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CORPORATE PARTICIPANTS

Mikhail Shchur *Novorossiysk Commercial Seaport - Director - IR*

Yuriy Matvienko *Novorossiysk Commercial Seaport - President, Acting CEO*

German Kachan *Novorossiysk Commercial Seaport - CFO*

Evgeniya Tyrikova *Novorossiysk Commercial Seaport - Director*

Marat Shaydaev *Novorossiysk Commercial Seaport - First Deputy CEO*

Ruslan Nikitin *Novorossiysk Commercial Seaport - Deputy CEO - Commerce*

CONFERENCE CALL PARTICIPANTS

Mikhail Ganelin *Troika Dialog - Analyst*

Igo Kraisky *Analyst*

Alexandra Serova *Renaissance Capital - Analyst*

Irina Stupachenko *Otkritie Capital - Analyst*

Andrey Rozhkov *IFC Metropol - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, welcome to NCSP's Conference Call dedicated to its 1Q 2013 results. You can ask your questions after the management presentation and I'll hand it over to Mikhail Shchur.

Mikhail Shchur - *Novorossiysk Commercial Seaport - Director - IR*

(interpreted) Ladies and gentlemen, good evening. Thank you for your attention today. We are here at NCSP. We are having our 1Q 2013 operational and financial results conference call. Let me introduce the participants of this call.

On the call today, we have acting CEO of the Company, Yuriy Matvienko, First Deputy CEO, Marat Shaydaev, CFO of the Company, German Kachan, Deputy CEO for Commerce, Ruslan Nikitin, Advisor of the CEO in Moscow Office, [Evgeniya Tyrikova], and I will be facilitating this call.

My name is Mikhail Shchur. I'm Investor Relations Director. I would like to hand over to our Acting CEO, Yuriy Matvienko.

Yuriy Matvienko - *Novorossiysk Commercial Seaport - President, Acting CEO*

Ladies and gentlemen, good evening. By way of introduction, let me remind you of the key trends in NCSP's operations in first Q 2013. Total cargo turnover for January-March 2013 was 37 million tons compared to 41 million tons for the first three months of 2012.

Crude oil and grain volumes both declined significantly year on year, down 4,466 thousand and 2,140 thousand tons respectively. The negative trends were due to the volumes allocated in new terminals including [ESPL] and [Ouslogo] with grain exports came to a halt due to the poor crop in 2012.

The Group partially compensated this decline in volumes with oil product which increased by 1.8 thousand tons or 36% year on year primarily due to new volumes Novorossiysk Fuel Oil Terminal that was launched in 2012. Other increases came from coal handling which totaled 296,000 tons in 1Q 2013 and ferrous metals which also increase by 0.3 million tons.



Speaking about the trends that shape the financial results for the Group in 2013. The financial results will be presented by our CFO, German Kachan and I'm now handing over to him. Thank you very much.

German Kachan - Novorossiysk Commercial Seaport - CFO

Good evening, ladies and gentlemen. In the reporting period, the Group's revenue was \$239,000 (sic - see press release) compared to \$235 million in 1Q 2012. The main impact on the change was the significant change in cargo turnover.

The reduction of oil and grain leveraging in 1Q 2013 led to stevedore revenue reduction by \$11.8 million and \$36.1 million compared to 1Q 2012 respectively. The increase of stevedore revenue by other cargo and services was \$13.2 million. Revenue from additional port services, fleet services and other services, we did not see significant change.

EBITDA in 1Q 2013 was \$137 million. The main factor of reduction was reduction of crude oil and grain leveraging and reduction of stevedore revenue. The negative effects of these factors amounted to \$33.8 million. The effect of net change of cost excluding [Wonka] oil costs led to reduction of EBITDA to \$1.8 million -- by \$1.8 million. The reduction of EBITDA due to reduction of revenue from additional services and other activities added another \$1.2 million.

Net profits of the Group in 1Q 2013 was \$37.8 million. The significant impact on our results was the change in foreign exchange in the first quarter which led to significant foreign exchange difficulties -- foreign exchange differences compared to 1Q 2012 when the Group had an FX gain in the amount of \$197 million. Net debt reduce from \$2.3 billion to \$2.2 billion as of the 31st of March 2012.

Mikhail Shchur - Novorossiysk Commercial Seaport - Director - IR

German, thank you very much for presenting the financial results of the Group. In order to use our time as efficiently as possible, we would like to -- we would suggest moving on to Q&A session now. Please ask your questions. We welcome questions from analysts and other users and we hope the questions to be as close to the subject of today's call as possible.

QUESTION AND ANSWER

Operator

(Operator Instructions). The first question is from Mikhail Ganelin, [Sberbank]. Mikhail, please.

Mikhail Ganelin - Troika Dialog - Analyst

Good evening. Thank you for a good presentation. Can you please comment what's cargo volumes are you expecting in 2013, what's your focus for crude oil, what is your focus for grain and other main types of cargo containers and metals?

Ruslan Nikitin - Novorossiysk Commercial Seaport - Deputy CEO - Commerce

Good afternoon. My name is Ruslan Nikitin. Speaking of crude oil, our focus is in line with previously stated with the adjustment that we've made. We are planning load up to 100 million tons. In terms of grain, our focus is 6.3 million. Containers, our focus is unchanged at 660,000 TEU. Ferrous metals, 8.5 million tons. These are the main cargo types, others, fertilizers, 1 million tons; sugar, 1 million tons; coal, 1.5 million tons in line with previously stated.



Mikhail Ganelin - Troika Dialog - Analyst

Thank you. And the second question is regarding your investments program, CapEx. I see that your CapEx is not very high. You -- where as previously, you presented your master plan and large investment was expected there, for improvements of container terminal, its upgrade. So what's the situation with your CapEx program, will it be postponed or will it be increased in the coming quarters?

Ruslan Nikitin - Novorossiysk Commercial Seaport - Deputy CEO - Commerce

As for CapEx program, there has not a reduction. We currently have works ongoing. We have contract signs. So we are looking at CapEx in full amount as previously stated. So we'll have some spends going forward as works progress.

To underline, the program that we have included in the budget will be implemented. Clearly, there will be some review during the year but by and large, we'll stick to the numbers previously stated.

Mikhail Ganelin - Troika Dialog - Analyst

Thank you very much. I don't have any more questions.

Operator

The next question comes from [Igo Kraisky], Igo please go ahead.

Igo Kraisky Analyst

Good evening. My first question is also about CapEx. I would like to clarify about Sheskhari's investments. At your previous conference call, you said that it would be your priority project. Can you please explain the reasons for its high priority? It seems to be not a very busy terminal but you seemed to pursue it even though other projects are postponed. And my second question is about dividends. This year, the board has already made its recommendation. Are you planning to adopt any dividend policy tied to IFRS results?

Yuriy Matvienko - Novorossiysk Commercial Seaport - President, Acting CEO

As far as the priority is concerned, all of our investment projects are of high priority. We have developed this project. We are actively working with Transneft on Sheskhari's, this receives special attention.

But other CapEx projects also received [huge] attention. I'll show you and I would like to underline that all our projects with Transneft and others will be implemented on time and are currently underway.

A comment on the second part of the question, in short, we don't have a plan to provide any new dividend policy for review by the board of directors at the upcoming meetings.

Igo Kraisky Analyst

Thank you very much.

Operator

We currently don't have any more questions. (Operator Instructions). We have a question from Alexandra Serova, Renaissance Capital. Please go ahead.



Alexandra Serova - Renaissance Capital - Analyst

Hello. Three questions, first is about tariffs, do you have any tariff change expectations this year for main types of cargo?

And my second question is about this Sberbank facility. Are you working with change of terms and conditions on the financing? And if yes, then will the new governance be much different from the existing ones?

And finally, there was recently news on global ports interest, so what's your view, what influence that could have on you, how that could improve or increase competition, and generally, what would be the influence on your company?

Yuriy Matvienko - Novorossiysk Commercial Seaport - President, Acting CEO

Speaking about tariffs, I will answer. As you remember, there was an order published by federal tariff service in April 2013 which establishes that the boundaries for commodity markets are established within the boundaries of existing sea basins. So we think that creates conditions for reviewing the tariffs. We have already filed respective documents to FTS and we expect decision on either a tariff change or a cancellation of price regulation probably as soon as the second half of this year.

We clearly don't want to mention any new tariff numbers before we obtained the decision by the regulator. Thank you.

Regarding our covenant and the loan facility, we are working with our lender and are looking at other ways of refinancing our development. And the covenant package that we are discussing with our lenders will bring about -- will be much easier on the Company.

On the last question, of course, we follow what our colleagues do, what other players do. But currently, the small reduction of volumes that we see is not very material. There is nothing to speak about. Our terminal has recently increased its market share in that region. So I assure you that we don't see any problems with our terminal related to other player's actions.

Alexandra Serova - Renaissance Capital - Analyst

Thank you very much.

Operator

Our next question comes from Irina Stupachenko at Otkritie. Please go ahead.

Irina Stupachenko - Otkritie Capital - Analyst

Good afternoon. Thank you very much for your presentation. I have a few questions. First, about your CapEx program for this year in absolute numbers. At the previous conference call, we heard that it will be reviewed considering Sheskhari's investment, so how much would that be?

My other question is about what we heard from the press recently that Marat Shaydaev will change his post on recommendation of the Summa Group, so is that true and will there be any changes in the management board of the Company?

My other question is about the bunkering volumes in 1Q 2013, how much that was in terms of volume?

Yuriy Matvienko - Novorossiysk Commercial Seaport - President, Acting CEO

Regarding our CapEx program, we will stick to the program that we have in our budgets. We clearly review it often internally but we don't expect any significant change to it currently. Okay. So how much is that change in dollars?



Marat Shaydaev - Novorossiysk Commercial Seaport - First Deputy CEO

Marat here. Total number is \$156 million is the total number of CapEx. I think that you are interested in increased investments in Sheskharis, so let me reinforce Yuriy's points that no significant changes are expected to the 2013 budget, so we still in line with that number.

Irina Stupachenko - Otkritie Capital - Analyst

Okay. Thank you.

Marat Shaydaev - Novorossiysk Commercial Seaport - First Deputy CEO

Then the question remains about the bunkering volume in 1Q 2013, it's almost flat year-on-year. There was also a question about change in the management structure and Marat Shaydaev living the Company. Well, let me answer myself, I currently remained First Deputy CEO of NCSP, that's number one.

Number two, I'm a member of the board of directors of NCSP so I currently don't expect -- I don't want to change my job and I haven't received any proposals to-date. As regards to the new board of directors, you might have seen that I'm nominated into the new board of directors that will be elected on the 18th of June, if I remember it correctly, at our annual general meeting.

In terms of changes in our personnel policy or the manning structure of NCSP, we are not expecting any significant changes at the moment.

Irina Stupachenko - Otkritie Capital - Analyst

Thank you very much. My last question is about recovery of crude oil loading in Primorsk. So do you expect any recovery or reduction and to when to expect that?

Mikhail Shchur - Novorossiysk Commercial Seaport - Director - IR

Ruslan Nikitin will answer.

Ruslan Nikitin - Novorossiysk Commercial Seaport - Deputy CEO - Commerce

Well, it's 100 million and that's for the Group in Primorsk. There were some adjustments and it will be at least 60 million tons, at least 60 million tons in Primorsk crude oil.

Irina Stupachenko - Otkritie Capital - Analyst

Thank you very much.

Operator

Our next question comes from Andrey Rozhkov, Metropol.

Andrey Rozhkov - IFC Metropol - Analyst

Good evening. Thank you for the presentation. My question is about bunkering volumes. You mentioned 1Q number, can you please give your guidance for 2013?



Marat Shaydaev - *Novorossiysk Commercial Seaport - First Deputy CEO*

Marat here. We cannot give you a full cost for bunkering in 2013. We expect that it depends on how the Black Sea basin operates in general what's the environment there and it's difficult to project at this stage.

Andrey Rozhkov - *IFC Metropol - Analyst*

Okay. Thank you.

Operator

We have a question from Mikhail Ganelin with Sberbank, another question.

Mikhail Ganelin - *Troika Dialog - Analyst*

I have two more questions. First, you spoke about the focus 6.3 million tons grain. Is that also grain terminal or something else?

Ruslan Nikitin - *Novorossiysk Commercial Seaport - Deputy CEO - Commerce*

That's for the Group and it includes the grain terminal. It includes volumes from local grain producers.

Mikhail Ganelin - *Troika Dialog - Analyst*

What's the breakdown because tariffs are different?

Ruslan Nikitin - *Novorossiysk Commercial Seaport - Deputy CEO - Commerce*

Please understand that this is not grain-producing year but a calendar year and we don't want to make an impression that the porous capacity for grain reduced.

Mikhail Ganelin - *Troika Dialog - Analyst*

So are we talking calendar year here?

Ruslan Nikitin - *Novorossiysk Commercial Seaport - Deputy CEO - Commerce*

In Novorossiyskiy grain terminal from the start of this season, it will possess at least 3.3 million tons. Another local producer would make another 2.7 million tons and the rest would come from other sources. Our view reinforced by some of our colleagues is that the upcoming crop is going to be quite good, so we hope to be even ahead of plan on grain. We have planned to work on our maximum capacity here.

Mikhail Ganelin - *Troika Dialog - Analyst*

Thank you. And my second question is can you give a new comment on the news on potential privatization? Do you have any understanding what will happen in the second half of the year?



Marat Shaydaev - Novorossiysk Commercial Seaport - First Deputy CEO

Marat here. Let me explain. Let's not waste our time on questions like this. We are management of NCSP. We are not directly involved in the privatization of the ports.

Mikhail Ganelin - Troika Dialog - Analyst

Okay. Thank you very much.

Operator

Ladies and gentlemen, we don't have any more questions, so I will now hand it over to company representatives to wind up.

Mikhail Shchur - Novorossiysk Commercial Seaport - Director - IR

Ladies and gentlemen, thank you very much for your attention, for your participation. If there are no more questions, we would like to wind up on this and any follow up information, we can send by email. Please write to me and I will be happy to provide you more information on the questions that you might have. If there are no more questions, then we would like to wind up this call.

Operator

Ladies and gentlemen, thank you very much for your attention. Goodbye.

Editor

Statements in English on this transcript were spoken by an interpreter present on the live call. The interpreter was provided by the Company sponsoring this Event.

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