

**NCSP Conference Call
Strategy Presentation**

Tues, 13th March 2012

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Chaired by:

- Marat M. Shaydaev, first Deputy CEO
- Rado Antolovic, Deputy CEO for Marketing and Sales
- Andrei Bubnov, Deputy CEO for finance and economy
- Mikhail Sidorov, Deputy CEO for Public Relations

Andrei Bubnov

Good afternoon to everyone and thanks for coming. We have been speaking to each and every one of you a lot lately and in our discussions we have been mentioning our master plan, which is a complex document designed to consolidate our strategy, our capital expenditure programme, our efficiency incentives, our functional policies etc. It took us almost a year to complete it and it continues to be a live document that we are constantly upgrading. The document that you see is the second iteration and we are presenting a condensed version for you to analyse and this is why we gathered all of you today. First of all allow me to present the new management team which has not presented itself yet as one single unit, but this is the first time it is going to happen today.

So let me introduce the key presenters today. On my left, Rado Antolovic, Deputy CEO for Sales and Marketing of NCSP, Marat Shaydaev, First Deputy CEO of NCSP and Chairman of the Board of PTP and Mikhail Sidorov, Deputy CEO for PR. And then we have the whole management team in this room. We have Ruslan Nikitin, our Commercial Director. We have Peter Maximov, Head of Legal. We have Mikhal Stepanko head of HR, so in case there are any specific questions with regards to their areas of responsibility they will be more than pleased to answer your questions. So this is the first time we are presenting first of all ourselves as a team and our strategy and master plan with regards to what we are going to do with the company going forward. So with that said, I am passing the floor to Rado Antolovic who has been the master mind behind this document who is our visionary for the development of the Group, who is going to take you through the key milestones of the presentation. And then we will pass the floor onto Q&A.

Rado Antolovic

Thank you, Andrei. Ladies and gentlemen this is a real pleasure to see you. I will go straight to the point. I will drive you through the presentation. All of you have received this condensed version of the master plan, but before I start I would like to highlight two points. One, we are here on behalf of Novorossiysk Commercial Sea Port, we are the management of Novorossiysk Commercial Sea Port and represent all the shareholders. Secondly in respect to our team I am very proud to be a part of it.

This is a team selected by both Russian and international knowledge and experience. This senior management worked for very top level companies which are proven in the market. Myself, I come from the industry of logistics and ports, I was a senior executive with DP World, I was a senior executive with P&O Ports etc. And again I am very proud to be part of this team.

Let me start with the master plan. It is very important to understand how we built this master plan and as Andrei rightly says, the master plan is a living organism, it is a document, it is an action plan which we are already starting to implement and are almost at the end of the first phase. The master plan was built by internal resources, by top level experts in Russia, with the use of official data which we collected in Russia, and we also engaged specialists, both Russian and global, in this respect: Drewry, McKinsey, Boston Consulting Group and many others. We went further. We didn't stop on the analytical approach on this. We went to our potential and existing clients and we went even further, we went to their clients, to understand how and where we will be in 2020 and why? What these clients are looking for and what we need to do to deliver the highest level of services to ensure continuation of our growth, to make sure that we are competitive vis a vis our existing and yet to become competitors. We are also analysing details together with parties like RZD to understand the development of infrastructure before we come to certain conclusions and certain final plans for investment.

But first of all our main aim, objectives of our management team of this company is to become a leader in logistic services in Russia and expand and show our global clients and Russian exporters or importers and also global clients that we do deliver top level services. We are already number three in Europe and number one in Russia, our aim is to go higher. We believe that in a year or maybe even this year we could assume the number two position in Europe. Of course this is a sign of our strength in terms of volumes. But saying that is not enough. We certainly need to look into the level of services, to increase the level of services and when we talk about services we mention management but we need to take care of our labour force. The labour force needs to be properly guided, properly trained. We need to look into succession. We need to look to train them in new technologies, educate them in ecological issues and safety. Going further, when we talk about new technologies, don't get me wrong, a lot of our facilities are already state of the art facilities. An example is Novorossiysk Mazutny Terminal which is coming online as we are speaking; an example is Primorskiy port, PTP, a very high level of technology and other terminals. But we see the need to improve our—not only infrastructure or superstructure, but also the processes, very important to make sure that our processes are in line with what is the best practice today globally and continue to improve. Not an easy task, however, a task which we put on board and we are already moving forward.

Last but not least, we are talking about IT technology. On behalf of our IT top expert which we just recently engaged, he is well known in Russia and we are already working on the technical audit with a view to consolidate our IT platform. Looking into the systems whereby we can have own real time data to make right decisions in the right moment where and how to load, how and where to allocate resources and also plan in advance. This is very important. Last, but not least, we are only a piece of the logistics chain. Therefore we need to work very closely with our clients, freight forwarders, authorities like RZD (Russian Railways) which I mentioned, customs. We also need to work with railcar operators and so on.

So without repeating myself, the objectives which I am highlighting to you in a summarised way are the following: Firstly, a part which perhaps has not been cleanly projected to you or to the market is that we are ensuring equal access to our facilities to all clients. Is this an empty word? Let me highlight - 1,300 different clients. We have a lot of requests for new cargo. We are obviously optimising that to our best abilities, but we are open to any client. In line of competitive tariffs, again you know that our tariffs are guided by FST (Federal Tariff Service).

What we are doing now, we are increasing efficiency of existing assets. What does it mean? In the presentation you will see that we have engaged McKinsey. We believe that McKinsey can be very efficient, but the problem with any expert is that you know what you want, that you know the business, but you need somebody to give you an input in some specifics. We find our relation with them very professional and very resourceful. We engaged experts who are managing global ports, who are managing Russian ports, who are successful in delivering real business results. Today we have implemented 28 initiatives for logistic processes and improvements of our efficiencies. Let me name you a few. One, if yesterday on a container terminal our rate was 18 moves an hour, today we are averaging over 22. Not much it seems but believe us for clients that is very important. We are over the standard in Russia today.

Let me give you another example. If on this particular part of land, yard we could handle 5,000 tonnes, today we can handle 7,000. On average we see the increase of services and reduction of cost of up to 14%. This is only the first stage - what immediately can be done. This involved human resources, this involved processes, this is what a very detailed analysis of processes from A to Z can yield. We are progressively implementing best practices. We are already moving forward to the next stage. We have three parts short term which I just mentioned. We have a medium and long term strategy. We believe that 2011-2012 is short-term, 2012 to 2015 is the medium term, which we are already executing certain elements of. And of course the long term - until 2020. For the third time I say that the master plan is a living organism and we need to adjust it as we move forward.

This is about the plans. I already told you what we are doing in the first stage? What are we doing in the second stage? We need - we already have understanding - to invest in new technologies and equipment which needs to be replaced. A lot of our equipment is at a certain age where investment and replacement is required. But the good part of it is that we are not going to change five cranes for five cranes, we are going to change five cranes for maybe two cranes. Much more efficient, much more multipurpose and we are going to change the processes. These new cranes which are going to work in the central pier or western pier or eastern pier, can be moved to any other position, location in line with our development in years to come.

The third stage - the longer term development plan - we need to invest in new facilities. When I mention new facilities I am not suggesting geographical expansion. I am suggesting existing locations whereby facilities need to be improved either to handle present cargo or to handle more efficiently cargo which is presently handled in a certain modus operandi which is not the best and not competitive. I have a few comments to make here. For example: investment in container terminal NLE which already exists in the form of a business plan and waiting to be delivered to the Board. NLE stands for Novorossiysk LesExport. This is a terminal in the western part of the port. Today we are

already handling containers and rather efficiently for the equipment that we have together with timber products.

We have a plan to increase the facility capacity from 270,000 TEUs to around 500,000 TEUs at present dwelltime with capacity to increase subject to reduction in dwelltime. This is a change versus the previous plans for container development in Novorossiysk. The previous plan was put on hold for now but all the accumulated research and works done to date will be used within the framework of the new development concept. More importantly we are not going to invest in any new facility unless we have the third part covered. And what is the third part? Unless we have the client—at least letter of intent and a long term agreement. I am proud to say that this terminal has huge demand by the top shipping lines. And why we have huge demand by the top shipping lines, because they would like to start direct services from Asia to us. And we realistically see these volumes handled by us. Once the NLE capacity is utilised at a minimum of 75% we are looking to move to the next stage that is the Novorossiysk Commercial Sea Port (NMTP terminal) number 10 on page 34. So this is the facility we see today, we could develop into a modern container terminal from today's 170,000 TEUs to 700,000 TEUs. So between NLE and NMTP we will be able to handle over 1.2 million TEUs subject to dwelltime. Why I am talking first containers, which is obvious to everybody, containerization in Russia is at a rather low stage. The future is clear.

Let me rephrase. During the global crisis of 2008-2009 which also hit Russia containers dropped dramatically. However in less than a year and a half the container volumes were back at the same level as they were prior to the crisis. And today the volumes are already much higher. The average growth from 2000 in Russia is over 15% including the crisis years. We see this as a long term perspective to cargo growth and we believe that investment in container terminals makes full sense and investment into the platform of value added services which means other logistic services supporting the container terminal.

Then as a concept we also plan to invest in a modern iron ore facility. What does it mean? We are not going to pollute the city. We will have an ecologically clean terminal which can load and also discharge bulk cargo, not just iron ore. We could do anything, we could we could do fertilisers or even coal. This equipment exists globally. This is our next stage. We are confident because we have support from a very important client which is continuously reminding us that we should develop because this cargo is available in the market and is today mostly moved via Ukraine. Plus we see that we can deepen the water level alongside berths to handle vessels up to 100,000 deadweight. We have further plans to look into some pockets of land in the port which could be used to support existing facilities. You probably read in the newspapers yesterday about Novoship - this is exactly what we mean. This situation is in a discussion stage. We haven't signed anything binding. In parallel, you may ask me a question what am I going to do with the cargo which is like non-ferrous metals, metals, timber products, general cargo, fertilisers, where are you going to drop it? We will in parallel develop the shipyard facility together with the eastern part of the Novorossiysk Commercial Sea Port whereby we can efficiently handle with the new technology the existing volumes and even more.

I gave you a picture of developing Novorossiysk but certainly I haven't much told you about Primorsk and Kaliningrad. Kaliningrad, we inherited from previous shareholders a rather good plan to develop. We continue to develop as demand on the market progresses.

Today the terminal can handle 200,000 TEUs. Should the market demand more, we will progress. We have a project continuing as market demand is developing. Primorsk, we have only a conceptual plan. Please, I want to make it very clear, we have the land which we partly own, whereby we can not only increase the capacity to handle oil and oil products but also look into developing a fertiliser terminal, iron ore terminals, container terminals, all is supported by the clients. The advantage of those terminals or that port is the deepwater access, minus 15 meters plus, so we could handle larger vessels which today are not handled obviously not in St Petersburg, St Petersburg is limited to 12 metres but even Ust-Luga. We, in Russia, need to develop ports whereby we could have direct access. Yes, we know this is ice class, Novorossiysk doesn't need ice class vessels, but this is already highlighted by top global clients and we look forward to it. We are in the first stage. We cannot give you the figures how much this is going to cost, we are analysing the numbers very carefully and they may still change.

Now you heard from us and you will see on page 43, how much money we are going to invest. Or rather we may invest since this is only a concept. Not all of these plans may materialise. But more importantly what this is going to give us. You can see it is about 40 million tonnes plus two million plus TEUs. The TEUs are not included in slide 42 because containers are mostly moved by road to and from the port. Of course the other cargos need to be moved by rail. Now we come to the other critical analysis of the master plan. We are looking toward the development of infrastructure. We took into serious consideration what is already in place, what is the government budget, what is the strategy and plan for RZD. We discussed in details and length and basically—if I go to Novorossiysk first, I can tell you that today we find three critical points there. One point, one direction - is improving efficiency today.

What does it mean? We already demonstrated. We set up a working committee with local rail station so that cargoes can move faster from Krasnodar and to and from our terminals on the rail lines to their final destination and from the exporters to the port. Today the bottleneck is the rail station, a lot of railcars are sitting waiting, so we are now aligning the processes and the results are already showing. If in the past we on average moved around 520- 530 wagons a day we are capable to do that over 600 today in normal weather conditions of course. This is for NMTP alone but for the group in Novorossiysk we used to average 950 wagons but today are able to hand over 1100 wagons. This is one space, so we don't just wait till something happens, we are already moving forward. The second stage is Park B, station B, where the budget is available, the plan is there. The project is moving according to the schedule demonstrated by the second tunnel which was opened last year. This will give us sufficient capacity, I would say to at least year 2014-15. The next issue is the development from Krasnodar and Krymskaya but I don't want to go into great details there. This is also in the plan of the railway and of course this is a critical mass for development of ports of the region. And since the plan is there and this is a part of the long term budget for the government, we believe that this is in interest of the Russian government and this will happen. It is also reflected in our projections and plans.

In respect to Primorsk, yes it is fair to say we don't have railway today but we are moving very strongly with the railways. We are pushing for that to happen. You probably read in the newspapers that we have a hearing with FAS (Federal Antimonopoly Service)). We will receive their decision on the 23rd. Here is our specialist, our legal counsel, he might say two words if he can, but I am sure that legal counsel are not allowed to say much. But Peter perhaps you could say two words about our issue with RZD.

Peter Maximov

I would like not to go into many details. Hearing in FAS is going to take place on the 22nd of March

Rado Antolovic

Thank you very much. This is critical mass development. Today, regardless that we don't have railway, we already implemented our investment in the bunkering facility and we already started to work there. We expect to start receiving rail cargoes already in 2013 reaching up to 12 million by 2014. So this is about infrastructure, I could give you also an analysis on the roads, but I don't believe we have time for that. I would rather move forward and basically highlight what is our strategy in respect to cargo bases. You have heard about containers, you heard about this support of our clients and the market research, you heard about bulk cargos. The third part of our strategy—third cargo base is certainly agro products or in this respect grain, food oils. We see this is a strategic cargo base and demand supports this not just in Russia but globally, so we are developing further in that respect. I am pleased to say to you that existing facility Novorossiysk Zernovoy Terminal (NZT, Novorossiysk Grain Terminal) it has technical declaration to handle around 3.6 million tonnes. Today we can handle six million tonne by internal changes of efficiency processes and some little implementations some technical upgrading. And also it is about how to consolidate cargo shipments in a more efficient productive way.

In respect to the fourth cargo platform, we obviously have enormous facilities to handle oil and oil products and we believe we have a geographic and strategic advantage over our competitors. And though one might say that we don't see the growth in exports of these products, we see—and this is supported by our clients – room for market consolidation that would justify our growth. In that respect we are continuing to move ahead. This is about the cargo base. What else has happened in this year under the new shareholders' restructuring and under new management more importantly? We have today completed reorganisation of our office in Moscow. It is much more lean and mean machine. They are the people who are supporting business units and giving added value on the day to day. A lot of—or most of Vice Presidents are moved into Novorossiysk because we see Novorossiysk is the critical mass to improve our efficiency and the level of services. We see Primorsk and Kaliningrad rather under control so we must move forward in Novorossiysk. We also have changed management on most of our business units and we restructured middle management both on vertical and horizontal scheme to make it more efficient.

What do I mean by efficiency. A few months ago we had five management layers, when the results were either too late or not as good as we were expecting and the feedback was also not what we would like to hear. Today we mostly have two, three layers at most and that is already demonstrating not just an efficient but increase of morale of labour. What we did for the labour—finally after five years, in the beginning of this year we increased the salaries substantially on average between 10% to 30%. This is the first wave. We optimised all administration in a structured, organised way. We look into the processes in detail, not just on the operation and technical process but also IT processes, legal processes, commercial, we set up one commercial department so when we talk to clients

we can talk about this terminal and that terminal and make sense to clients. And we don't fight between ourselves.

We also move forward and listen to our experts, our people on the field. What do you think is that? What can we do better? What is working wrong? And surprisingly enough our labour is very keen to improve, extremely keen. They want to do things better. We cleaned the house also. There are many other things which we are doing. We are finishing in-house technical audit, we know which equipment we need to buy. We are discussing already with the companies that produce this type of equipment. You obviously heard that we had some issues with equipment last year. We looked into it and we have taken all the precautions about it. We are working on the IT audit now and we are working also on the hydro technical and railway audit to understand what needs to be done to improve our existing facility and make sure that if we invest ten dollars here within two years time they are not going to return and say oh this was a mistake, forget about it and change it. So we are really looking long term whatever we do today, is this going to make sense in ten years or 20 or 50. This is focusing on 2011 actually now and 2012 to 2020, but we actually look beyond that.

So this is a nutshell. I don't want to bother you with further details. There are many things which you will see and you will see the results. I am sure you have a lot of questions which are perhaps more oriented on financials. I would like just to end like that. January/February was difficult time in Novorossiysk. We had two typhoon force winds whereby city was paralysed, some people lost lives. We at the terminal didn't suffer any injuries. We didn't suffer any damages to clients' or our facilities. We did not work at some stage on the rail line to ensure that we protected our assets and there was no major damage to our assets. So I am very proud to inform you about that. That was demonstration of good management and good labour skills to protect assets and business.

Regardless this terrible weather in Novorossiysk I am proud to inform you that in the first two months we increased our cargo volumes in total by 15% versus 2011. This is much more than our competitors, other ports in Russia.

I do not want to speculate, but March has been much better in the sense of weather and I am sure that it will be much better in the sense of volumes. But the time will tell us. We have a rather aggressive budget but it is achievable with the team that I am proud to be a part of and even as important the support of our clients where they are committed with contracts, and we are committed by level of service. With this I am done, thank you very much. I am sure this is not the last time you see me and I would like to see you more often with feedback and I give it back to...

Andrei Bubnov

Thank you, Rado. Maybe we should open the floor for questions.

Questions and Answers

Anton Farlenkov – Goldman Sachs

You mentioned that in the first few months turnover substantially increased, what were the main drivers of the substantial increase?

Rado Antolovic

The main drivers for substantial increase was hard work from the commercial department and operations department, signing of contracts in a different format than was done in the past. We invited clients, we looked into their demands, we looked into their global requirements, they looked into their long term contracts, we looked into what we could deliver and we built up on that not only what we could do this year but also next year and in two years time. Most of our major contractors, Metalloinvest or somebody who is exporting big volumes or shipping lines are based on this. We told them what we are going to do, how we are going to develop, we listened to their demands and we are moving together. So we are supported by clients.

Andrei Bubnov

I will add to that answer, three main components; first of all it is PTP, and by the way you have the breakdown of oil transshipment on our website, cargo breakdown including by terminal. So PTP is one contributor and yes there is an effect of low base of 2011 due to bad weather in Primorsk in 2011 but what Rado is referring to is ferrous metals. You also have details in the presentation of marginality of different cargos that we have in Novorossiysk. You will see that ferrous metals are the most marginal cargo for us. If you go into the details of our cargo turnover in the first two months you will see a substantial increase in ferrous metals. That is very important to us and that is what Rado is referring to. Alignment of interests with freight forwarders.

Rado Antolovic

I would say with the exporters rather than freight forwarders.

Andrei Bubnov

Exactly, with cargo exporters - increasing efficiency and everything else that Rado has just mentioned.

Rado Antolovic

An example here, a physical example, we can handle vessels today of 80,000 deadweight, which we were not able to handle in the past. We did adjustments to our facilities, not requiring big investments, we bought one modern crane, worked with Rosmorport to make slightly adjust water depths and cleaned the bottom. We analysed productivities per shift and we signed a new agreement which gives us much more volumes than last year. This is the first stage. We are doing more and that is why I am referring to iron ore facilities. Today this cargo is available it is moving through Ukrainian ports.

Andrei Bubnov

I mentioned actually three contributors. One is PTP, the second is ferrous metals and the third is grain, the absence of grain in 2011.

Rado Antolovic

I agree what Andrei said, but allow me to add. It is easy to say absence of grain but on the other hand 3.6 is the technical capacity of the facility where we are handling six million. If we are able to handle six million and previous team was able to do 5.3 million then this is a testament of some changes in performance without major investment. And also as you know you cannot load grain cargo during bad weather and there were almost 15 days of storm. So this is the contributor but this is also the result of very intense works with grain exporters and even grain importers. We have changed the composition we have changed the way of working on this account. We invited for example importers here to see the facility and to—let's call it to advertise and show them that we are able to do what is good practices in France, Canada, Australia. And last but not least I would like to say that there are also signs of improvement of some of the cargo which is quite surprisingly we are looking to support “skoropost” or perishable goods, we are looking to improve—increase—export of fertilisers which is very much on demand. We are looking also at metals but we look to handle now pipes which are rather hazardous to handle but we look in the new technology, so there is cargo, there is definitely cargo and we just need to adjust our level of services and look to new technologies.

Question

Ivan Kim - Renaissance Capital

You mentioned new iron ore terminal. What is the source of cargo for this terminal.

I will answer in the following way. If we will have this facility today we could handle even today—Ruslan, please correct me—around 12 million. That is what they are exporting. You have figures there? Okay, you can see the iron ore export today in 2010, 22 million, we are going to export this year around four million iron ore, because we don't have facilities specialised for that. We are using old standards and technologies. Most of that is moved either in wagons to China which is very inefficient or going to China through Ukraine. But to my latest understanding, Ruslan, correct me if I am wrong, I think it is about seven, eight million tonnes moving to Ukraine () something like that. And other small ports handling altogether maybe another one million tonnes.

Ivan Kim

And this is mainly Metalloinvest?

Rado Antolovic

Not only Metalloinvest, Metalloinvest is the major one, there are a few others.

Ivan Kim

How competitive are you with Ukraine?

Rado Antolovic

Again, I cannot give you numbers in dollars terms. We are now able to handle 80,000 deadweight vessels. From last year to this year we got additional one million tonne of additional cargo, which means this cargo is coming from Ukraine. If we had the facility today, for example and were able to handle larger vessels we would have been more competitive. That is what we are doing. So today we are already competitive with Ukraine. If we had the modern facility we would be super competitive.

Andrei Bubnov

Maybe we should just add to that first of all on slide 40 you have snapshot of the project basically the extract from the project and where we provide specific details on production for Metalloinvest and how much of that is exported and how much of the export goes to China. The biggest advantage that Ukrainian ports have vis-à-vis Novorossiysk was the ability to load larger deadweight ships. And if you saw the press release that we put up in November, it was the first time in almost 15 or 20 years that we loaded 114,000 deadweight ship and this is a huge event for us because this eliminates the key competitive advantage of the Ukrainian ports vis-à-vis us.

Rado Antolovic

Just to be 100% correct, 114,000 that's the deadweight of the ship, which handled around 80, 85,000 tonnes of cargo, just to let you know. In my previous statements I was referring to amount of cargo the vessel could handle.

Andrei Bubnov

And this is what let us contract larger volumes for this year with Metalloinvest versus 2011. And 2011 we reported 2.9 million tonnes of iron ore. We expect a considerable increase on top of that in 2012.

Question***Tatiana Prokina, INGbank***

What is your outlook for 2012 and what will be the contribution of new projects into long-term turnover outlook?

Andrei Bubnov

Breaking your question into two separate ones, the outlook for the year, the aggressive budget that Rado has mentioned is around 170 million tonnes of cargo versus 157 for 2011. Now the contribution from investment projects that is separate and you have details on that on slide 43, where we see additional capacity. And for instance let's take one, we talked a lot about iron ore, we are saying that a complex—a new iron ore terminal may bring us 12 million tonnes of extra iron ore capacity.

Rado Antolovic

I would like to highlight something very important again. You recall I was stating that our new facilities will be modern technology, will be able to load and discharge a variety of cargoes. So we are transitioning from simple stevedoring businesses to more coordinated, organised sectors of specialised cargo shipment services. In this respect if we refer to the new facility—I call it bulk cargo, not iron ore, this facility firstly will be closed so it will not pollute the city. Secondly it will have machinery which is able to handle very high productivity on larger vessels and will be able also to store these commodities for many vessels to come, but at the same time if tomorrow a crisis comes, iron ore market doesn't buy and exporters don't want to sell it because they are waiting for the right price we can load fertiliser we can load coal. Maybe we can load, it is another issue of licensing and permits, we can discharge some bulk cargo. So this is the kind of facility we envisage and

these facilities do exist in other countries. There are not many, but they exist and they are very, very efficient. We are consolidating but also we are flexible to diversify if needed adjusting to the market. This is a very important statement. All our equipment will be like that. All our investments are like that. Container terminal will have ship to shore cranes and will have mobile cranes. So if the container volumes return to 2009 crisis years, we can move those cranes to handle metals. This is very important to understand. This is our concept. This is how we must manage efficiently in the long term.

Question

Kirrill Kazani, Citigroup.

Can you give us an update on your tariff situation. I remember last year there was talk of increasing your tariffs for oil. It seems like it didn't go through. What is your outlook for this year and the next couple of years?

Marat M. Shaydaev

There are tariff levels which we have in approved NCSP's 2012 budget. Talking about outlook we see two perspectives. Firstly, you know that Mintrans together with Federal Tariff Service are conducting experiment for deregulation of stevedoring activity and such an experiment is very successful in Saint-Petersburg' Port. There is an idea supported by both Mintrans and FST to expand this experiment to Novorossiysk Sea Port. And if all these efforts lead to a uniform denominator there is a high degree of probability that all NCSP activity in Novorossiysk will be deregulated. What does it mean? It means that there will be some kind of a tariff limit which might be increased by NCSP with justification of such step afterwards. This is the first stage which I consider to be very promising.

Secondly, we've applied to FST for tariff increase for light oil products in Primorsk to market level and for oil handling in Novorossiysk. With all the other tariffs we are closer to the upper border of the tariff limit and we are generally ok with it and consider tariffs to be consistent with the market.

Rado Antolovic

I would like to add. In 2011 we had very intense efforts in firstly analysing where we are in the market and then increasing the tariffs to maximum or close to maximum of FST. Of course this is a long process and basically we succeeded that this year contracts there is hardly a cargo item where we did not increase the tariffs. And of course this is a difficult thing, but we convinced our clients. Increasing tariffs just for the sake of increasing is efficient only in the short term. We gave the clients additional increased level of services. This is very important so they win and we win. And that is how we are going to work in the future as we continue to work.

Question

Nadezhda Timokhova, J.P.Morgan

I have a question about container volumes outlook. We've seen a decline in container handling volumes in Baltiysk. Could you please comment on that.

Rado Antolovic

Yes, okay, I can give you a very straight answer actually. The two segments; one the inter seasonal changes for the first two months because as you know most of containers in our Baltic terminal are spare parts for car assembly plants. There have been changes of certain import models and this has affected us in some extent. This is one. However, we are already on line with a new client, I cannot disclose the name because we are at the end of negotiations. We are looking into it and saying to ourselves that we should not have exposure only to spare parts because this is the first thing that will go down in the event of a crisis. We must get some general cargo into these containers and this is what we are doing. If we look into our budget we are slightly behind. Thirdly we also look and we have some request from clients to work some project cargo. Project cargo is construction materials and other general cargo we could handle. We have a good facility there and we are negotiating to compensate for the fallback in containers. This is really a seasonal trend in cars but we are not waiting, we are moving actively to get some other business there.

Our budget is slightly higher than the previous year and we don't see reasons for it to be below our projections. However we are investing in accordance to the market demand.

Nadezhda Timokhova, J.P.Morgan

Also I have a question on NCSP groups oil transshipment plans and how outlook for oil might be influenced with Ust-Luga port coming on stream.

Rado Antolovic

I will pass the question to Marat, he is going to explain that very well.

Marat M. Shaydaev

We all know the situation with Ust-Luga. We know that it is expected to be launched later this year. Yes, one can suggest, and we see it in our plans, that there may be certain decrease in oil handling volumes in Primorsk. But when we drafted our outlook in the past we had solid reasons to believe that oil products coming to Primorsk by rail will allow us to compensate such a decrease. But I don't think that this decrease will be sizable.

You all know the situation with the railroad in Primorsk.

Andrei Bubnov

If I may add to that answer, first of all we are functioning based on the budget and we receive the inputs for the budget, for transshipment of oil directly from Transneft plus we cross check these inputs with cargo exporters directly and so far we have not seen a projected reduction in 2012 of volumes in Primorsk and that is one thing. And second important thing to note is as you know we started renting two berths for transshipment of diesel. We have been saying that we were expecting it to increase diesel volumes and this is exactly what we are seeing today, if you see December through February numbers for transshipment of diesel they are more than healthy and very close to where we expected them to be when we launched these operations early in 2011. So increase in oil products transshipment goes on top of crude oil volumes and so far Primorsk is operating very good.

Nadezhda Timokhova, J.P.Morgan

Are you talking about diesel in Primorsk?

Andrei Bubnov

Correct, light products coming by pipe.

Nadezhda Timokhova, J.P.Morgan

And also you launch new terminal in Novorossiysk

Andrei Bubnov

Correct. Well it is being launched as we speak. It has been running in test mode from the beginning of the year.

Rado Antolovic

The licenses are due in the next few days, the official licenses so we can operate, as Andrei rightly says it have been running in test mode to date. Everything is functioning well and we see it happen in a matter of a few days in accordance with our budget.

Nadezhda Timokhova, J.P.Morgan

So, will we see new volumes in April?

Rado Antolovich

Early April. We are already running in test mode.

Nadezhda Timokhova, J.P.Morgan

What is your outlook for oil transshipment both in Primorsk and Novorossiysk?

Marat M. Shaydaev

It depends on transshipment directions chosen by oil companies with respect to Transneft's technical abilities. Relation of Transneft to NCSP is not a secret for anyone therefore the presence of such shareholder as Transneft in our share capital gives as solid grounds to believe than any potential decrease in NCSP oil handling volumes is not going to be sizeable. Also you know that oil products pipeline from Kirishi to Saint-Petersburg was closed recently by Rostekhnadzor and diesel volumes from that pipeline were redirected to Primorsk

Also we know that there are no limits for vessel size in Primorsk and by depth.

Rado Antolovic

This is very important, a big advantage, there is no other port in Russia which can handle the size of vessels basically 200,000 deadweight vessels which are one of the top classes, actually the max class which can go through the straits in the Baltic. Ust-Luga cannot handle this kinds of vessels, but this is required for the Russian market. Now what I would like to add to what Marat is very technically, clearly explaining is that once the rail comes on line we will have further growth prospects in Primorsk.

Question

Konstantin Yuminov, Raiffeisenbank

What are your expectations in terms of 2011 and 2012 financial result?

Andrei Bubnov

We are almost a month away from disclosing our 2011 financials, it would not be appropriate to disclose them now. But we will disclose 2012 guidance and this is our budget of 170 million tonnes, if executed would give us \$1.2-\$1.3 billion of revenue, which will lead to 620-640-ish million of EBITDA for 2012. Repeating again that this is our budget. I must also tell you that we had a similar session today with journalists. You probably have seen already messages in the press. We have also provided guidance on 2012 CAPEX and dividends. For CAPEX it is roughly \$200 million both for investment projects and maintenance part of which may fall into opex.

Rado Antolovic

If you look on slide 43 you can see the start of the NLE project and you can see its target completion date. This is yet to be approved though but this is our plan as of now. You can see Primorsk doesn't have any capex guidance. If you look at what else is happening in 2012, modernisation of the grain terminal. At the moment this project is on hold until after completion of the technical audit. Everything else that Andrei is talking about is here.

Andrey Bubnov

I was referring to 2012 numbers and we have provided guidance on dividends, again this is a budgeted number so subject to confirmation by the management's suggestion to the board, the board confirming and suggesting to the shareholders. So we have budgeted a slight increase over last year, in the 440-450 million roubles area.

Rado Antolovich

It might not sound much, but we will recommend it to the shareholders. This is the time to increase our efficiency and to perform activities which are very much necessary to sustain existing clients, to secure new clients and to grow and we expect to deliver much better dividends and return on investment in years to come. We believe that is the right approach.

Question

Irina Stoupachenko, Otkrytie

Is there plan to change dividend policy?

Andrei Bubnov

Yes. This is a very good question and the management does realise that the current dividend policy lacks sufficient detail. Any company which respects highest standards of disclosure and corporate governance must adopt a proper dividend policy. At present we do not have any links to minimum absolute numbers or links to net income, but this in the making. So we will be announcing changes to our dividend policy.

Question

Nikita Melnikov, Aton

First of all I would like to thank management for this presentation and all recent improvements in transparency and disclosure. My question relates to plan of construction Taman port....

Rado Antolovic

I will answer this if you allow me. First of all if we were to present the entire Master Plan, you would see a 480 or 490 page document which together with attachments gets you to 600 pages. And that would be disclosing everything. In our presentation we provide summary analysis for the development of demand. I can make a statement that I believe such facilities as Novorossiysk are required for any country, but I personally do not see real sense to invest money in a new facility which has limitations, quite substantial limitations. But regardless of that, we took that into consideration, we know what we need to do to execute our plans which have been tabled today and if we do these things right, we are confident that we will have—we will continue to grow in the way as we projected today.

Demand for services is better positioned with facilities that have everything right. But I am not here to talk on behalf of potential investors in new facilities. I believe if such investors see that we are growing and we are delivering the services as is the case today, they will come to us.

You may have read recently in newspapers about Port of Rotterdam, which had been approached by the government to be a consultant to this Port in Taman and they have officially stated that they don't want to be part of it. I don't want to say more. But again, there are interests—people obviously want to grow cargo volumes so that is a good sign for us. We see that is a good sign from cargo exporters. We just need to be on top. Water depth of eight meters, ladies and gentlemen, do you know how much you need to spend to dredge one cubic metre and the potential ecologic damage? To build a jetty of two kilometres, it is not only going to cost you an arm and a leg, it is going to slow down your loading processes. I don't want to say more. I am stopping here. We have big water depth, we have existing infrastructure, we just need to continue what we are doing in light of this master plan, adjusting according to the need. We have azimuth, a very clear focus, , and we also have something which people tend to forget, the most important thing is labour force. We have labour force, we need to continue developing labour force and which we are doing. We set up our training facilities in Novorossiysk to train our people and we are looking to actually purchase simulation systems to train these people on the new equipment and we are working closely with several producers of this new equipment. This is very important. You cannot just plan some asset where there is no labour force. You need 10,000 people to support this infrastructure. This is the problem today in Ust-Luga, as well? So this is my comment.

Question

I have question which relates to plans of privatisation of 20% in NCSP. Does your current shareholder have plans to acquire this stake?

Rado Antolovich

We hear these questions quite often. Look it is very simple, we are here to represent all shareholders, including Rosimuschestvo, including RZD, we are here in the name of all the shareholders. So whatever will happen in the future we don't want to speculate. Our task as management is to make this company highly efficient and that is what we are doing for the shareholders. So really this is speculation which can turn this way or that way. I think you people are so smart and intelligent and you know the rules and the legislation and the right of the public companies and all these things, so I think this is something

which maybe you should direct to shareholders not to the management of Novorossiysk Commercial Sea Port

So, what is your best guess on timing?

Rado Antolovic

We need to wait to see what happens

Question

Anton Farlenkov – Goldman Sachs

I have two questions, one to Rado. Rado, you are stating a \$900 per TEU on NLE project

Rado Antolovic

No we are not. Now I am going to demonstrate to you that we are not. Very simple! Ladies and gentlemen, I have a facility which today is working and tomorrow is going to die. In five years time this facility is not going to be able to handle that volume we handle today for two reasons. Because the infrastructure is not going to sustain it. And the third reason actually it is the client that is not going to call, us because the demand is for a direct caller from Asia. Transshipment is not economically efficient with shipping lines. You all know that the shipping lines are bleeding and only the big are surviving. We must have a direct caller in overseas to be competitive. That is my first answer. Second question, what I am trying to say is that we are moving away from the the semi-container terminal that we have today towards developing a super or rather say a dedicated modern container terminal facility of 500,000 TEUs. Yes, you might say but this is only extra 240. Now I am going to say to you, in our strategy it is 500,000 but at the same time we are saying this is a modern container terminal and we believe storage time is not going to be 11 days because something which is already 7.5 or eight, so if you go down to eight our capacity increases to 700,000 TEU.

How much are you going to pay for that?

Rado Antolovich

I believe that you should have 200 million which translates into roughly \$400 per teu.

Andrei Bubnov

Let me clarify that just to make it 100% clear. What we are trying to say is that we are not taking the NLE terminal from 270 to 500, we are taking it from zero to 500 because we are constructing a brand new dedicated container terminal with headroom for further increases. We are creating a dedicated terminal, modern container terminal as opposed to the existing facility that we have.

You are shutting down existing facilities?

Rado Antolovic

No, we are not shutting down. We will continue. Look what has happened. Cranes, mobile cranes will be out to scrap in three years time. We need to replace them. Okay? So to handle larger vessels and we must have larger vessels, on the quay we need to

dredge we need to strengthen the quay-side. To handle the new RTGs back to back which can handle one over four, one over five, we need to strengthen the surface. Some RTGs age is around ten years. In three years time we will run out, so we need to already now put money into the ground.

Okay, what is expected IRR of this project?

Rado Antolovich

I can tell you straight away we have payback period of seven years from the date of investment.

Question

Maria Kalvarskaya, TKBcapital

If we will approximate January-February 2012 turnover numbers to the whole year we will see stronger numbers than you've provided as 2012 guidance

Rado Antolovic

Well you know I am like that. Okay, our business is not about running 100 metres, it is running a marathon. Okay, it is a long term investment. This is what I actually didn't state today. This is our strategy, a long term sustainable investment. But I do believe the year has 12 months and I do believe in the first two months it is a bit of one leg man yes you have weather conditions, you have this, you have that. Considering the terrible weather conditions, considering the result, 15% more than last year this time when the weather conditions are bad I am pleased to see this result. Now, have I won the fight with Tyson? No, I have still ten rounds to go. So we are cautiously positive, we are working even harder than we worked, we are in continuous contact with clients, we are continuously looking at how demand for some new cargo is developing.. Interesting. And we are working closely with railways and Transneft and their clients. I just disclosed to you what we are doing in Baltic, Kaliningrad and you know it is about continuously delivering. I believe our budget is stretched. I believe our budget is achievable.

You heard the volumes which we are considering for our budget, so we believe in let's call it zero budget and we believe it to be realistic.

Andrei Bubnov

Aggressive but achievable.

Rado Antolovic

Yes, aggressive but achievable and I forgot to say one very important, all the management—and not just the senior management, also middle management and soon each and every employee of our company will be on KPI. If I am a crane driver, my KPI is how much I deliver. Now, but I am going to break the crane. No, no you are not going to break the crane or breach safety rules, that is also your KPI and everybody already agreed. We already spoke to unions. Mikhail, correct?

Mikhail Sidorov

Yes.

Rado Antolovich

And this is the next move. We agreed to middle management this is the next move and, believe me, it is workable.

Question

Is there any stock option plan for the management?

Rado Antolovic

I think we need to look into our governance, we need to look into corporate policies and maybe at a later stage this might be a topic. But I cannot answer this, this is for shareholders to decide. We can suggest to our shareholders certainly. Thank you very much for the suggestion by the way.

Andrey Bubnov

These are performance based KPIs as Rado mentioned

Rado Antolovic

Yes. It is not secret. Our performance based KPI, 50% is EBITDA. The other 50% is individual based on what activity we do, I as VP commercial and development, obviously have commercial and development KPI. It is very easy to measure, very transparent and very objective.

Question

What is your strategy on treasury shares?

Andrey Bubnov

Obviously we cannot commit to anything. We converted them into GDR that is to convert them into a more liquid instrument in order to be able to sell it as soon as the market conditions are right. So we are sitting and waiting. The GDR form allows us to keep them on our balance sheet indefinitely so it gives us this flexibility. They are not budgeted for this year, but we have the option to sell them.

So, you don't have to cancel them right?

Andrey Bubnov

No, no. We converted them into GDR in order not to cancel them.

Rado Antolovich

I mean it is a logic approach, yes, it is the right approach.

Andrei Bubnov

It is an extra source of liquidity for us. If shareholders decide they can use this for management incentive programme. We see that the share price performance right now has nothing to do with operating and financial performance of the company. And therefore selling the shares at today's price means giving away value. This is an asset that we have.

Question

Anton Farlenkov – Goldman Sachs

Mr Shaydaev, how do you, as a former Summa Group manager, see the future interaction of Summa and NCSP with regards to other Summa's projects in ports industry. Do you think other Summa's projects at a later stage will be gathered under NCSP umbrella?

Marat M. Shaydaev

First of all you are absolutely right saying that I am a former Summa Group manager. Today I am representing interests of NCSP, and all of NCSP's shareholders from minority shareholder in Novorossiysk to majority shareholders. With regards to Summa Group's projects this question should be addressed to Summa Group. We have not received any proposals from them, but if we ever do, they will go through our standard procedures in compliance with best corporate governance principles.