

Monday 16th April 2012

14:00 Hrs UK time

Chaired by:

Rado Antolovic, Acting CEO

Andrei Bubnov, Deputy CEO for Finance and Economy

Andrei Bubnov

Ladies and gentlemen, good afternoon!

Thanks to all for finding the time to join us today. We released our IFRS 2011 results today. We also released PTP standalone results which you can find on PTP's website. Today in this room we have Mr Rado Antolovic who has been recently unanimously appointed as acting CEO, myself, Andrei Bubnov, Deputy CEO for Finance and Economy and Michael Grigoriev, Head of IR. It has already become a tradition that we provide separate commentaries in the webcast. I hope you all have it in front of you because we will use it today as the base for our discussion. So, let's cut the introduction, let's move directly into the presentation slide two.

Obviously you have the benefit of seeing Q1 operational results, but for comparison reasons, we are referencing full year operational results and we are repeating again that total cargo turnover increased by 2.3% to 157 million tonnes for the year. This compares favourably against the industry average which was 1.8% for the year. We are highlighting again that as soon as the grain export ban was lifted, we posted record monthly volumes which resulted in an increase of 0.3% year on year of grain turnover, despite the fact that the grain export ban lasted for six months in 2011 versus four and a half months in 2010.

We saw stable volumes in our key cargo - oil. We posted a 0.4% contraction despite the fact that overall, the Russian Sea Ports crude oil handling dropped by 7.8% over the same period. We saw good growth in containers. We saw good growth in oil products, iron ore and mineral fertilisers and perishable cargos. We saw reduction in ferrous metals and timber which both were under pressure due to global market turmoil, but that's not a surprise for anyone because that's been a trend throughout the year.

Going to financials, you saw 2011 revenue of 1 billion and 50 million dollars which represented 65.2% increase versus 2010. Obviously the comparison versus 2010 means little because we did not provide pro forma for PTP consolidation in 2010, but we give sufficient detail in these supplementary materials for you to make the proper conclusions and the proper analysis for comparison purposes.

We saw cost of services growth of only 8% adjusted for PTP consolidation, bunkering and for various provisions and we are proud of this result because this is generally in line with inflation and we saw two consecutive quarters of decreasing costs in absolute terms. Again, we are proud of this because we believe this is the result of various management incentives on operational control and operational effectiveness.

We saw 2011 EBITDA of 550 million representing a 32.3% increase versus 2010. EBITDA marginality increased in the second half of '11 to average 52.4% for the year.

Our net income was impacted by one-off items of revaluation of our US dollar denominated liabilities so we don't think that it's an appropriate line item to measure our operating performance. We also saw a gradual decrease in leverage due to healthy EBITDA and cash flow generation as well as timely repayment of our debt as per the schedule and we saw the net debt to EBITDA drop from 6.3 times as of 31st March 2011 to 4.3 times based on full year end results. Coming back again to operating cash flow of 320 million for the year which represents a 3.4% year on year growth and we posted 3 consecutive quarters of increasing operating cash flow throughout the year.

These are the highlights. I'm going to pass the floor to Rado Antolovic who is going to take you through the key operating highlights. Rado, please.

Rado Antolovic

Ladies and gentlemen, good afternoon. I am Rado Antolovic and I believe some or most of you we've met. I would like to drive you through our operating results. Let's start with slide 4, I believe you all have this document.

As rightly Andrei mentioned, our total increase in throughput vis-à-vis 2010 was 2.3% which is over other Russian ports, which posted a 1.8% increase. But it is very important to mention if you see the fourth quarter 2010 and the fourth quarter 2011 the increase of 6.4%. I believe this is a trend which is important to mention. Again, it is worth saying that in the first quarter when the new shareholders took over the company, we had a negative performance of the volumes we shipped 4.1% less versus the Russian market of 1.8%, again starting from that we saw growth every quarter to end up in the fourth quarter with 6.3% growth versus the average of the Russian market of 2.9%. So overall, our performance is not only strong on a year to year basis but it also has a positive trend and as you know, we are continuing with this trend in the first quarter 2012 by our volumes have picked up around 10% versus the same period for 2010.

I will continue on page 5 and will talk about the oil handling market. Again, slight contraction of 0.4% which is actually outperforming all Russian seaports which contracted by 7.8%. Certainly, this is a sign in my view of 2 items; one, that we have strong shareholders supporting us, but also we have a strategic location of high level and sophisticated terminal facilities both in the South of Russia and also in the North, in Primorsk, able to handle vessels of over 150,000 deadweight and able to deliver stable volumes throughout the year. This is very important.

Again, in first quarter 2012, we see a growth rate of 5.2% year to year.

I will now turn to oil products. Here we have an increase from 2010 by 30% but we must see also a trend of fourth quarter '10 versus first quarter '11 and we see the increase of 11.5%. I would like to mention also there was a decrease from third to fourth quarter. This decrease is a product of a few variables: one was limitations of oil products exports from Russia and also the increase of internal consumption in Russia, but also there were some technical issues in diesel pipeline in the North which resulted in decrease of volumes in the fourth quarter. However, if you see the 2012 the positive trend continues and we are inline with our budget.

Moving forward to grain, Andrei mentioned quite well our situation. I would like to highlight that here are the results of management, the facility in Novorossiysk, in particular the Novorossiysk grain terminal which technically is able to handle 3.6 million from previous management they were able to handle 5.4 million a year, we are now exceeding 6 million with very efficient operations and level of services and this trend is continuing in the first quarter of this year. So, there is a very positive trend with respect to grain.

Moving forward to containers, obviously we have outperformed all Russian seaports in growth rates and I would like to mention a very important item here, that we are utilising our facility almost to its capacity. In this respect, we are actively working and we have basically prepared everything to invest as per our long term investment plan in one of our facilities which you will hear about soon, to increase our capacity from today's existing 270,000 TEU's to between 500 thousand TEU's -and 700 thousand TEU's. All depending on the storage time. But I'm confident to say that demand is there and we should see this capacity coming online in stages as demand increases from 2013, 14, 15 onwards. So this is about our container terminal where we obviously came to capacity limits and it's time to invest not only in Baltic, but most importantly in Southern parts of Russia.

Other commodities, iron ore and ore concentrate, we are gaining market share. This is certainly a trend that indicates to us that we must start to seriously consider our investment plan and over the next year, look into investments in a new modern facility.

Timber, difficult but recovering market. Why do I say that? First quarter this year we really see a positive trend. Obviously, the shrinkage of the market complicated by two issues, one is the instability of our main market, which is North Africa. However, if you look at a segment of containerisation we see that before export was mostly empty containers, now export is over 30% loaded boxes of which the majority of commodity is timber. So timber and timber products are now being more and more moved into containers which is actually good because the revenue for loaded box is almost twice higher than for empty boxes. We can use the land which is very, very important for us in NLE terminal for the future development of container facility.

Moving forward, ferrous metals, we are in line of the industry, so obviously ferrous metals were affected by the, let's call it global demand which is not picking up and is kind of fragile, and then nonferrous metals I would say that we have stable volumes, again in line of the global demand. But we see some positive signs in the first quarter.

Then you have table on slide 11, more details, I don't want to drive you through this because I have highlighted major points and obviously you see that our strategy which was released a month ago, is in line with these results in all products, containers, then we have grain or other products and obviously we're looking forward into bulk cargos in particular iron ore and possibly fertilisers and also possibility of medium-or long term coal. I will stop there as I pass to Andrei for financial performance.

Andrei Bubnov

Thank you Rado. On slide 13 you have summary of financial stats. I'm just quickly going to run through them again. 1 billion 50 million dollars of revenue, EBITDA of 550.3 million giving an EBITDA margin of 52.4%. Operating cash flow of 320.3 million

CAPEX of 115.7 million, that's including our share in the financing of the new fuel terminal and net debt as of the end of the period of 2.378 billion dollars. I'm not going to compare with 2010 numbers because as I said, 2010 numbers don't account for PTP.

Now, we go into revenue reconciliation to help you go from 2010 numbers to 2011 and we show that PTP consolidation brought 250 million of revenue. Grain which we continue to show separately in these results because it continued to be a key variable throughout the year and had a major impact on our financials. You see that grain in 2011 brought 10.8 million dollars in addition to the 2010 figure. Minus 5.5 million dollars with changes in stevedoring services represented by changing cargo mix and the effect of lower volumes in certain types of cargo, primarily ferrous metals. And bunkering, we've continued to talk about the market dynamics throughout the year, that's why we split it out to show you separately that bunkering operations brought us an extra 154.2 million dollars in 2011. Everything else contributed 5.1 million of revenue. That's how we come to 1 billion 50 million dollars of revenue.

Moving on to costs, slide 15, again we show the effect of PTP consolidation and its effect on key line items and costs of goods. We are saying that PTP's contribution in costs of goods sold is 88.6 million and 18.4 million in SG&A. All of these numbers are based on management accounts only so you will not find them in the IFRS of NCSP. We are talking separately about bunkering services in order to give you full economics of this business and we are saying that in 2011, we had a revenue from bunkering operations of 218 million which represents an increase of 154.2 million dollars. Obviously it results in a corresponding increase in fuel purchase by 142 million dollars which you see is the largest contributor to the increase of fuel purchases across the group for the year. We also give you the total margin from bunkering operations. It is 17.6 million dollars for the year which is an increase of 12.5 million. We saw that margin increase towards the second half of the year as we have expected it to perform.

Then we separate diesel transshipment because it's another key variable and it's a large item in the increase from 10.7 million of rent payments in 2010 to 66.5 million of rent in 2011. We are showing that the largest contributor of that, i.e. 30.8 million is due to the start of the rent of two berths for transshipment of diesel in Primorsk. Now again we've said that the margin for the diesel transshipment business as a standalone business was relatively low in the first half, in anticipation of increased volumes and volumes is what we saw increase towards December and first quarter of 2012 as the new oil product pipeline came on stream with direction of Primorsk versus the previous direction of the large port of Saint-Petersburg.

Then we're breaking down the personal expenses, we're showing that 58% of the increase in personal costs was attributed to PTP consolidation. The remainder was due to the start of implementation of our social initiatives. We have a target increase of certain salaries in 2011 for production employees and this practice continued in 2012. For those of you who've been following our press releases, it's not new that we increased the average salary for production employees by 18% or 10 to 30% based on the exact job title and again this is relevant only for production employees so for people on the ground.

Then a couple of strong messages we want to deliver is that adjusted for various one off items such as PTP consolidation, bunkering and change in provisions, the cost of services growth in 2011 would have been only 8% which is in line with inflation and this is again

something we're very proud of. And we are also pointing your attention to reserve recovery that took place in 2010. This is 2.8 million that sits in the cost of goods sold and 11.2 million in SG&A which is broken out or explained in further detail in note 7 and note 8 of our IFRS results. We are showing that because when we come to EBITDA reconciliation, we want to make sure that when you compare 2011 versus 2010, you make all the necessary adjustments.

So on slide 16, we give a reconciliation of cost of services for the year, how we go from 242 million for 2010 to 498 million for 2011 and we are saying that 142 million of that is fuel purchases coming from increasing bunkering operations, we're saying 88.6 million coming from PTP consolidation as I already said. Then 2.9 million, that's the share of reserves recovery that falls into cost of goods sold and all the other remaining items represent 20 million dollars of increase in 2011.

And we now approach perhaps the key slide in this presentation 18 we break down in further detail how we go from 416 million EBITDA in 2010 to 550 million EBITDA in 2011 and we show that the reserve recovery which took place in 2011 artificially inflates the comparison base of 2010, that's why when we make the comparisons, we want to adjust for that. Revenue change as I said, minus 1.6 million dollars, this is the effect of lower volumes of cargo or a different mix of cargos that are not listed further on the slide. Cost of sales or increase in cost of sales represented 18 million with a negative effect on EBITDA. Then FX loss that falls into the cost of goods represents 5.1 million dollars. Then I have already mentioned the 12.5 million increase in margin from bunkering operations, 9.2 million of EBITDA from grain and 155.3 million from PTP consolidation.

Another new line item is our share in the net loss of the new fuel terminal. Obviously in 2011 it has not been put on stream yet, put into operation, but it incurs operating expenses, plus there's a large degree of FX losses on the revaluation of dollar denominated liabilities for the debt that was raised on fuel terminal to finance its construction.

So a question, why do we go into such great detail on EBITDA reconciliation? And the answer is so that you come to the same conclusions as we have and the conclusion sits on slide 18 on the left, we're saying that net of PTP and other one-off events such as FX reserve recovery and the JV loss, 2011 EBITDA for the group increased by 0.5%. In other words for the business as if it were in the 2010 perimeter. And you can make all the calculations yourself based on the information that's provided on slide 18. And this EBITDA increase of 0.5% is very important to note that it took place without the increase in tariffs by FST (Federal Tariff Service).

Another very important item to note is the gradual improvement in EBITDA marginality throughout the year. EBITDA of 52.4% on average hides the reduction in Q1 and Q2. We started the year at 50.5% marginality going through a 48% trough in second quarter and recovery to 55.8% in Q3 and 54.8% in Q4. So this healthy improvement in EBITDA generation translates into operating cash flow generation on slide 19. We show 3 consecutive quarters of improving operating cash flow to yield 320 million operating cash flow for the year as a whole, a 40% increase Q4 versus Q3 and 100% plus increase versus fourth quarter of 2010. This allows us to reduce our leverage ratios. If we started the year or Q1 2011 with 6.3 times, we're comparing versus first quarter because that's the first quarter we are consolidating debt that was raised for the acquisition of PTP, plus we're consolidating debt that was acquired together with PTP, and we ended the year at 4.3

times net debt to EBITDA, a very healthy reduction as we think and comfortably within the financial covenants which as you know are set at 4.75 for the 2011 year end as per our Sberbank loan agreement.

So, with that said, I am through the presentation and we are opening the floor for questions.

Questions and Answers

Ivan Kim – Rencap, Moscow

Good afternoon. Two questions please from our side. Can you please update us on the situation with the rail to PTP firstly? And secondly, what was the latest with the tariff increase you asked for? Thank you.

Andrei Bubnov

Our answer to the PTP question, when we met during our master plan presentation, we promised that would be holding the hearing on 23rd, it took place. We got a favourable decision by FAS but it wasn't conclusive. We are having another hearing in Saint-Petersburg tomorrow and our position has not changed. We believe that we have all the commercial grounds to succeed in getting the necessary technical terms for the connection of the rail infrastructure to the main line. So answering your question in short, there has been a first hearing on 23rd March and another one expected to be tomorrow.

On tariffs, Rado do you want to answer that?

Rado Antolovic

Yes, I would like to add on tariffs actually, there are three elements about tariffs, perhaps you are referring to moving out of FST all the documents that we submitted to the authorities. Certainly this is going to take some more time in respect to move from control by Federal Tariff Service to monitoring system which is in place in some other ports in Russia, in particular Saint-Petersburg as a trial and a successful trial. We believe this might happen sometime towards the end of the year. However, we also submitted to Federal Tariff Service tariff to increase some of the tariffs, in particular tariffs related to oil and oil products and some other tariffs where we believe the FST limit is too low. But here is also an important point, it's not just how high the tariffs might be but the flexibility to manoeuvre in order for example if the market shrinks we should be more flexible than we are today to reduce the tariffs, result being then penalized by the tax office. For example today we have certain tariffs in line with FST and if the market is shrinking for metals or any other commodity, and if in response we reduce tariff to secure the volumes, the tax office might require certain explanations and that is a complicated process. Now on the third item about the tariffs, as you know last year we had very intensive work to increase the tariffs to the maximum FST or tariffs which are not under FST like grain, to maximise them. We were successful, but the real results of this hard work are now showing in our first quarter performance and I'm not here to release information, but you will see with time. We have made certain projections in the budget but we are always looking to how competitive the market is and how we can increase level of services and in line with that, adjust our tariffs as much as we can. Thank you.

Ivan Kim – Rencap, Moscow

Okay thank you, just a quick follow up so basically from what I understand, you feel the downward pressure on some of the commodities' tariffs like metals, is that right?

No that's not right. We believe our tariffs are very competitive. What we did in respect to metals, we had successfully for iron ore for example we could successfully improve our performance to the clients. We had some issues with timber separation which were before under scrutiny, to improve the quality of that and better control on discharging the commodity from the rail front, into the yard and better separation in the yard and try to increase the park so the larger vessels can call us which reduce their ocean freight so this is how we tackle this issue.

Okay thank you and just so the 10% tariff increase for oil in that you asked for, you didn't get that yet right?

No, not yet.

Okay thank you.

Elena Sakhnova, VTB Moscow

Good evening gentlemen. Thank you very much for this conference call and presentation. Could you please comment on privatisation of the government's take, I probably understand that you cannot really comment on the government decision which has yet to be taken, but could you please comment on the speculation in today's newspapers that your relationships with your major partner Transneft has suffered somewhat and that you have some disagreements? And could you please also if possible say why do you think, in your opinion, why do you think they have sent this letter to the President which is asking actually to give 20% to another oil company Rosneft?

Rado Antolovic

I will answer, it's very simple and this is very, very important for all of you to hear because we stand behind it 100%. We are here on behalf of all Novorossiysk commercial sea port's shareholders, absolutely all. Our task is to represent all the shareholders, to increase the level of services, to move forward in implementing modern and transparent and high level technology, better governance and really today I can only say it is an issue between the shareholders, we have so much on our shoulders to do even better what we are doing, I think the results are showing and we will continue to do that in the name of all the shareholders. So really I am not here to speculate anything. I do also read the press but we are going to present to our investors our results, operating results, level of services, we are open to all clients. I want to highlight this. We have over 1,300 contracts and they are increasing and we are looking forward to implement, to invest in line of our market plan which has been released, we are actually moving forward on that and we are positive as results again will show.

Okay I understand your comment, but let's just imagine a very hypothetical situation that the 20 or 25% stake would end up in Rosneft. Would there be any chance or any

possibility that you would decide to leave NCSP, that you will stop being a shareholder in the company?

I am not, the shareholders you are referring to, you should direct this question to the shareholder. I am Rado Antolovic, we are the management of Novorossiysk Commercial Sea Port, representing all the shareholders. I have been unanimously approved as the acting CEO in the name of all shareholders and I am representing all shareholders as well as my colleagues here. We are the management of Novorossiysk Commercial Sea Port and as such represent and take interest of everybody inclusive of the minority which are now listening to us on this conference call. Thank you. Next question please?

Irina Stupachenko, Otkritie Capital, Moscow

Good afternoon gentlemen, thank you very much for your presentation. I have a very simple question about your financials, so in the fourth quarter 2010/11, repair and maintenance cost increased quite substantially compared to the third quarter by about 1.7x so is this some sort of sustainable change or what are the reasons for this?

Andrei Bubnov

As you know there are a lot of works, expenses that have accrued throughout the year and then you bill it at the end of the year. Without looking into that much detail into financials, I would say that this is the main explanation. So you accrue the expenses throughout the year and then you bill them at the end.

Nikita Melnikov, Aton, Moscow

Good afternoon, thank you for the presentation. I would like to ask a question about containers. So first I would like to say that in the first quarter container turnover was quite stable if you compare the year on year, I don't mean it was weak but compared to the previous year we haven't seen big increase. And still you say that you are quite optimistic about container flow, so my question is it possible to expect an increase in year on year growth later this year?

Nikita, Rado here, very, very good question and again this is an opportunity for me to explain to you. Firstly, last year we saw enormous growth of the group - 29.3%. Please understand the following, that this first quarter we had in Novorossiysk almost 20 days, 19.7 days port closed due to extreme weather conditions which were not on record for the last 40 years. We had hurricane wind forces, we had ice, we had snow, minus 20 degrees Celsius and nothing major has happened to our clients' commodities or our equipment, but unfortunately they could not operate and this affected our throughput, vessels were delayed through Bosphorus and basically the negative difference was really accruing to vessels. In respect to Baltiysk we had some small drop in volumes due to the seasonal adjustment of some new type of import car components. Let me give you a more important picture. In Novorossiysk and Kaliningrad our budget is actually reflecting slight growth from previous year and why? The reason is very simple: our facilities in Novorossiysk are working to capacity. I just mentioned today that we are moving forward to invest in NLE to increase the capacity of NLE from today 270,000 TEUs based on 11 days' growth up to 700,000 TEU's in phases and we shall start to work on this this year as properly budgeted and then move forward that last year we could handle much more

volumes and I'm sure there will be an increase in volumes. We held our shipping lines aligned for this new capacity because we will be able to handle direct calls from Asia or anywhere else and this is our priority to develop. But we are also thoroughly improving our services and reducing storage time which should absorb the present decline, but again I am saying of course we are not going to see a huge increase in volumes soon. We'll see some increase, but once the new capacity comes on line, we believe that in the long term we'll see substantially increased container volumes. Thank you.

Ivan Kim – Rencap, Moscow

Hi, a couple of follow-ups please. In the fourth quarter numbers I'm seeing that bunkering revenue, so it's not exclusive, have fallen Q on Q. Is this a something or you kind of stepped back a bit because previously you were quite aggressive in this market. And secondly, there was a comment by Ust Luga that if tariffs of Ust-Luga and PTP should be equalised and there is quite a gap at the moment from what I understand about 30 or 35%, can you please comment on this? Thank you.

Andrei Bubnov

Ivan first of all, answering your questions one by one. Bunkering, well we've been saying that during last year bunkering volumes were under the effect of certain industry or market trends i.e. the competitive situation was such that we were consolidating market share at the expense of lower margins and that's why you saw inflated volumes and revenue from bunkering in the beginning of the year and then as we expected and as we communicated to the market on previous calls, we saw and we continue to expect a slight reduction in volumes and revenue but recovery in the margin. So we went from roughly 20% market share to the current 40% market share. We think that it will stabilise at these levels. Therefore we are seeing and we think that the bunkering volumes and revenue are coming together with marginality towards the norm or towards the historic average.
Okay great thank you.

Denis Poryvay – Raiffeisen Bank

Good evening, thanks for the presentation. I have two questions, the first one is regarding capital expenditure programme for 2012, could you please indicate the full amount and specific programmes? And the second question is regarding your borrowing programme, what amount of money are you going to borrow from the debt market, public debt market for bonds and from banks and for these purposes so financing for CAPEX? Thanks.

Andrei Bubnov

Again CAPEX, a month ago we said that our target CAPEX for the year is 6 billion roubles, that's together with development and maintenance CAPEX including the portion of maintenance CAPEX that falls into operating expenses. And back then we said that roughly a billion roubles is allocated towards acquisition of a land plot from Novoship. Since then, we did not reach an agreement with Novoship and the terms of the acquisition of the company Novomorsnab and the two land plots that were up for sale. Therefore, it's not likely to happen at least in 2012, that's a billion roubles. Therefore the target for CAPEX for this year is going to be reduced or decrease accordingly. You can see the full breakdown in the master plan presentation dated 12th March. You see if you add up all the

projects, you will get to the numbers that I'm talking about. Borrowing, you may have seen today that we have launched the marketing of rouble bonds. The target amount is 4 billion roubles. This is exactly the amount that we plan to refinance. Everything else will be redeemed from own cash, so we have 300 million maturity coming in May, it's going to be partially refinanced, partially repaid with own cash, 4 billion roubles refinancing the rest with own cash. We are not planning to borrow anything else this year. So we have announced that total debt for the year is 2.5 billion. We expect that to be reduced to under 2.3 billion as of 2012 year end.

Tania Zadorozhnaya – TKB Capital

Good evening. It's Tania Zadorozhnaya from TKB Capital. Just a small question from me. I'm looking at grain segment we saw just volumes year on year but some positive effect on top line and EBITDA. Could you explain what was the driver? Was it just price or just more number of high value added services in this segment?

Rado Antolovic

Well firstly we had substantially increased our targets on grain last year. Obviously our tariffs are actually the highest in the market but how we succeeded to increase these tariffs, we succeeded to increase these tariffs by giving guarantee to our clients and we are very open to our clients to increase the level of services which means allowing them to handle larger vessels more efficiently which reduce again the throughout rate and that actually in turn also not only increases our tariffs but increases the capacity of the silos and this is the reflection that each quarter we are now handling on average almost 3 million tonnes versus previously 2.2. Just end of the day I mentioned before we are able to handle 6 million tonnes. So basically what we did, we came to the clients we said we're increasing our services, handle bigger vessels, will have bigger parties, consolidate it together with better information flow, better dispatch of wagons, better dispatch of trucks they could between them consolidate themselves 2, 3 different clients to load in separation on the same levels for the same destination, so basically this is how we work and it's proving a successful formula and benefits to all. We see this trend to continue.

Georgy Ivanin – Deutsche Bank

Good morning gentlemen and thank you for the presentation. I have one question on revenue per TEU. If I am not mistaken, revenue per TEU in Novorossiysk Sea Port is just slightly above 100 dollars per TEU, correct me if I'm wrong. Your competitors in Baltic Sea Basin show revenue per TEU at a level of around 200 dollars per TEU. Do you see any opportunities to increase your revenue per TEU to the level close to 200 dollars per TEU? And if you see such opportunities, what kind of steps you can take to do it?

Rado Antolovic

I mentioned before we had enormous work to be done in the tariffs even in line of FST which we have successfully completed last year and implemented partly last year and most of them for 2012. In the contracts, we told you that our budget for 2012 is supported by our clients, so this is the reflection with respect to the tariffs and for 2012, certainly there will be substantial improvement in these tariffs, I cannot give you the exact numbers now but substantial. Again FST has a limit on those targets versus other ports. If other ports can have today probably around \$200 plus per TEU and maybe \$250 even, we certainly

cannot get that level, but if the rates or FST are liberalised, we certainly would increase but we believe that firstly we need to increase our service it will help our ability to increase and we have to prove in some other commodity increase level of tariffs.

Andrei Bubnov

And Georgy actually I question your numbers on revenue per container, so if you could give a call to Michael Grigoriev he can elaborate on the numbers and clarify them.

Yes Okay no problem, I will talk to Michael.

Irina Stupachenko, Otkritie Capital, Moscow

Good afternoon, I have a question regarding your comment that you now do not plan to purchase this plot from Novoship, so if I understand it was included in the investment programme and you intended to do something with it, so I need to understand the balance in side to the reduction of CAPEX, so what part of your investment programme you would influence and how are you going to do the things which you are going to do on that plot?

Rado Antolovic

Okay, very good questions. As you know, we had highlighted a month ago that we are going to investigate and do due diligence for each and every project and that we are going to make appropriate financial model and take all the risk assessment and benefits to present it to our shareholders and the board. In respect of Novoship we come to the conclusion after very lengthy and detailed analysis that this is not the right investment at this stage. So, I'll give word to Andrei.

Andrei Bubnov

The question, we actually have a line item in the master plan which is acquisition of a land plot, it's 30 to 40 million dollars, this is exactly what we're talking about. The reason for, that is a disconnect basically in terms because we had pretty strict conditions for the acquisition and we don't seem to get to the right result with the other party. But it's not the first land plot that we have looked at. We have other scenarios and other alternatives which we had already reviewed prior to Novoship's land. We can return to them or there are a number of other land plots which we may turn to. So, it's a work in progress the fact that this specific transaction didn't work out, doesn't mean that we are cancelling it or removing it from our CAPEX programme, no, it's just the chances that this happens in 2012 are reduced because we are almost half way through the year.

Okay so we should just move this cost into future periods, right?

Yes.

Dennis Vorchik – Uralsib

Good afternoon, thank you for the presentation. Let me get back to Ust- Luga question, could you please estimate what could be an input on the oil volumes from the launch of terminal in Usluga, in coming years? Thank you.

Andrei Bubnov

Obviously we see that and we monitor the situation. We have sent a letter to Transneft with a request to update us on the projections for oil throughput for the year. We received a response basically confirming our projections which were made half a year ago when we consolidated the budget for 2012. Obviously one could expect a slight reduction of throughput because of Ust-Luga introduction and we've said that in our comment a month ago that it wouldn't be unexpected, but the reality is that all of us need to see how this market stabilises post the introduction of Ust-Luga. You may have seen a week ago press comments about the cessation of operations through Gdansk; that's the same pipeline that feeds BPS2 and Ust-Luga terminal.

Closing Comments

Andrei Bubnov

If there are no other comments I'd like to wrap it up. To conclude, it's been a transformational year for the NCSP Group, due to PTP acquisition and consolidation. It's been a difficult or a challenging year because of the grain export ban, because of the performance of certain cargos but we believe that the new management successfully tackled the challenges. We have posted what we think are solid results with EBITDA growth even without PTP consolidation with leverage reduction, with sufficient headroom on the covenants etc, etc and we are planning to continue doing that. And Rado, do you wish to add something?

Rado Antolovic

Yes, I would like to conclude: ladies and gentlemen firstly thank you very much and I would like to state straight away that we will be even more proactive in informing you of development but year 2011 as rightly Andrei said was a difficult year for us. There were also some issues in the global market and with our competitors. However, our objectives to set up a stronger platform for further moves for a way forward has been successfully implemented and I would start as the management team, we have our plan, call it "master plan" so we know the direction we are going in all respects. We also have strengthened our communication with labour, not just increasing the salaries but looking into the processes, improving today's level of services in all respects. We have strengthened our relation with our client base, moving closer to them and listening to them more carefully in today's requirement and a long term requirement, we are very much there where we are today in the market not just in the sense of port operators but measuring on the throughput rates from door to door. We are working closer and closer together with railways to make sure that we can improve communication and level of services to the client base. We look into the technology platform, how we're going to implement it in the medium and long term, what kind of technology. In this respect we are proceeding with our IT audit, we are proceeding on our technical audit and also looking for the training of our management and staff. I would like to highlight one thing which has not been heard from maybe a long time, we're looking into improving our safety, we're looking into improving our environment issues, our new facilities which have not been highlighted enough also, for example our Fuel Oil terminal which will come on line very soon, is a state of the art terminal in all respects. I'm very proud also to see some other facility like grain terminal being state of the art, Novorossiysk we all know is state of the art and we are now moving forward in containerisation, a modern dedicated facility to come soon online and as we progress, we are very carefully and actively working to look

throughout the front how we move forward. We are aware of instability in the market which still exists, so our policy is yes to focus and to be dedicated on certain processes and a certain type of cargo, but at the same time be flexible enough in case of losses and commodities we can move towards the other commodities to compensate for that losses. So that in short, I believe the results are also strong and positive and with time you will see more to come. Thank you very much.

Andrei Bubnov

Thank you and for any questions as you know Michael Grigoriev will be more than happy to answer any of them. Thank you very much. Thanks, bye.