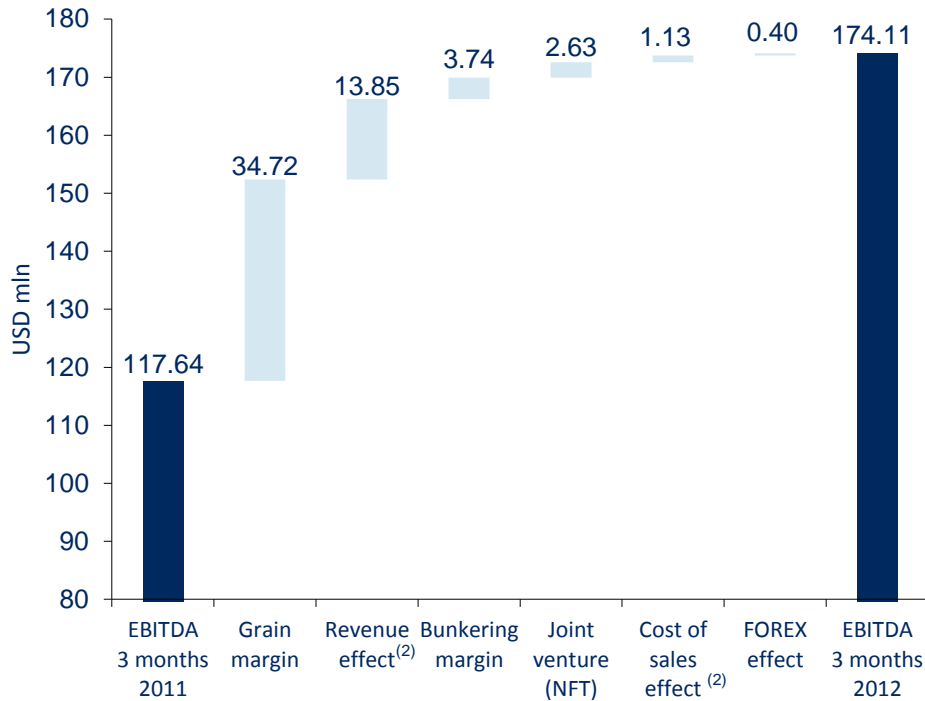
### Costs growth in line with inflation

- Improved efficiency allows the Group to increase repairs and maintenance costs with limited impact on total cost growth

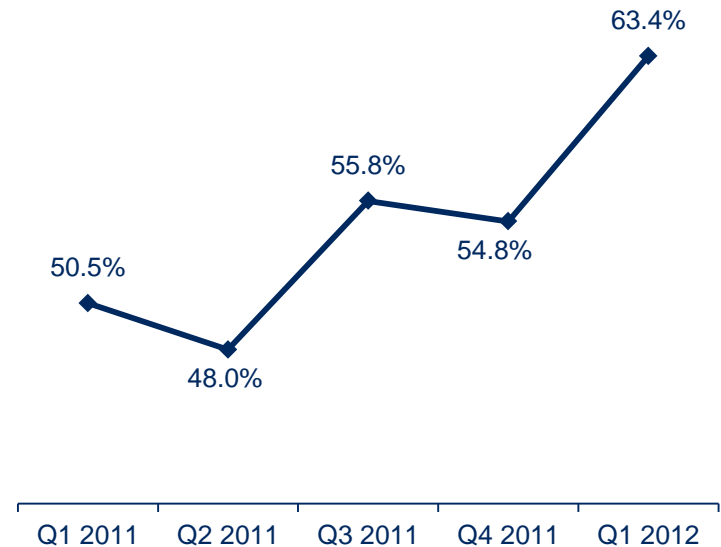


## Section 2. EBITDA Reconciliation<sup>(1)</sup>

### EBITDA Reconciliation<sup>(1)</sup>



### Improved EBITDA margin



- Primary driver of EBITDA growth was recovery of grain handling after removal of export ban
- Bunkering, joint venture both made positive contributions to YoY EBITDA growth
- Successful cost management (see previous slide) also had positive EBITDA impact

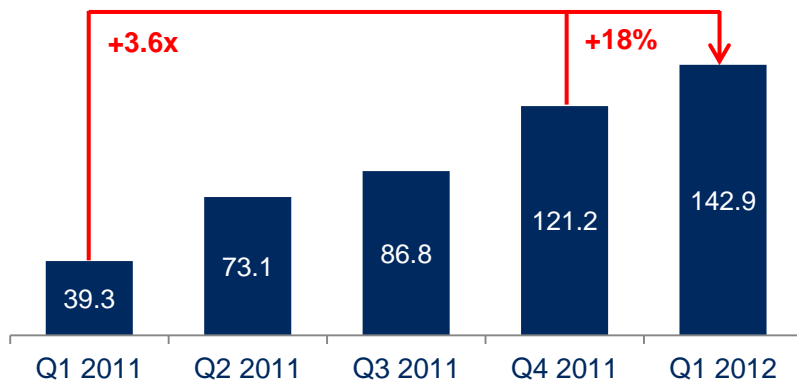
1. Based on management accounts  
 2. Net of bunkering and grain export ban effect



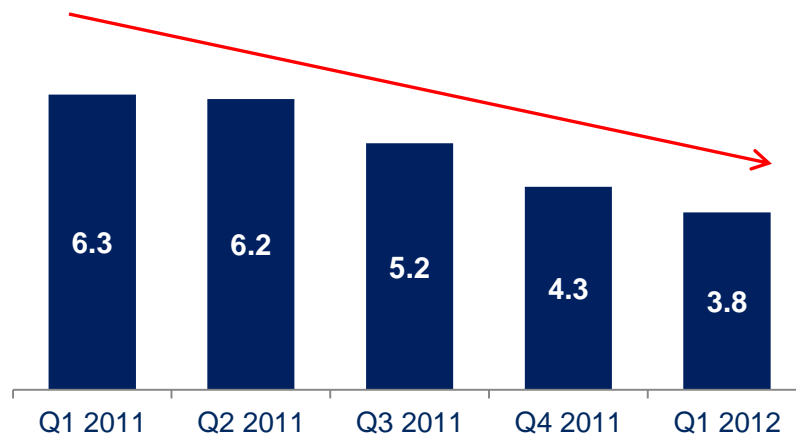


## Section 2. Improving Cash Flow Generation and Gradual Decrease in Leverage

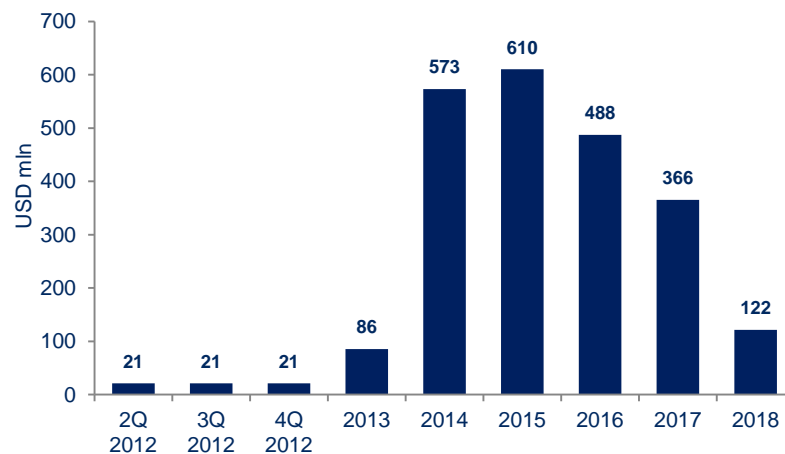
### Net cash generated by operating activities, USD mln



### Net Debt/LTM EBITDA



### Debt repayment schedule<sup>(1)</sup>, US\$m



- Operating cash flow in Q1 2012 increased by 18% vs Q4 2011 and by 3.6 times vs Q1 2011
- Free Cash Flow of \$133 mln in Q1 2012
- Strong cash flow generation allowed the Group to decrease net debt by \$99mln during the first quarter
- Group's leverage gradually decreasing, with net debt/LTM EBITDA as of 31 March 2012 at 3.8x, from 4.3x as of 31 December 2011 and 6.3x as of 31 March 2011



## Appendix. Positive statistics

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Change Q1 2012 vs Q1 2011, ths tonnes	Change Q1 2012 vs Q1 2011, %
<b>Cargo turnover, total, ths tonnes</b>	<b>37,245</b>	<b>39,574</b>	<b>40,415</b>	<b>39,753</b>	<b>41,114</b>	<b>3,869</b>	<b>10.4%</b>
<b>Liquid cargo, total</b>	<b>31,894</b>	<b>32,969</b>	<b>32,762</b>	<b>32,822</b>	<b>33,714</b>	<b>1,820</b>	<b>5.7%</b>
Crude oil	27,082	28,653	28,551	29,108	28,483	1,402	5.2%
<i>Crude oil, NCSP</i>	10,865	9,899	11,538	10,965	10,540	(326)	(3.0%)
<i>Crude oil, PTP</i>	16,216	18,755	17,013	18,142	17,944	1,727	10.7%
Oil products	4,737	4,168	4,092	3,520	5,017	280	5.9%
<i>Oil products, NCSP</i>	3,269	2,655	2,854	2,741	3,243	(26)	(0.8%)
<i>Oil products, PTP</i>	1,468	1,513	1,238	779	1,775	306	20.9%
UAN	75	145	111	101	61	(15)	(19.7%)
Seed oils	0	3	8	93	153	153	-
<b>Bulk cargo, total</b>	<b>1,856</b>	<b>2,653</b>	<b>4,419</b>	<b>3,652</b>	<b>3,371</b>	<b>1,515</b>	<b>81.6%</b>
Grain	68	17	2,956	2,735	2,294	2,226	-
Mineral fertilizers	603	560	561	365	341	(261)	(43.4%)
Sugar	346	892	232	111	110	(237)	(68.3%)
Iron ore and ore concentrate	812	1,143	572	380	565	(247)	(30.5%)
Scrap metal	24	18	22	16	9	(15)	(64.0%)
Cement	3	24	77	46	53	50	-
<b>General cargo, total</b>	<b>2,252</b>	<b>2,628</b>	<b>2,120</b>	<b>2,030</b>	<b>2,803</b>	<b>551</b>	<b>24.5%</b>
Ferrous metals	1,729	2,010	1,665	1,452	2,293	564	32.6%
Timber	141	169	121	172	153	13	9.2%
Non-ferrous metals	295	285	267	259	284	(11)	(3.6%)
Perishable cargo	77	146	37	94	38	(39)	(50.7%)
Other	11	20	30	53	35	23	203.1%
<b>Containers</b>	<b>1,244</b>	<b>1,323</b>	<b>1,113</b>	<b>1,249</b>	<b>1,227</b>	<b>(16)</b>	<b>(1.3%)</b>
Containers	1,244	1,323	1,113	1,249	1,227	(16)	(1.3%)
<i>Containers, Novorossyisk</i>	1,038	1,113	892	1,053	1,011	(27)	(2.6%)
<i>Containers, BSK</i>	206	211	222	197	216	10	5.0%
Containers, ths TEU	153	161	134	150	149	(4)	(2.5%)
<i>Containers, Novorossyisk, ths TEU</i>	107	120	96	113	109	2	2.1%
<i>Containers, BSK, ths TEU</i>	46	41	38	37	40	(6)	(13.2%)

## Thank you for your attention!

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