



Master Plan Presentation

NCSP Group Development Strategy until 2020

March 2012



Disclaimer



All statements in this presentation, other than historical facts, that address company's business are forward looking statements. Although, NCSP believes that expectations expressed in such forward looking statements are based on reasonable assumptions, such statements should not in any way be construed as guarantees of future performance. Factors that could cause developments to differ materially from those expressed include overall market conditions. The company is subject to specific risks inherent in the stevedoring business and general economic and business conditions. Any statement or number in this presentation may be changed, depending on market conditions and other relevant developments.



1. Introduction

2. Strategy Highlights

3. Investment Projects



NCSP Group Today

Key Highlights

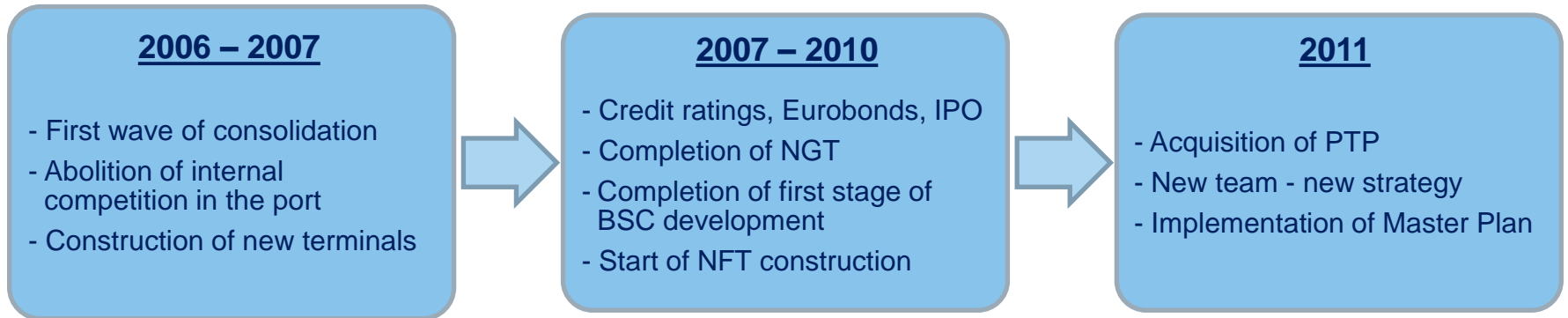
- Largest port operator in Russia and third largest in Europe in terms of cargo turnover
 - 29.75% of total cargo turnover through Russian sea ports in 2011
- Unique geographic location – all west- and south-bound routes of Russian foreign trade
- Combination of traditional cargo base and growth of perspective cargoes
- Universal nature of port assets
- New team – new strategy
- Positive trend in operating and financial performance



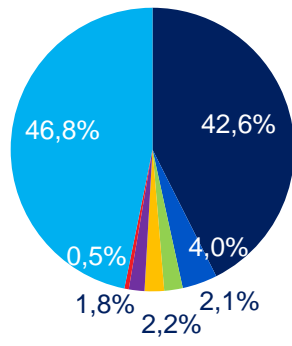
Key Performance Indicators

\$ mln	2009	2010	\$ mln	2009	2010	\$ mln	9M2011
NCSP⁽¹⁾			PTP⁽¹⁾			NCSP Group⁽¹⁾	
Cargo Turnover (mln tons)	86.5	81.6	Cargo Turnover (mln tons)	74.9	71.8	Cargo Turnover (mln tons)	117.2
Revenue	675.1	635.3	Revenue	152	166.7	Revenue	782
EBITDA	431.0	416.0	EBITDA	94.7	102.7	EBITDA	403.8

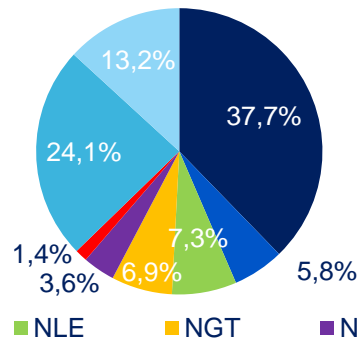
History of NCSP Group



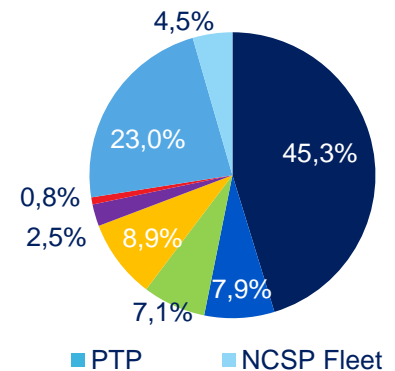
Cargo Turnover 2010
153 mln tons⁽¹⁾



Revenue 2010
\$836 mln⁽²⁾



EBITDA 2010
\$533 mln⁽³⁾

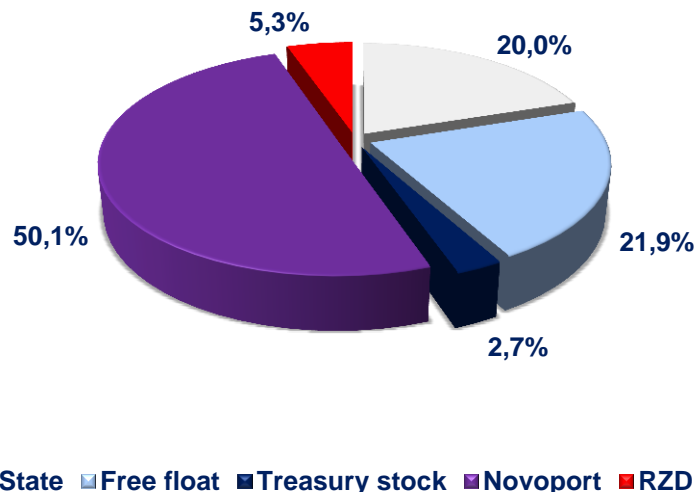


NCSP
 IPP
 NLE
 NGT
 NSRY
 BSC
 PTP
 NCSP Fleet

1. Total turnover of NCSP and PTP for 2010
 2. Total revenue of NCSP, PTP and Sovfracht-Primorsk, not an IFRS item
 3. Total EBITDA of NCSP, PTP and Sovfracht-Primorsk, not an IFRS item, not equal to the sum of subsidiaries' EBITDA due to foreign exchange gain/loss

Shareholder Structure of NCSP Group and the Golden Share

Shareholder structure



Expected events

- Sale of 20% block of NCSP shares by the State
- Sale of treasury stock. Conversion of treasury stock into GDR completed

“Golden Share” – is a paragraph in the Charter that enables:

- Russian Government represented by Federal State Property Management Agency to nominate one candidate to the Board of Directors with a veto right on a number of corporate issues
 - to nominate a candidate to the Audit Committee
- The right of “Golden Share” is non-transferrable
 - The right of “Golden Share” is an additional evidence of the strategic importance of NCSP

New Management Team



Marat M. Shaydayev
First Deputy CEO

- Appointed in February 2011
- 2004 - 2006 – General director of “SUMMA” Ltd.
- 2005 - 2009 – General director of CJSC “Trans-flot”
- 1990 - graduated from Military Institute Krasnoznamenniy in Moscow region, USSR, specializing in law
- 2007 – graduated from the President’s Russian academy of Civil service specializing in “State and municipal governance”



Rado Antolovic
Deputy CEO for marketing and sales

- Appointed in March 2011
- Has been working in various ports since 1976, in such companies as MOL, APL, P&O Ports, CMA CGM, DP World
- In 1985 graduated from the Edward Kordeli university in Ljubljana, with a specialization in marine engineering. He has received a bachelor’s degree in transport business at Sydney University and MBA at the Macquarie University, Sydney
- Mr. Antolovich oversees strategic development and business efficiency. His scope of responsibilities includes attracting new customers, cargo flow optimization, new projects development as well as implementation and integrated management of the investment program



Yuriy V. Matvienko
Executive director

- Joined the company in June 2011
- 1987 - 2003 – Top management positions in JSC Sakhalin Shipping Company, JSC Novorossiysk Shipping Company
- 2003 - 2004 - First Deputy General director of CJCS Sea Port Service
- 2004 - 2005 – General director of CJSC Sea Port Service
- 2005 - 2009 – General director of JSC Port Primorsk
- 2009 - 2011 – General director of JSC Balttransservis
- 1987- graduated from Novorossiysk Higher Marine Engineering College, specializing in Sea Routes Navigation, qualification - Engineer and Navigator
- 2010 – graduated from IMISP (St. Petersburg) with an MBA degree



Andrey V. Bubnov
Deputy CEO for finance and economy

- Joined the management team in May 2011
- 2003 - 2011 - Held various positions in London and Moscow offices of Morgan Stanley
- 2010 – 2011 – Headed Fixed Income Capital Markets department
- 2003 – Graduated from the International Economic Relations department of Moscow State Institute of International Relations (MGIMO), where he majored in international currency and credit markets
- Mr. Bubnov oversees the budgeting and financial planning, accounting and reporting issues, interacts with rating agencies, banks and industry analysts

New Management Team



Alexey A. Medvedev
IT Director

- Graduated with honors from Izhevsk State Technical University with a degree in engineering
- In 1999 was granted a Master degree in engineering and technology
- For more than 11 years holds managerial positions in IT in large companies in various fields – has been working in IT-consulting and real sector
- A nominee and winner of the prestigious annual award “IT-Leader”



Mikhail V. Sidorov
Deputy CEO for Public Relations

- 2006-2009 - different positions in “IMA Group”. More than 15 years of professional experience. Has successful track record in information and advertising campaigns in Russia and abroad. Took part in major projects informational support, including: VTB rebranding, priority national projects “Education” and “Agricultural sector revival”
- 2007 - Deputy Head of the Central Election Headquarters, United Russia Party, acting Deputy Head of the Party Central Executive Committee
- 2009 – Head of PR in Summa Capital (Summa Group since 2011)



Mikhail P. Stepanko
HR Director

- In 1993 graduated with honors from the State Medical Institute
- In 1993-1994 worked as a research assistant at the Department of Experimental and Clinical Oncology
- In 1996 he graduated from the Kazakhstan Institute of Management, Economics and Strategic Research, Department "Economics in Public Administration." Mikhail was granted an MA in Economics
- From 1996 to 2011 held senior HR management positions in such companies as The Coca-Cola Company, Division of Central Asia & the CIS region (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan); Renova Group of Companies; JSC "Samruk"



Petr A. Maximov
Deputy CEO for Legal and Corporate

- 1995 - 2004 - Had been working at a number of leading law firms: Milbank, Tweed, Hadley & McCloy, Coudert Brothers, Debevoise & Plimpton и Squire, Sanders & Dempsey
- 2004 - 2005 - Was the head of legal department of COALCO AG Investment Company and EastOne (Interpipe)
- 1999 – Graduated from Moscow State University specializing in law with diploma with honors, in 2001 he took Master’s degree in law (LL.M degree) in Columbia University law school (New York, USA).
- Mr. Maximov is an expert in sphere of M&A, international investment transactions and in corporate management



1. Introduction
- 2. Strategy Highlights**
3. Investment Projects





Objectives, Tasks and Elements of NCSP Group Strategy

Objectives

- To become the most effective port operator in Russia
- To strengthen the Group's position as the largest port-logistics company in Russia and one of the largest in the world
- NCSP is the etalon in terms of quality of services, advanced technologies integration, as well as in social and ecological responsibility
- Growth of capitalization of the company

Elements of Strategy

- Transition from specialization of stevedoring companies to specialization by production area
- Focus on fast-growing high-profitable cargoes while retaining the universal nature of the assets
- New terminals
- Investments in new technologies development, production processes improvement

Tasks

- To ensure equal access to the Port infrastructure for all freight forwarders
- To achieve maximum efficiency of current assets
- Cargo turnover growth
- To ensure high rate of return on investments
- Attracting and retaining professional personnel
- Partnership with key clients based on mutual trust and long-term cooperation
- Strict adherence to best corporate governance principles
- Responsibility and initiative in respect of health, safety and environment
- Social and economical prosperity of regions of presence

The leading company in Russian port & logistics sector...

...of global standards





Current Areas of Efficiency Improvement of NCSP Group

STRATEGY

- Master Plan developed for the period of 2012-2020 providing clear roadmap for long term sustainable business growth.

ORGANIZATIONAL CHANGE

- Senior executives replaced with highly professional and experienced management team;
- Moscow Representative Office reorganized with over 50% support staff reduction. Efficient support for the Group's operations by transferring top managers to the business units to provide support in the field;
- Launched restructuring and optimization process of all NCSP business units in order to achieve high standard management efficiency and effectiveness.
- Reduced number of administration levels and overall management headcount, set up vertical & horizontal organization structure providing effective communication, proper work planning, efficient decision making process and timely control of results.

OPERATION EFFICIENCY

- As the next step, matrix organizational structure of the Group's key functions. NCSP Group integrated commercial department was created;
- Implementation of operations efficiency action plan, suggested by international consulting company (28 recommendations) was launched which will result in overall productivity improvement by 14% without additional cost;
- Organized technical audit and implementation of long-term action plan in order to achieve maximum utilization of existing resources and to explore new business activities. Review of all business processes is being conducted to identify ways to improve productivity and reduce cost;
- Launched an audit of existing port infrastructure to design a road map for most cost efficient investments in modern facilities that would enable uninterrupted operations and sustainable business growth by attracting of new cargoes to the ports of Novorossiysk, Primorsk and Kaliningrad. Energy safety of production processes review is being carried out to identify possibility to introduce additional energy sources, implementation of energy consumption reduction and energy recycling. Personnel training on the energy consumption reduction technologies;
- Restructured operation functions. Decreased number and headcount of departments. Eliminated two management levels. Gained ability to switch workforce among port facilities on demand. Increased flexibility in controlling and managing cargo flow. Increased effectiveness of mobile equipment: PMK, locomotives, cargo lifting road transport. Introduced function of internal logistics which allows to increase Port storage space utilization effectiveness and reduce number of moves within the Port facilities.



Current Areas of Efficiency Improvement of NCSP Group

HR ACTIVITIES

- Creation of unified motivation system for the Group of companies on the basis of KPIs and their relation to strategic development directions ;
- Setting up KPI system for top managers based on their goals achievement and considering the Shareholders' interests;
- Developing measures to reduce current operating costs, to create a valuation mechanism of planning, budgeting and approval labor economics indicators in the Group;
- Development and implementation of work quotas at the Group; productivity increase through introduction of progressive forms and systems of labor financial incentives. Introduction of standards for number for the main and auxiliary personnel, management personnel;
- Working out HR - compensation & benefits system in accordance with operational performance;
- Enhanced focus on training & development, recruitment, for employees and management by introducing world best practices and innovative technologies;
- Growth of talented and loyal personnel reserve to supply the business with management resources;
- Wages indexation for engineers/technical staff and workers on the ground;
- Reduced social tension;
- Established mutual collaboration with the Trade Unions.

CORPORATE AFFAIRS

- Working with city and regional authorities. Creation of one dispatch center together with regional rail, resulting in increase in daily railcar handling productivity;
- Conducting jointly with RZD personnel planning, training and certification, increased control over traffic safety in the Port;
- Increased locomotives utilization efficiency, crews plotting, railway infrastructure, which allowed to increase the Port railcar turnover and provided sustainable and timely delivery of goods, which reduced downtime;
- IT audit and implementation of consolidated IT hardware & software based on latest architecture providing operating and management data and solution in real time, and centralized database required for detailed analysis and long term business planning;
- Focus on improving the Port image and reputation as a reliable business partner. The strategy of business development by means of long term collaboration with clients and attraction of new clients by providing higher quality and widening scope of services.
- Best corporate governance practices developed and adopted.

HSE

- Introduction of the highest safety, health and environment standards to protect employees health and prevent accidents and to protect environment;
- Obligatory introduction of HSE KPI's for top- and middlemanagement, engineering/technical personnel;
- Establishing of competition between departments for the title of the best department with highest HSE standards. Trade Unions and press involvement in the event.



NCSP Group Strategy for 2011-2020

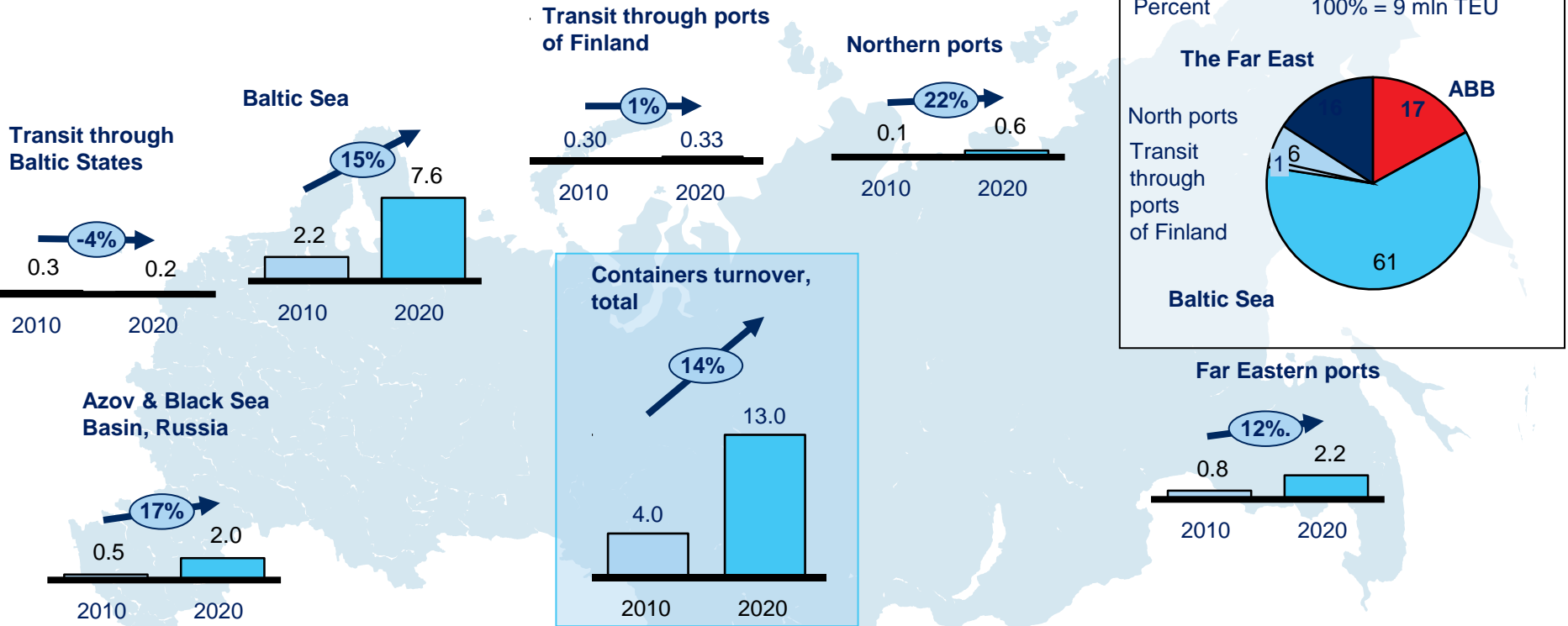
	Short-term strategy (2011-2012)	Medium-term strategy (2012-2015)	Long-term strategy (2015-2020)
Organization	<ul style="list-style-type: none"> ➤ New organizational structure approval 	<ul style="list-style-type: none"> ➤ Pilot projects for consolidation of certain functions 	<ul style="list-style-type: none"> ➤ Capitalizing on pilot projects' experience to consolidate Group's different functions
Operations	<ul style="list-style-type: none"> ➤ Cargo inventory according to profitability and volatility 	<ul style="list-style-type: none"> ➤ Retaining strategic clients and attracting new clients based on offering of unique services 	<ul style="list-style-type: none"> ➤ NCSP is the leader in Russian port & logistics sector and a globally recognized port operator
<ul style="list-style-type: none"> ➤ Clients and cargo 	<ul style="list-style-type: none"> ➤ Strategic cargo market model approval ➤ Attracting high-margin and long-term cargoes 	<ul style="list-style-type: none"> ➤ Expand range of services 	<ul style="list-style-type: none"> ➤ Focus on perspective and high-marginal cargo services ➤ Value added along the logistics chain
<ul style="list-style-type: none"> ➤ Quality of service and effectiveness 	<ul style="list-style-type: none"> ➤ Operation efficiency improvement program implementation ⁽¹⁾ 	<ul style="list-style-type: none"> ➤ KPI for all functions and processes ➤ Achieving efficiency rates higher than market averages 	<ul style="list-style-type: none"> ➤ № 1 in KPIs for quality and effectiveness
<ul style="list-style-type: none"> ➤ Personnel 	<ul style="list-style-type: none"> ➤ Target salary indexation ➤ Unified approach to compensation throughout the Group 	<ul style="list-style-type: none"> ➤ Attracting and retaining professional perdonnel 	<ul style="list-style-type: none"> ➤ NCSP is the best employer in the region
Other	<ul style="list-style-type: none"> ➤ Start of Master Plan implementation 	<ul style="list-style-type: none"> ➤ Ceating infrastructure capable to meet expansion plans 	<ul style="list-style-type: none"> ➤ Divercification throughout the logistics chain

1. In 2011 international consulting company conducted a review of possibilities of increasing NCSP operating efficiency. A program consisting of 28 recommendations was developed, some of which have been taken into implementation

Containers Market Model

MIn TEU per year

In 2011 NCSP Group Container turnover increased by 27% (in TEU) including 44% growth in Novorossiysk versus average Russian market growth rate of 20%



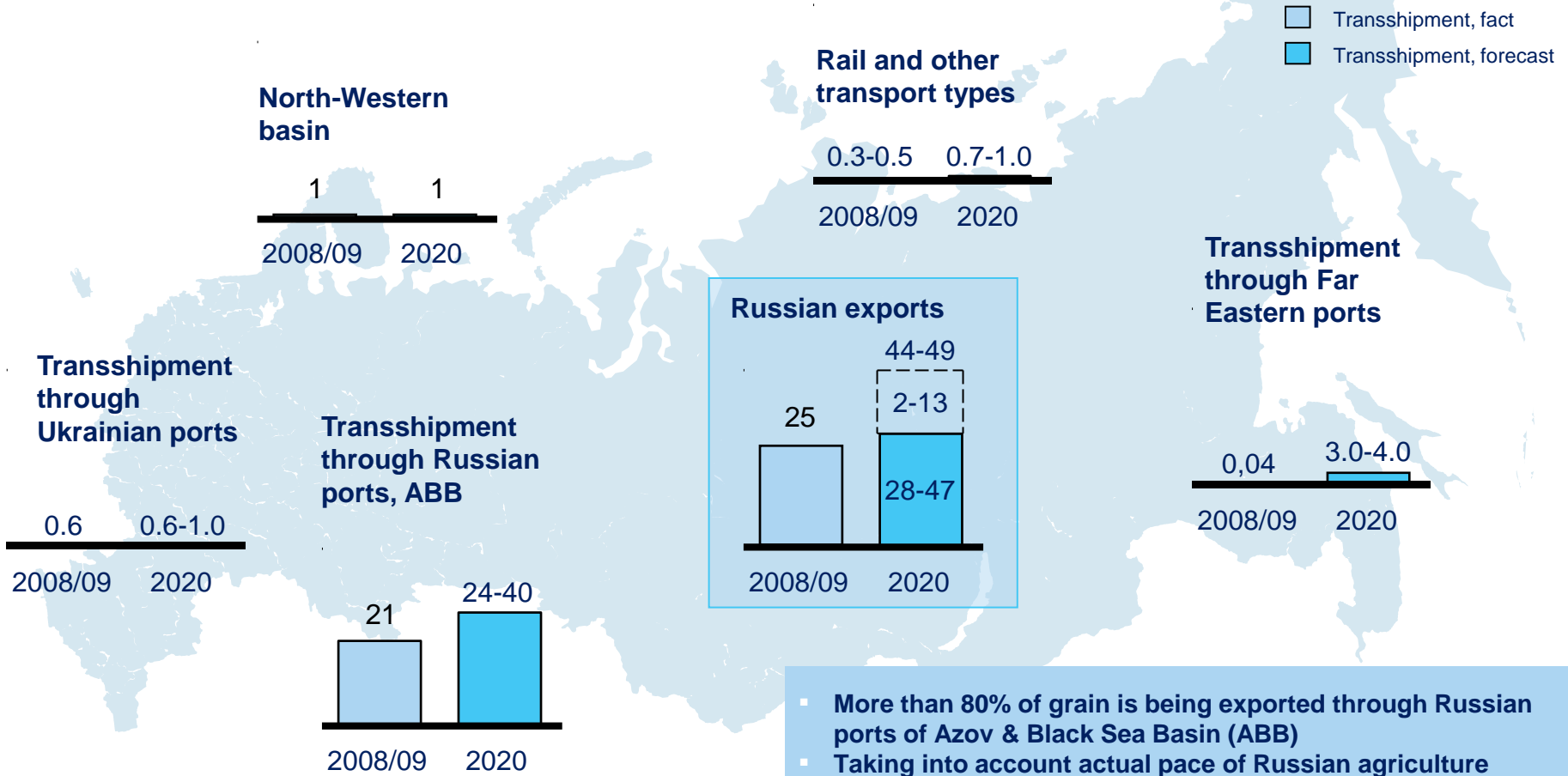
- Russian container market is expected to grow by more than 3 times by 2020 on the assumption of continued economic growth, terminal capacity expansion in ABB, FE and St. Petersburg
- Container turnover growth driven by cargo flow containerization
- Dominance of Western ports in turnover will remain due to higher costs of Eastern route and low capacity of TransSiberian railway



Grain Market Model

Mln tons per year

In 2011, the Group achieved growth in grain handling (+0,3%), despite the fact that the export ban in 2011 lasted for six months versus 4.5 months in 2010, demonstrating record monthly average grain handling volumes



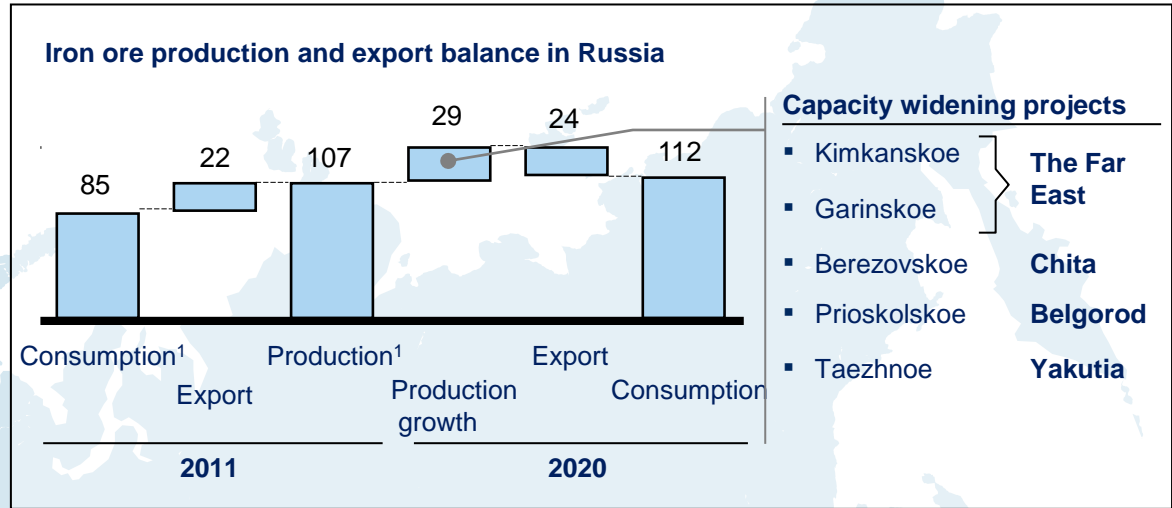
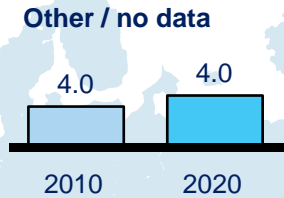
- More than 80% of grain is being exported through Russian ports of Azov & Black Sea Basin (ABB)
- Taking into account actual pace of Russian agriculture development and constant internal consumption one could expect stable grain export growth from Russia

Iron Ore & Ore Concentrate Market Model

Mln tons per year

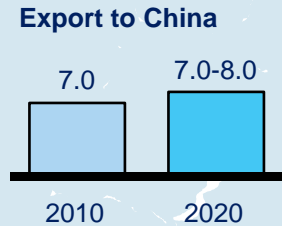
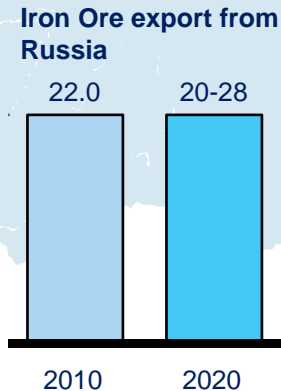
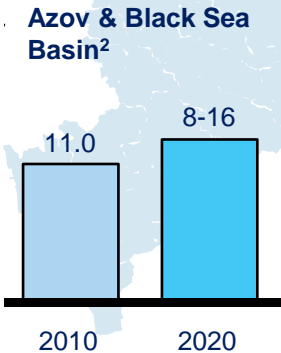
In 2011, the Group achieved growth in Iron Ore & Ore Concentrate handling of 25%

■ Transshipment, fact
■ Transshipment, forecast



Capacity widening projects

- Kimkanskoie } **The Far East**
- Garinskoe }
- Berezovskoe } **Chita**
- Prioskolskoe } **Belgorod**
- Tazhnoie } **Yakutia**



- Iron ore and ore concentrate moderate production and export growth from Russia is expected
- Exports will be mainly directed to China
- Iron ore and ore concentrate transshipment growth in NCSP is possible due to redirection of volumes going through Ukrainian ports

¹ Excluding import from Kazakhstan (~ 10 mln tons per year)

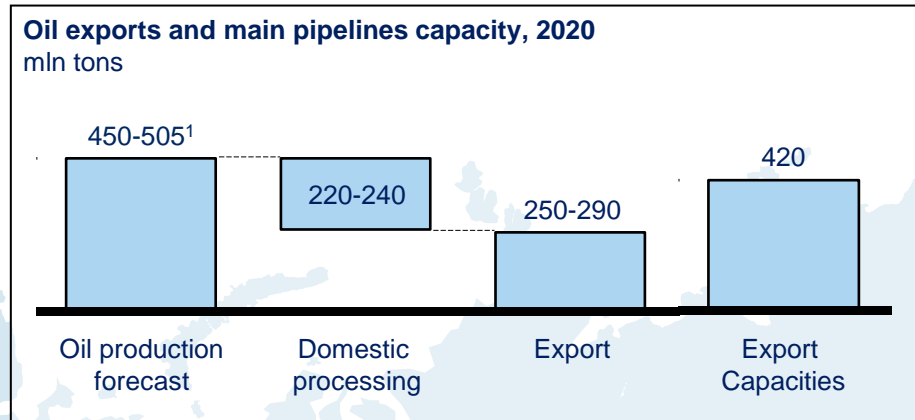
² Including Ukrainian ports

SOURCE: "Industrial Cargo"

Oil Market Model

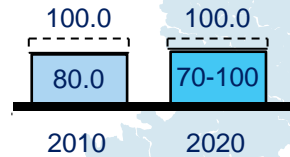
Mln tons per year

In 2011 NCSP Group was able to maintain stable volumes of crude oil transshipment (-0,9%) despite decrease of exports from Russia by more than 6% according to FCS data and by more than 2% according to Rosstat data

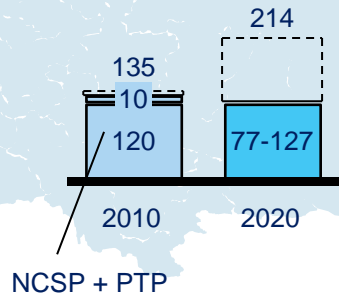


Capacity reserve
 Transshipment, fact
 Transshipment, forecast

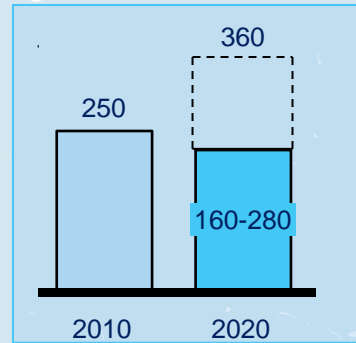
Druzhba and Surgut-Polotsk pipelines



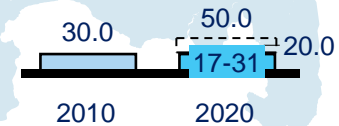
Russian Western ports



Russian oil exports, total



Far Eastern ports



Ukrainian ports



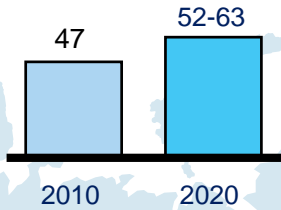
- Oil production outlook contains a high degree of uncertainty
- Oil export capacity exceeds even the best case scenario of oil production
- NCSP and PTP combined already handle more than projected transshipment volumes for all the Russian Western ports in the forecasted period
- Domestic oil processing volumes are likely to grow or remain at the current level

Oil Products Market Model

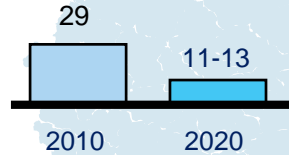
Mln tons per year

In 2011 NCSP Group increased oil products transshipment by 30% following the rent of two berths in Primorsk. Further growth potential related to New Fuel Oil Terminal in Novorossiysk

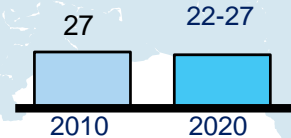
Russian Baltic ports



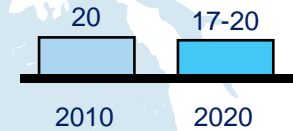
Baltic States' ports



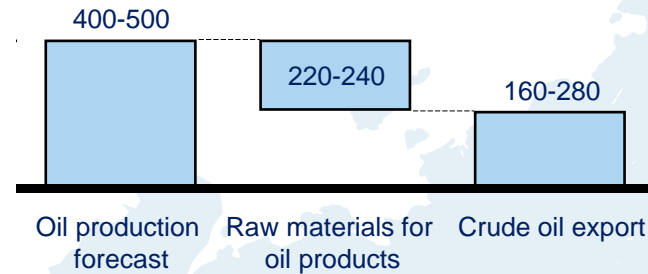
Southern ports



Far Eastern ports

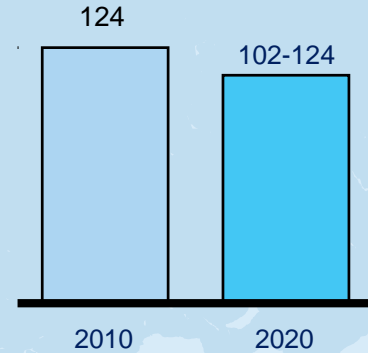


Exports and domestic oil processing, 2020



■ Transshipment, fact
■ Transshipment, forecast

Oil products export, total

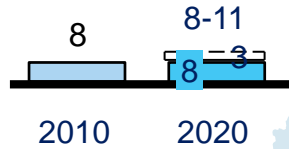


- Export growth of oil products is unlikely, however, PTP is able to consolidate volumes going to Russian Baltic ports and NCSP – Ukrainian volumes
- The base case scenario for oil products exports correlates with oil production outlook
- Domestic oil products production depends on refinery capacity growth, which in turn depends on refinery CapEx program

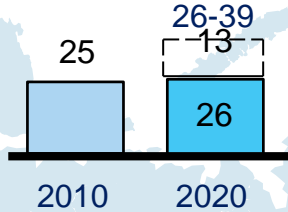
Coal Market Model

Mln tons per year

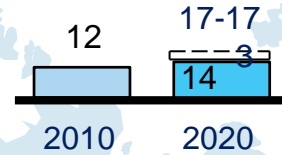
Transshipment through Baltic States ports



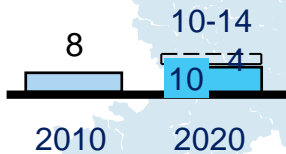
Transshipment through Russian Baltic ports



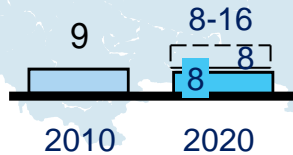
Rail and other types of transport



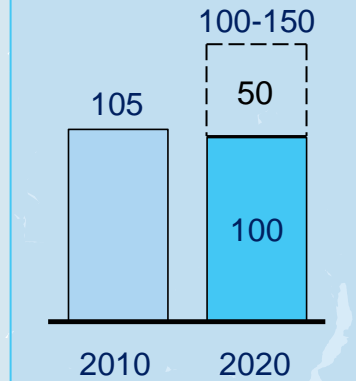
Transshipment through Ukrainian ports



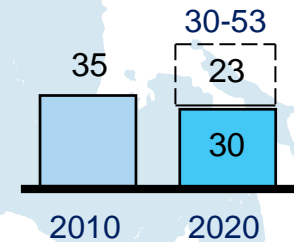
Transshipment through Russian ABB ports



Export from Russia



Transshipment through Far Eastern ports



■ Transshipment, fact
■ Transshipment forecast, negative scenario
 Transshipment forecast, positive scenario

- Forecasted coal consumption growth in Russia, China and India
- India and China will be the largest coal importers
- Russian coal export to China is economically profitable only to the extent that China imports exceed 50 mln tons per annum
- Coal transshipment growth through Russian Western ports is possible with redirection of volumes going through the Baltic States ports



NCSP Group Objectives

Containers

- To ensure appropriate growth of transshipment capacities
- To create a schedule of capacity growth, starting from the least costly projects
- To widen spectrum of services provided

Grain

- To ensure capacity reserve for consolidation of NCSP grain market share
- To examine infrastructure development options
- To examine possibility of establishing a regular service for the most demanded routes
- To take into consideration grain transshipment cyclicity

Iron ore & ore concentrate

- To create a unique proposition for producers
- Focus on universal technologies in bulk cargo transshipment with a reverse cycle option
- To establish long-term relationships with Metalloinvest and other key producers in Novorossiysk

Oil

- To monitor oil production outlook, including East Siberian oil fields
- To ensure NCSP competitive advantage in Russian oil transshipment via Azov and Black Sea Basin Ports
- To work with Federal Tariff Service (FST) aiming to improve tariff regulation system

Oil products

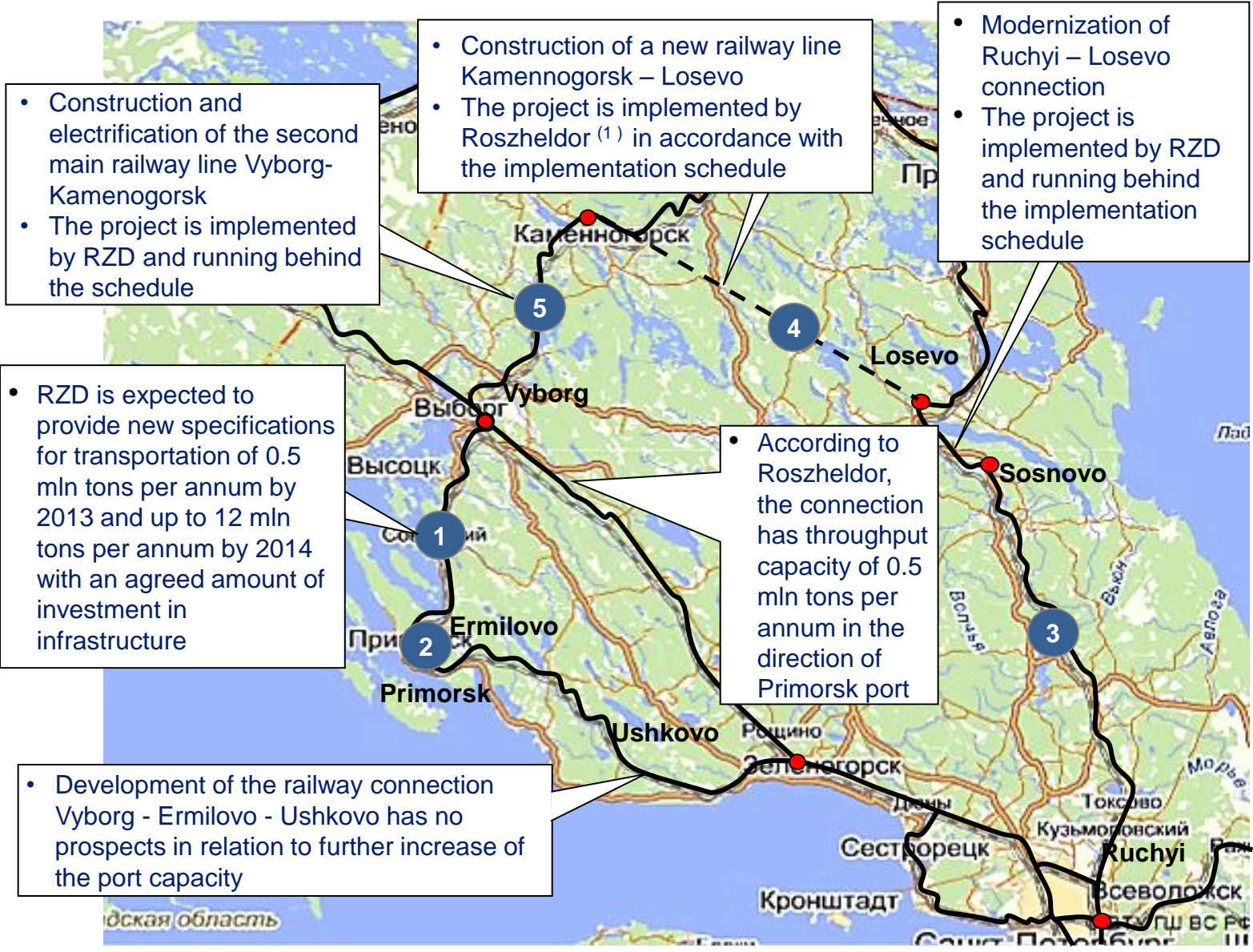
- To increase NCSP Group's share in oil products transshipment volumes in the Baltic Sea Basin as well as in Azov and Black Sea Basin
- New investment projects consistent with projected oil product exports

Coal

- To take into consideration coal export volatility depending on global consumption trends
- Focus on universal technologies in bulk cargo transshipment with reverse cycle option
- To detalize coal transshipment market and identify producers naturally leaning towards Azov & Black Sea Basin



The problem of development of railway infrastructure in the direction of Primorsk port is being resolved in cooperation with Roszheldor and RZD

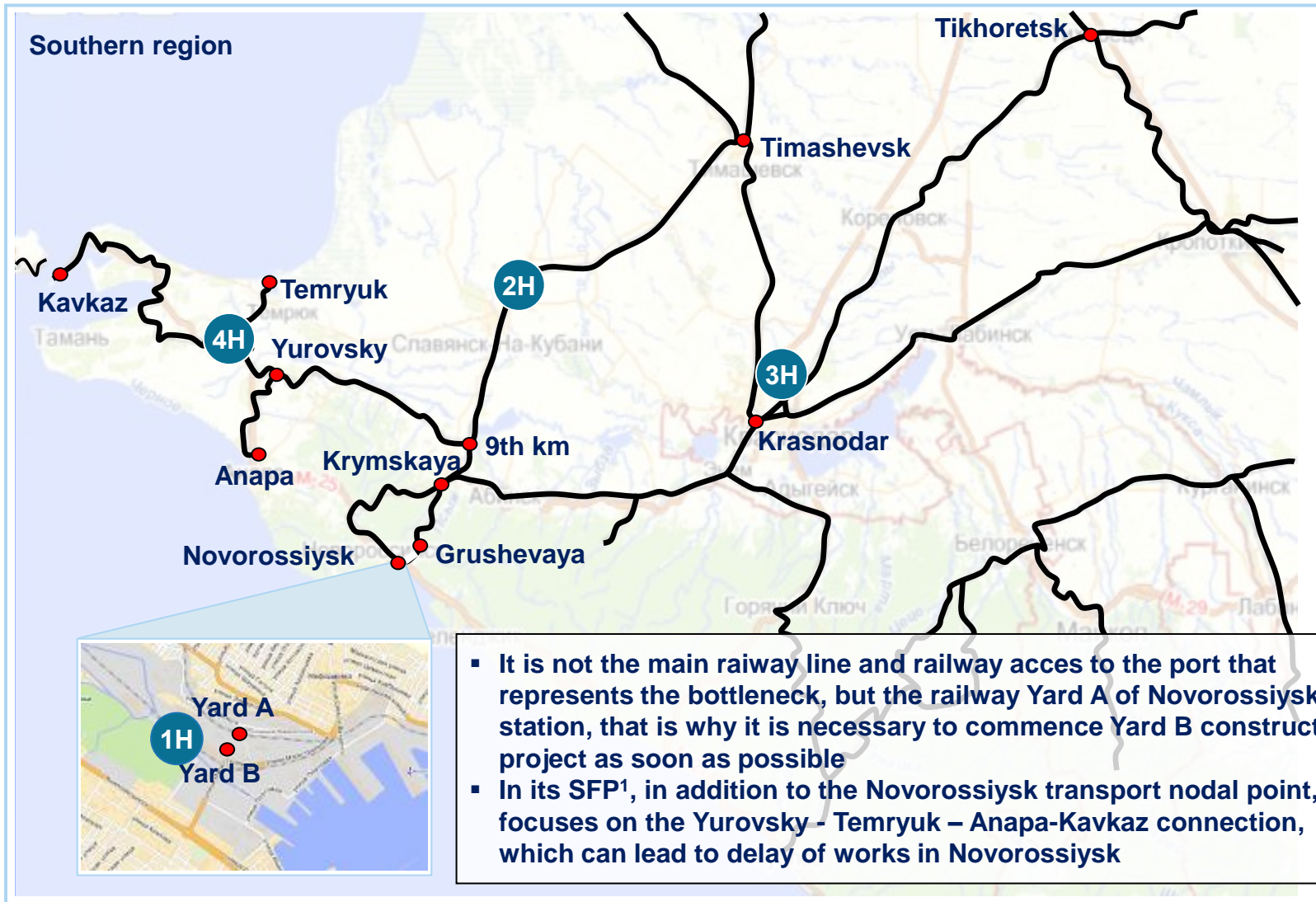


--- Railway under construction

2012 Federal budget contains target increase in RZD charter capital by 7.5 bln rubles for development of railway connection Vyborg-Primorsk-Ermilovo

CSP Group expects that in case of uninterrupted financing of the project, it can be completed within two to three years

Construction of the Yard B at Novorossiysk station will solve the problem of capacity shortage in the direction of the port





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- 3. Investment Projects**



NCSP Group Investment Projects – Summary

NCSP Group **continues to implement its investment program**, which was approved by the previous team. The main emphasis of the program was made on new terminals construction (Sheskharis, NMT, BSC). Out of \$538 mln¹, \$416 mln had been invested as of the end of 2011. Upon the completion of the investment program, the Group throughput capacity will increase by 5.5-20.5 mln. tons and 238 thousand TEU.

As a part of the Master Plan, the NCSP Group management offers the **New Development Concept**. The new concept proposes transition from specialization by stevedoring companies to **specializing by production areas** with a focus **on high-margin cargoes**

- NLE specializes in containers handling. Construction of a specialized container terminal with capacity of 500 thousand TEU
 - Once the new NLE facilities are utilized at least by 75%, the Group will commence a project to build a container terminal on the basis of the NCSP Western Area, which will allow to increase NCSP's container throughput capacity from 170 to 700 thousand TEU, which together with NLE will amount to 1.2 mln TEU
- Extending the range of services provided through acquisition and development of extra land in the port
- Construction of a terminal for handling iron ore and ore concentrate with capacity of up to 12 mln tons with an option of using the same technology to handle other types of bulk cargoes (mineral fertilizers, coal) as well as with a reverse cycle option
- Redirection of pipes, ferrous and non-ferrous metals, timber (potentially), perishable, oversized, and other types of cargo to the NCSP Eastern Area and to NSRZ
- Construction of multi-purpose deep-water port in Primorsk: increasing export potential for the Russian economy, business diversification due to the long-term terminal development program in Primorsk for containers, metal, iron ore, mineral fertilizers and oil products

Expanding the range of services rendered and creating added value **along** the cargo **supply chain**

Current Projects in Accordance with Existing Investment Program

IPP - Implementation

Replacing old tanks, construction of new tanks for oil products and liquid fertilizers transhipment with capacity up to **7 mln tons per annum**

Seskharis - Implementation

Completion of the the oil terminal's reconstruction is planned for 2013. The terminal's throughput capacity will increase to **65 mln tons per annum**

NMT - Implementation

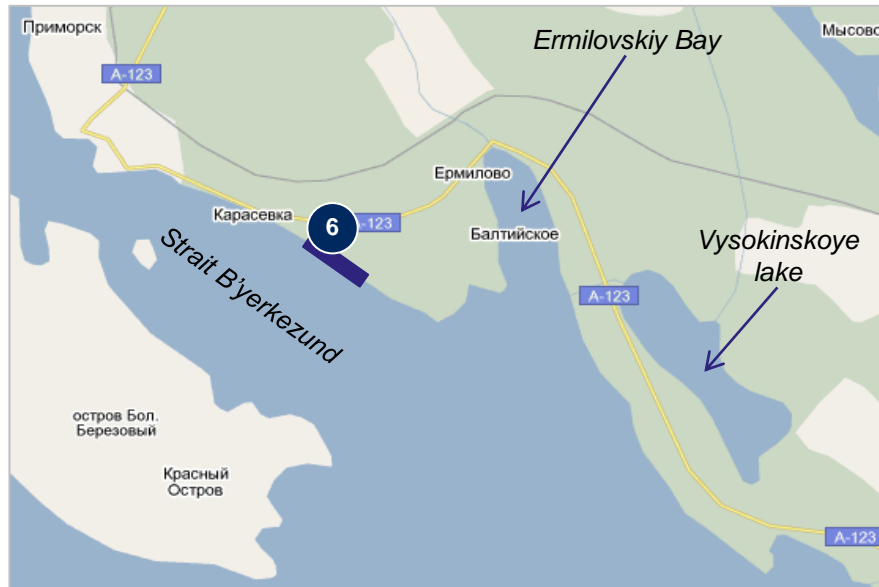
Fuel oil terminal is expected to be put into operation in Q1 of 2012. Capacity – up to **4 mln tons per annum**



Existing Investment Projects

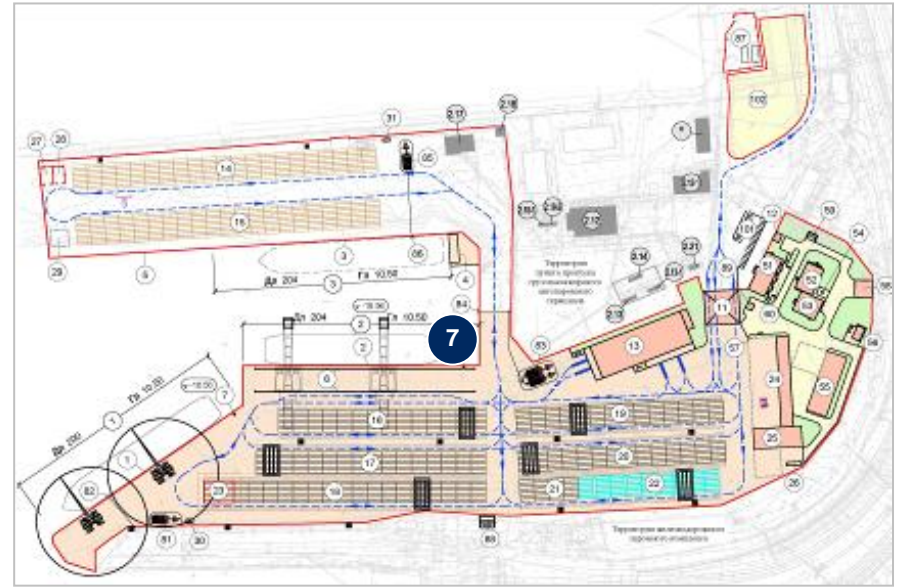
Bunkering complex PTP

Construction of bunkering complex with the capacity of 410 thousand tons per annum has been completed (potential to handle fuel for export, which will increase throughput volumes)



BSC

Completion of construction of the first phase of container terminal with capacity of 200 thousand TEU for Kaliningrad region needs, continuation of the project with the target capacity increase up to 400 thousand TEU





Existing Investment Projects

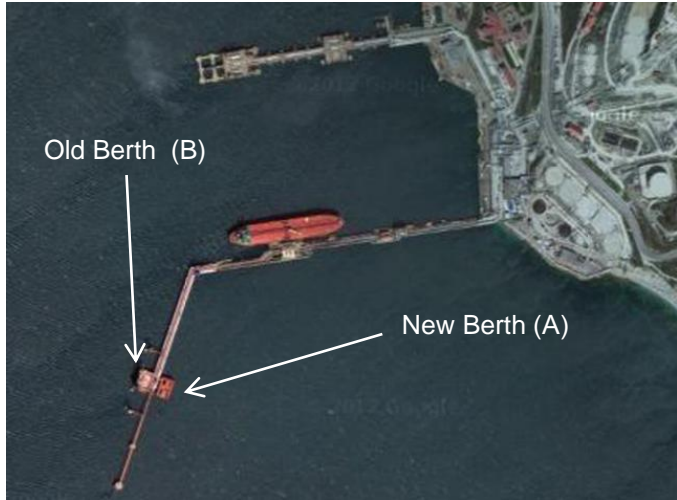
Project	Construction period		Investments (\$ mln)	Invested to date (\$ mln)	Additional Capacity	
	Start	End				
1. Approved and existing projects						
Novorossiysk						
1	Reconstruction of Sheskharis Oil Terminal	2006	2013	145.7	113.8	+ 0-15 mln tons
2	Construction of Fuel Oil Terminal	April 2010	Q1 2012	173.6 ⁽²⁾	153.0 ⁽²⁾	
3	Pier 4 reconstruction	April 2010	Q1 2012	50.0	471	+ 4 mln tons
4	Bunkering terminal expansion at IPP	Feb. 2012	Sept. 2012	2.2	0.2	+ 96 thousand tons
5	IPP reconstruction, storage facilities replacement	Sept. 2010	Q4 2012	18.3	5.0	+ 1 mln tons
Primorsk, Baltiysk						
6	Bunkering complex (Primorsk)	March 2010	Q1 2012	61.0	55.8	+ 410 thousand tons
7	Container terminal (Baltiysk)	Jan. 2010	Q4 2013	87.5	40.8	+ 238 ⁽¹⁾ thousand TEU
Total				538.3	415.7	+5.5-20.5 mln tons +238 thousand TEU

1. \$87.5 mln is the cost of construction of the greenfield terminal. Factual 2011 turnover – 162 thousand TEU. Therefore, the remaining \$46.7 mln of investment is required for turnover increase to 400 thousand TEU.

2. NCSP share in the project is 50%

Overview of Key investment Projects

Sheskhari Oil Terminal reconstruction



Objective

- Construction of the terminal A with capacity of 50 mln tons to ensure capital repairs at the terminal B
- Possibility to admit vessels with 150 thousand tons DWT, which are currently served at the berth B
- Automatization of oil control and metering system

Planned results

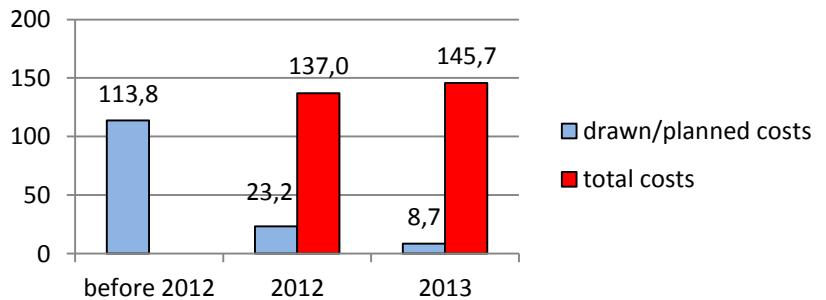
- Terminal capacity to increase up to 65 mln tons of oil per annum (65 mln tons = main pipeline limitation)
- Possibility to reconstruct terminal B with no adverse effect on throughput volumes

Project Highlights

Start	2006
Completion	2013
Planned capacity	+15 mln tons p/a
Investment	\$145.7 mln

Investment costs of Sheskhari reconstruction project

\$ mln



Overview of Key Investment Projects

Construction of Fuel Oil Terminal, Pier 4 reconstruction



Objective

- Construction of a modern fuel oil terminal with capacity of 4 mln tons per annum through a 50–50 joint venture with a major international oil trader
- Dredging up to 13.5 m and reconstruction of Pier №4, to enable to admit vessels with 45 thousand tones DWT (the pier was previously not in operation)

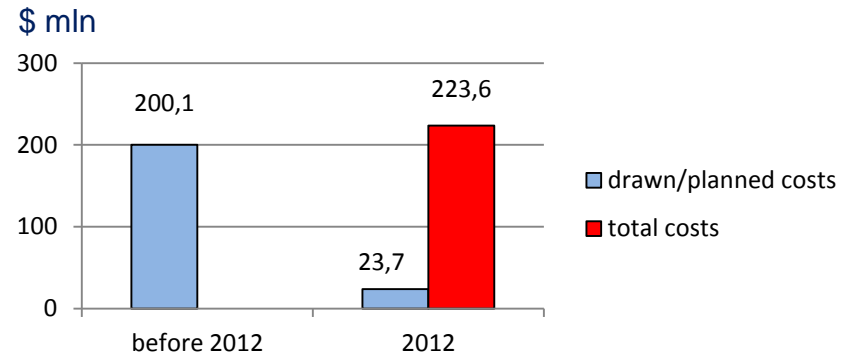
Planned result

- Redirection of Russian oil products going through the ports of Ukraine
- Fuel oil transshipment tariff is \$11.8 per ton at NMT, and \$2.7 at NCSP
- There will be 278 additional jobs created

Project Highlights

Start	April 2010
Completion	Q1 2012
Planned capacity	4 mln tones p/a
Investment ¹⁾	\$223.6 mln

Investment costs of Construction of Fuel Oil Terminal





Overview of Key Investment Projects

Bunkering terminal expansion and reconstruction at IPP

Expansion of bunkering complex IPP	
Objective	
<ul style="list-style-type: none"> Expansion of an existing storage park via construction of a new tank with capacity of 5 thousand cubic meters 	
Planned results	
<ul style="list-style-type: none"> Increase of bunkering volumes by 96 thousand tons per annum Multi-purpose of the the bunkering complex, export perspectives Creation of additional competitive advantages for IPP on the bunkering market of Novorossiysk 	
Current Situation	
Project documentation is ready	
Glavosexpertiza approval is obtained	
Construction and installation works are being implemented	
Project Highlights	
Start	February 2012
Completion	September 2012
Planned capacities	+96 thousand tons p/a
Investment	\$2.2 mln

Reconstruction of IPP	
Objective	
<ul style="list-style-type: none"> Increase of existing capacities of IPP by replacing old tanks with new higher-volume diesel fuel tanks and reconstruction of other technological equipment 	
Planned results	
<ul style="list-style-type: none"> Replacement of 4 worn-out tanks with capacity of 20 000 cubic meters for 3 new tanks with capacity of 30 000 cubic meters to handle up to 6 mln tons of diesel fuel per annum and up to 1 mln tons of oil products Scheduled reconstruction period of 16 months, of which <ul style="list-style-type: none"> 7 months to execute project and engineering works 9 months to execute construction and installation works 	
Project Highlights	
Start	September 2010
Completion	November 2012
Planned capacities	+1 mln tons (to 7 mln tons)
Investments	\$18.3 mln

Overview of Key Investment Projects

Construction of bunkering complex at Primorsk



Objective

- Construction of bunkering complex with the capacity of 410 thousand tons per annum has been completed
- Before the launch of the complex, bunkering services were offered by other operators' vessels, which resulted in additional costs and environmental risks

Planned result

- To decrease mooring time at berth – cost reduction for cargo owners
- To reduce risk of interaction of two ships with hazardous cargoes (bunkering vessel and tanker)
- To reduce costs for hiring pilots and for implementation of oil spill prevention measures
- To increase transshipment volumes due to beginning of a) supply of bunkering fuel for export and b) delivery of bunkering fuel by railway
- The project will allow PTP to obtain higher return on existing assets and to become more technologically advanced and attractive port for counterparts

Project Highlights

Start	March 2010
Completion	Q1 2012
Planned capacity	410 thousand tons p/a
Investments	\$61.0 mln

Overview of Key Investment Projects

Container terminal construction at Baltiysk



Objective

- Construction of modern container terminal with capacity of 400 thousand TEU for Kaliningrad region needs

Key changes

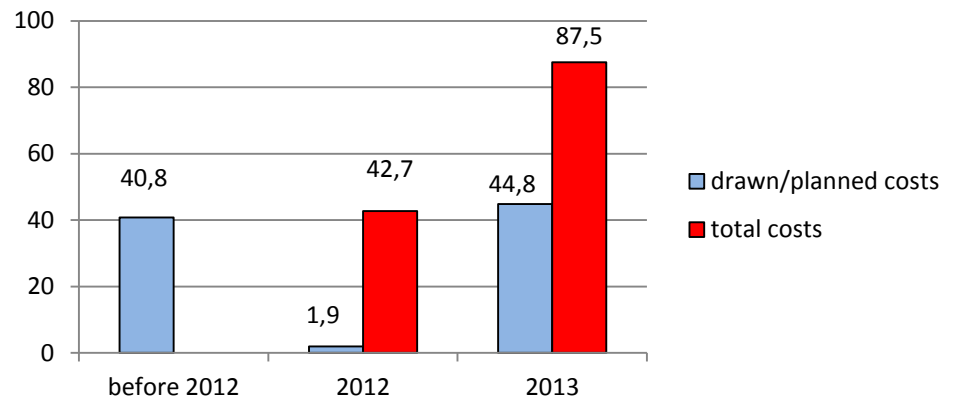
- Container throughput increase is possible due to existing clients' volumes growth, as well as due to attraction of new shipping lines
- Terminal capacity of 200 thousand TEU has been reached, planned capacity increase of up to 400 thousand TEU as the new cargo base is secured
- General cargo handling is being considered

Project Highlights

Start	January 2010
Completion	Q4 2013
Planned capacity	400 thousand TEU
Investment	\$87.5 mln.

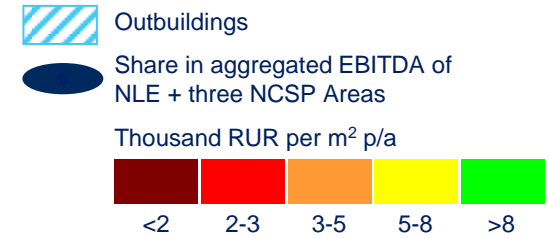
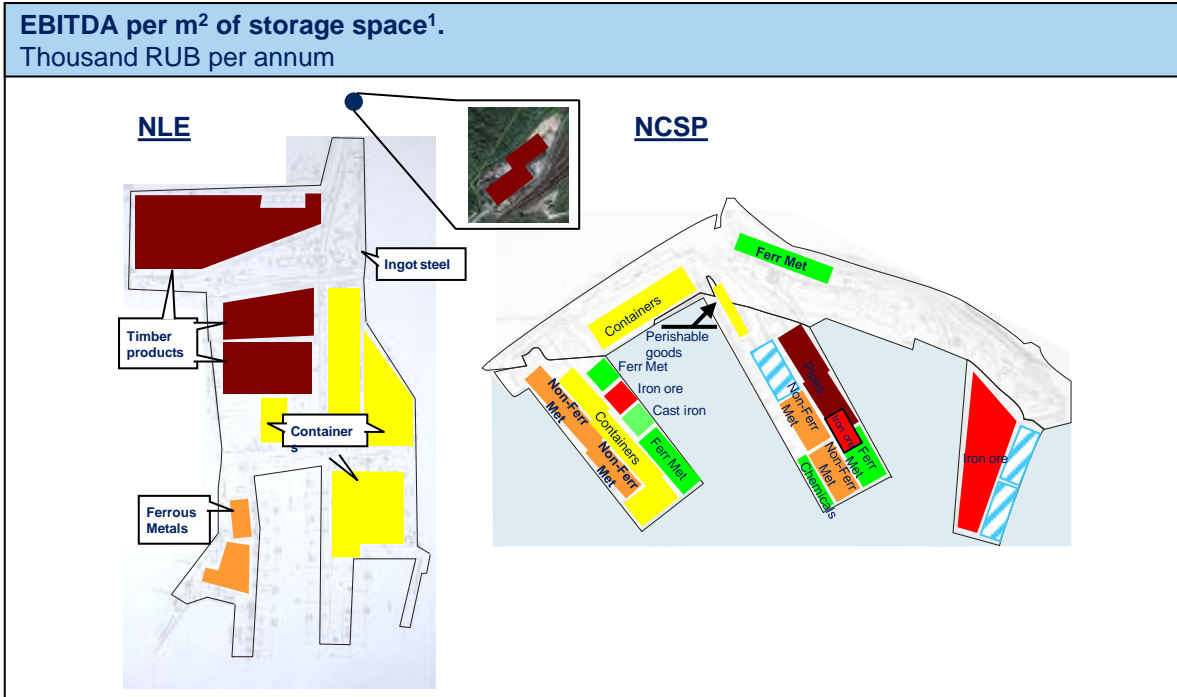
Investment costs of Container terminal construction at Baltiysk

\$ mln



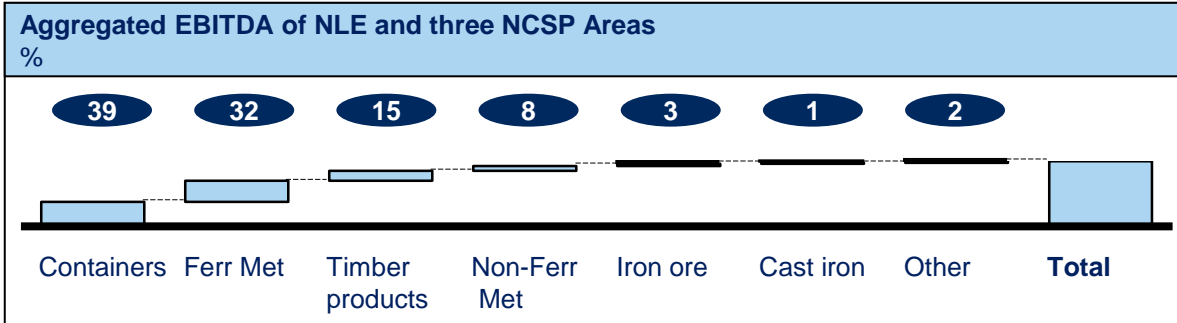
The New Development Concept - Specialization of NCSP's Production Areas

Profitability analysis of storage space at NLE and NCSP in 2010



- According to the analysis conducted jointly with international consulting company

- Up to 60% of NLE and NCSP storage space is used for storage of low-profit cargo (iron ore and ore concentrate, timber products, pipes) which generate around 20% of aggregated EBITDA (NLE + three NCSP Areas)



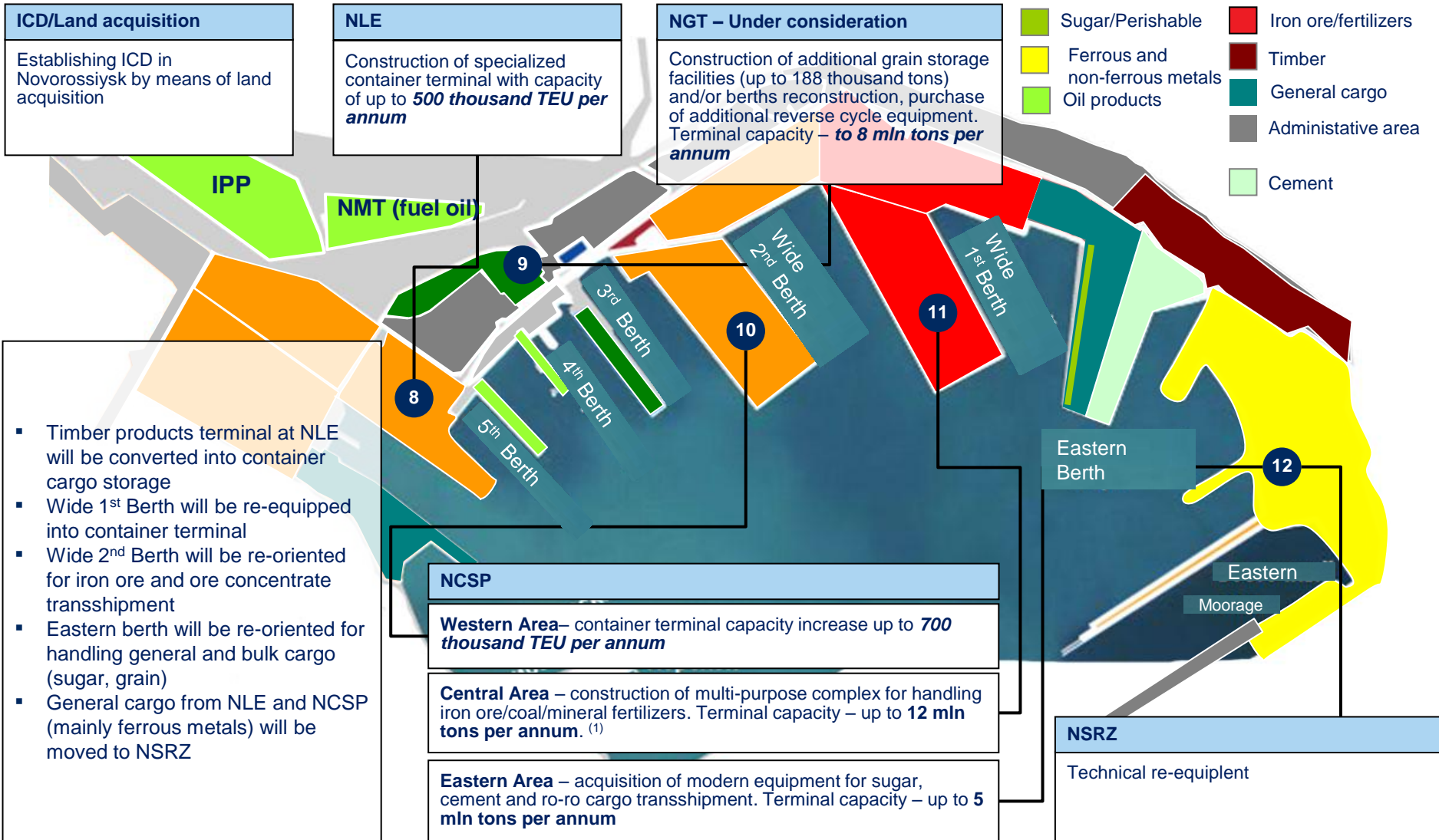
- Already in 2011, container yield increased by an average of 2 thousand RUB per m², exceeding profitability indicators of ferrous metals

¹ Calculations were made on the basis of - 2010 actual EBITDA /average storage space used for certain cargo types in 2010



The New Development Concept - Specialization of NCSP's Production Areas

Projected specialization of production areas by 2020





The New Development Concept - Containers

Development options

There were three options considered to increase container cargo flow in Novorossiysk. Management opted for the least expensive and least risky option to achieve the result

Option I – DECLINED

- Construction of a **new container terminal** with capacity 1.2 mln TEU at the combined territory of NSRZ and the NCSP Eastern Area.
- This project was a part of previous investment program. This option would require
 - CAPEX > \$1.0 bln
 - Timeframe > 3 years
- There were certain research and pre-feasibility works carried out, but the project has been declined

Option II – DECLINED

- Acquisition of NUTEP and its integration into NSRZ's territory
- Utilizing of border area (between NSRZ and NUTEP) would allow to bring total capacity to 1.0-1.2 mln TEU
 - CAPEX > \$1.0 bln
 - Timeframe > 3 years
- Purchase cost exceeds the market

Option III

- Expansion of existing terminals **NLE** to 500 thousand TEU and **NCSP** to 700 thousand TEU, construction of **inland container depo** (ICD) in Novorossiysk
- Less expensive alternative, providing the same results but having higher potential
- In line with specialization by production area concept
- Dedicated NLE container terminal is already going through the corporate approval processes
- ICD construction will significantly widen the range of services provided by NLE and form the basis for creation of NCSP logistics chain
- Throughput growth: NLE – from 270 to 500 thousand TEU (CapEx \$207 mln), NCSP – from 170 to 700 thousand TEU (CapEx \$350 mln)



The New Development Concept - Containers

Construction of dedicated container terminal at NLE with up to 500 thousand TEU capacity

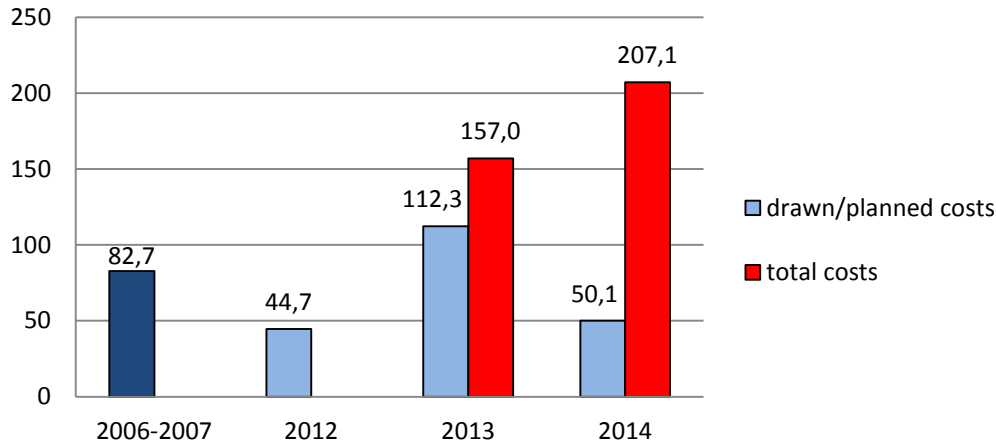
NLE Capacity Thousand TEU	2011	2012	2013	2014	2015	2016	2017
New Project	0	0	0	86	300	400	450
Existing capacity, no investment	265	265	270	200	200	100	50
Total	265	265	270	286	500	500	500

Objective

- Construction of a dedicated container terminal on the base of NLE with capacity of up to 500 thousand TEU with dwell time of 10 days as the first phase of NCSP container throughput increase strategy implementation

Approximate investment costs of NLE container terminal capacity increase project

\$ mln



Main tasks

- Previous investment project completed in 2007
- Some investments were made without sufficient headroom vis a vis current market demands
- New approach – construction of specialized CT with capacity of 500 thousand TEU based on NLE
- Dredging at NLE berths No. 28, 28A which will enable to handle direct shipping line service vessels with capacity of 5 thousand TEU
- The ban for container vessels berthing while there is a tanker vessel alongside berth No. 27 has been lifted
- Attracting of a new customer - Maersk

Planned result

- NCSP will be able to handle ocean container line vessels of greater capacity
- Conversion of Novorossiysk into port-hub for domestic transshipment – Baltic ports competition
- Timber gargo containerization

The New Development Concept - Containers

Construction of Inland Container Depo (ICD)



A distinctive feature of ICD is its functional dependence on the sea port operations, which determines scope of services at the inland terminal

Major factors, affecting ICDs operations

- Level of services and stevedoring tariff competitiveness
- Level of interaction with customs
- Technical specifications for acceptance/dispatch container block-trains, equipping of acceptance/dispatch container block-trains, equipping Russian railway depots with loading machines capable to handle large-capacity containers
- Railway container platforms for container transportation
- Capacity for short-term cargo storage

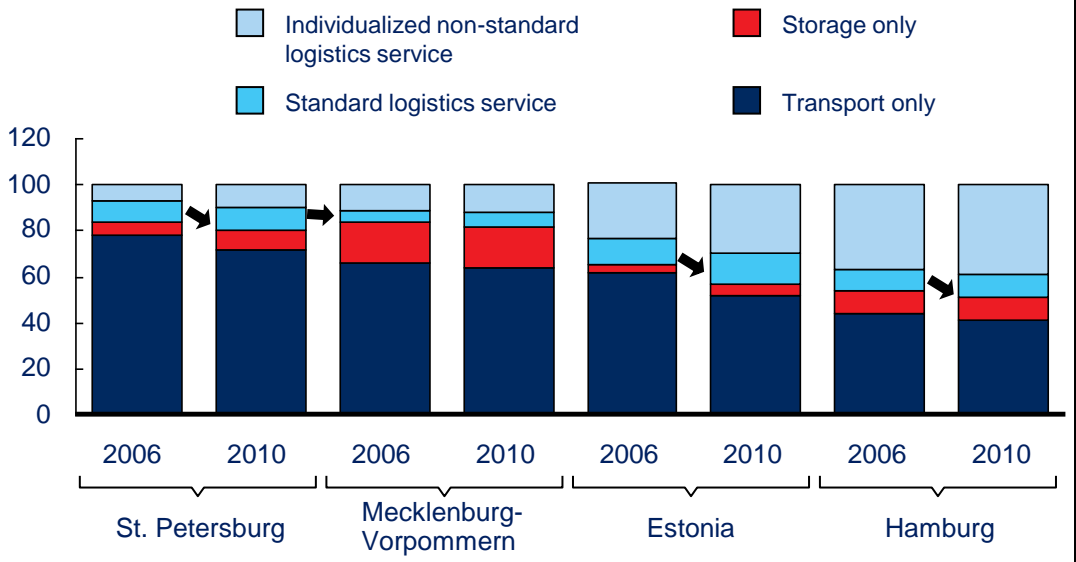
Major ICD advantages for clients

- Demurrage cost reduction
- Transportation cost reduction
- Increasing storage capacities and storage cost reduction
- Ability to effectively resolve the empty container traffic issue
- Reduction of logistics costs through offering additional terminal services

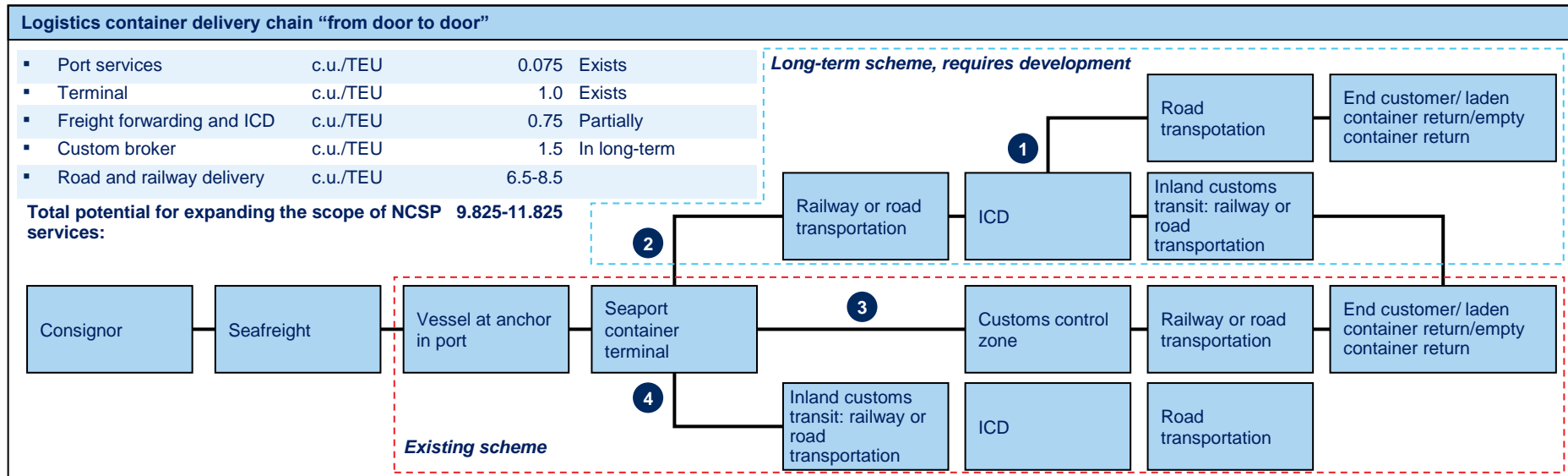
Major ICD advantages for sea port operations

- Storage facilities expansion
- Cargo turnover increase
- Operating cost reduction
- Ability to increase revenue through providing ancillary services
- Empty containers turnover reduction

Companies' revenue analysis by logistics service segments



The New Development Concept - Containers



Estimated time of container handling along the chain "consignor-to-consumer," days

	Seafreight ¹	Vessel at ancor in port	Seaport container terminal	Initial railway or road transportation	Inland terminal/ ICD	Following railway or road transportation ²	Customer	TOTAL
Option ①	27	-	2-4	1.5	to 7	1	1	39.5-41.5
Option ②	27	-	2-4	1.5	to 7	2	7	46.5-48.5
Option ③	27	1.5	to 14	-	to 12	2	16	72.5
Option ④	27	1.5	to 7	2	to 7	1	16	61.5

Cost of logistics chain, c.u./TEU⁽⁴⁾

Freight	Anchorage	Terminal fees	"Dry port" service (expert review)	ICD	Customs broker service	RWT (Novorossiysk-Moscow)	Road transport (Novorossiysk-Moscow)	Road transport ("shuttle")	TOTAL
12	0.1/TEU/day	1.0	0.75-0.8	0.4-0.45	1.5	6.5	8.5	1.5	23.75 – 25.85

1 Container line service Shanghai - Moscow

2 Based on the example of moving containers to Moscow Region

3 "Dry port" location at the port border and/or in close vicinity to large cities – major consumption centers (Moscow, Kazan, etc.)

4. c.u. = stevedoring tariff

Overview of Investment Projects

NGT expansion



Project Highlights

Start	2012
Completion	22 months+1.5 for commissioning
Planned capacity	+2 mln tones
Investment ¹	\$52.9 mln

Objective

- NGT capacity expansion through
 - New grain silos which will increase storage capacity from 120 to 188 thousand tons
 - Installation of a third ship loader
 - Construction of a fourth line for unloading grain trucks
 - Berths repair

Planned results

- Capacity increase by 2 mln tones to 7-8 mln tones

Key changes

- Construction of the second production line standalone is not able to deliver the desired outcome
- Additional terminal capacity growth is possible due to
 - Dredging and quay wall extension
 - Vessels and railcar traffic control
 - Redirection of direct loading method
 - Cooperation with contractors on vessels scheduling unification
 - Servicing vessels with higher displacement
- Maximum draft will rise from 13.3 m to 13.5 m
- Maximum vessel DWT will rise from 63 to 75 thousand tons
- The terminal development program will be defined on the basis of the technical audit

1. Includes interest rates, unexpected costs, excludes capitalized land and equipment rent



New Development Strategy – Iron Ore and Ore Concentrate Terminal

Marketing study of the project

- Metalloinvest production of iron ore in 2011 was 40.1, 22.0 mln tons of pellets, 5.2 mln tons of HBI/DRI
- There was 70% of export, of which 50% - to China, 35% - to Europe. 95% of the export cargo for the first 9 months of 2011 in ABB was handled through **Ukrainian** ports
- Key advantage of Ukrainian ports in comparison to Novorossiysk is the ability to handle vessels of greater DWT:
 - Port Yuzhny: DWT 78-110 thousand tons, productivity up to 30 thousand tons
 - Novorossiysk: DWT up to 60 thousand tons, productivity approx. 15 thousand tons per day and overloaded railway
- Metalloinvest on several occasions publically expressed interest in construction of a new terminal, including terminal in Taman
- Today, **EBITDA margin** for handling iron ore at NCSP is approximately 35%. Such a low indicator is a result of **outdated** technology of iron ore and ore concentrate handling in NCSP

Immediate Measures Taken by NCSP Group

- Cooperation with Port authorities and dredging, which allowed to serve in November 2011 the first bulk carrier with DWT of 114 thousand tons
- As a result – contract with Metalloinvest for 4 mln tons for 2012

Financial results and investments

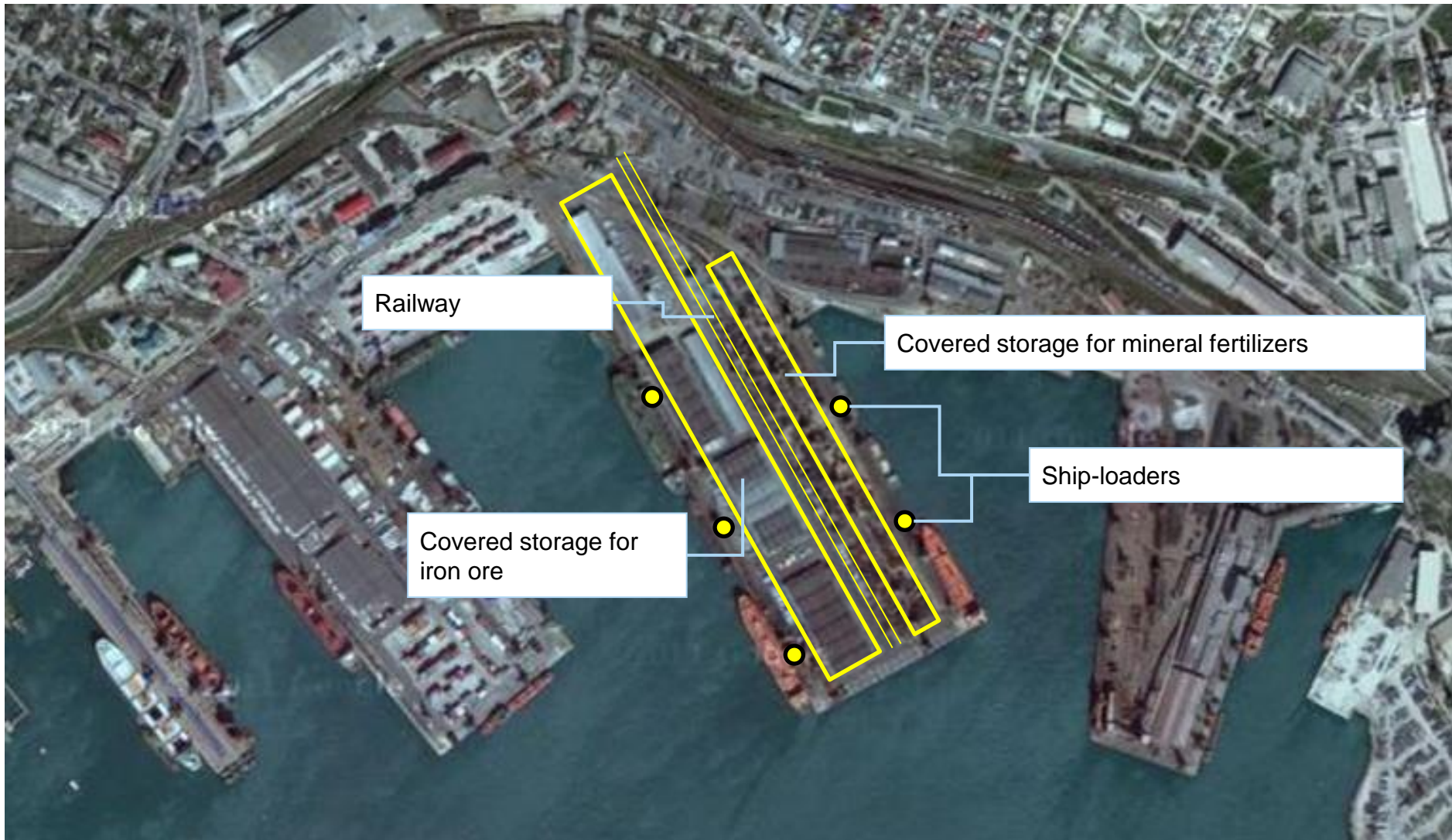
- **2011 results**
 - Throughput: 2.9 mln tons per annum
 - EBITDA margin: approx. 35%
- **New Terminal**
 - Investment: \$250 – 290 mln
 - Capacity: ~12 mln tons per annum
 - Target EBITDA margin: 60-65%

Integrated solution

- Construction of specialized iron ore and ore concentrate terminal with capacity of up to 12 mln per annum
- Prerequisite is increased loading productivity to 50 thousand tons per day with ability to service vessels with DWT of up to 120 thousand tons
- Concept and estimations will be confirmed by the technical audit

New Development Strategy – Iron Ore and Ore Concentrate Terminal

Hydrotechnical infrastructure of iron ore and ore concentrate terminal



Potential Projects

Long-term projects of construction of terminals in Primorsk for handling Containers, Ferrous Metals, Iron Ore and Ore Concentrate, Mineral Fertilizers and Oil Products



Project description

- Objective: construction of multi-purpose deep-water port in the Russia's North-West; creating conditions for increasing export potential for Russian economy, business diversification
- Depth alongside the berth: up to 15.6 m
- Potential base for cargo delivered by railway. There were Lol or MoUs signed with a number of cargo owners/expeditors
 - Metals: 3 mln tons per annum
 - Iron ore: 3 mln tons per annum
 - Mineral fertilizers: 5 mln tons per annum
 - Oil products: 22 mln tons per annum
 - Containers: 0.8 – 1 mln tons per annum (10% of the terminal capacity depends on railway)
- Served vessels: DWT 100 thousand tons
- The concept is being developed together with Royal Haskoning
- Key issue – railway connection

Project Highlights

	Me	Iron Ore	Containers	Fertilizers	Oil Products
Capacity, mln tons/TEU per annum	3	3	1.0 - 1.2 TEU	5	22
Investment, \$ mln	TBC				138



Projects of The New Development Concept

Project	Construction Period		Investments (\$ mln)	Additional Capacity
	Start	End		
8 Construction of specialized container terminal on the basis of NLE facilities	2012	2014	207.1	+ 500 thousand TEU (including modernization of current NLE and Port infrastructure)
9 Grain terminal expansion	2012	2014	52.9	+ 2 mln tons
10 Container terminal construction (Novorossiysk), NCSP	2015	2018	350.0	+ 530 thousand TEU
11 Construction of terminal for iron ore and ore concentrate /coal transshipment (Novorossiysk)	2015	2016	250.0 – 290.0	+ 12 mln tons of iron ore and ore concentrate
12 Modernizing equipment at NSRZ and Western Area of NCSP	2012	2016	30.0 – 40.0	Required for maintaining current levels of handling volumes and for increasing revenues
13 Construction of terminal/s for handling: Containers, Ferrous Metals, Mineral Fertilizers, Iron Ore and Ore concentrates (Primorsk)			Under consideration	+ 11 mln tons + 1.0 – 1.2 mln TEU
14 Construction of oil transshipment terminal (Primorsk)			138.0	+ 22 mln tones
15 Acquisition of land for further development			30.0 – 40.0	
Total			1,058 – 1,118	+ 2.03 – 2.23 mln TEU + 47 mln tons



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