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# INVESTOR PRESENTATION



NOVOROSSIYSK COMMERCIAL SEA PORT **NCSP**

January 2008



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**Investment Highlights**

**Strategy**

**Financial Review**



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# THE SOUTHERN GATES OF RUSSIA





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# NOVOROSSIYSK COMMERCIAL SEA PORT

## Key highlights

- *The largest port complex in Russia*
- *“Natural monopoly” status*
- *5th largest port in Europe*
- *Located in relative proximity to the most concentrated industrial and raw materials regions of Russia*
- *Convenient access to extensive pipeline, rail and road networks*
- *Approximately 20% of total international cargo passing through Russian ports*

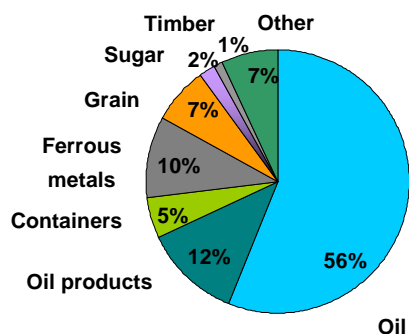
## Financial and operational statements

	2005	2006	9 months 2007	
			2007	2007
Cargo Turnover, MM Tones	74.4	80.9	58.7	79.4
Revenue, US\$ MM	189	277	332	505
EBITDA, US\$ MM	105	119	167	240
EBITDA Margin, %	56%	43%	50%	48%

Source: Audited IFRS financial statements prepared for 2005/2006 FY and reviewed Q3/2007 financial statements, 2007 consolidated management financial statements according to Russian accounting standards

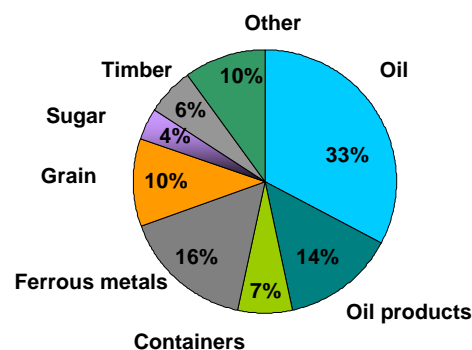
## Cargo Breakdown

Cargo breakdown by type, 2007



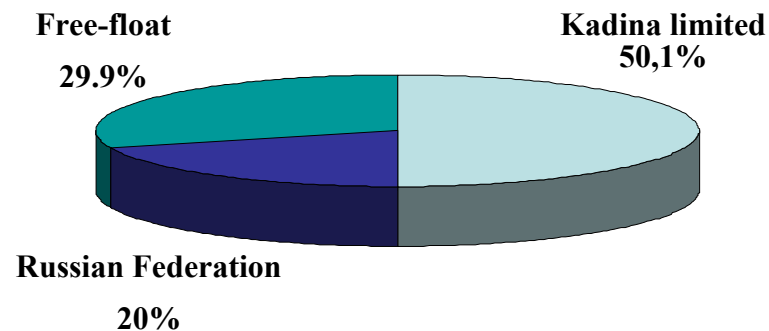
Source: Company data

Breakdown of Cargo Revenue by type, 2007



Source: Company data

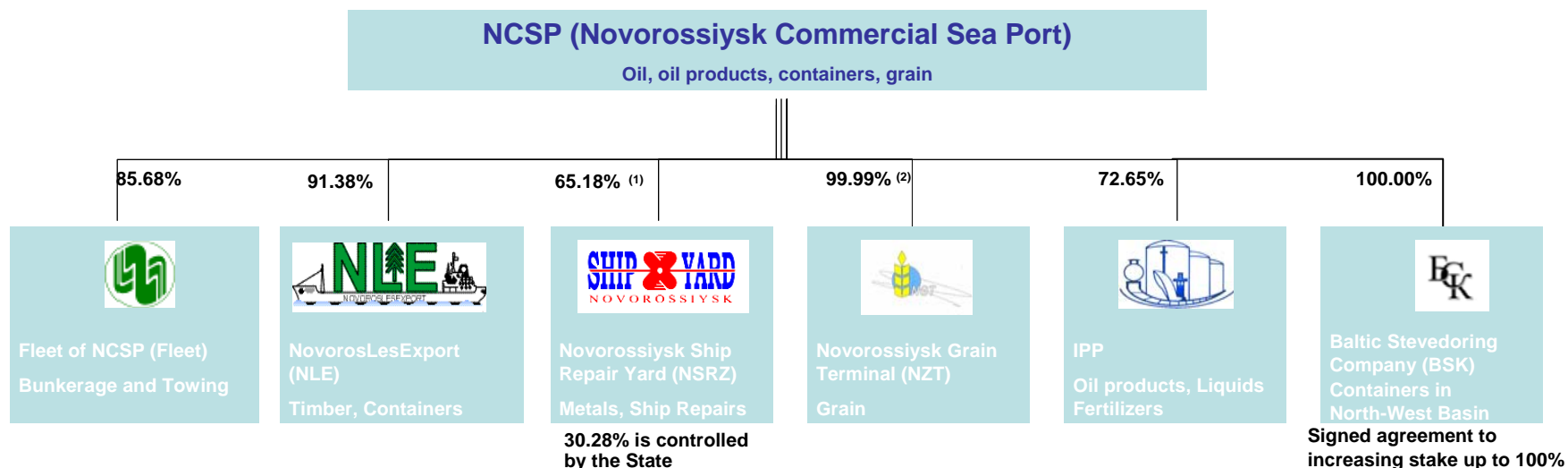
## Shareholder Structure





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## INDUSTRY CONSOLIDATOR



### Synergy Effect

- Consolidation of previously competing stevedoring companies resulted in multiple synergies, including:
  - Significant reduction of tariff discounts to customers
  - Cost's savings
  - Elimination of duplicative services, improved efficiency of operating assets and greater specialisation
  - Improvement of service quality
  - Greater financial flexibility
  - Tariff increases

**Note**

NCSP holds 57.5% of the ordinary shares and 88.2% of the preferred shares in the share capital of NSRZ Ship Repair Yard

NCSP Fleet holds the remaining 0.01% interest in NZT Grain Terminal



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## COMPANY HIGHLIGHTS

- 1 Russia's Largest Multi-Cargo Port
- 2 Geographically Advantageous Location - the Southern Gates of Russia
- 3 Well-developed Infrastructure
- 4 Rapidly Developing Port Business
- 5 Effective Management



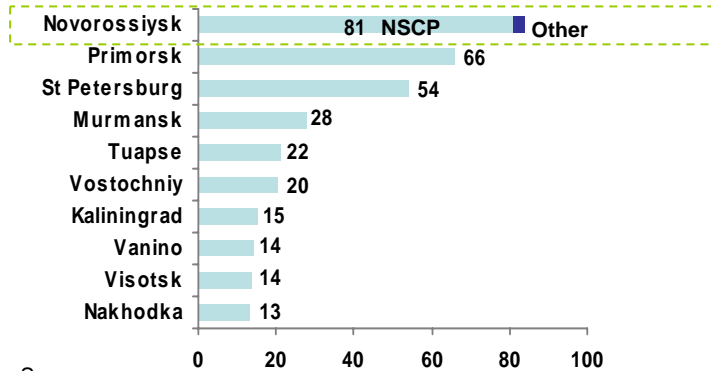


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## RUSSIA'S LARGEST MULTI-CARGO PORT

### Major Russian Seaports by Cargo Turnover, 2006

MM Tonnes



Source: Seaneews

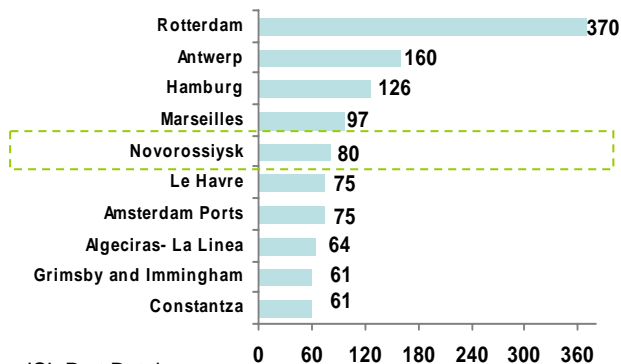
### Largest Russian Port

- The largest port operator in Russia by cargo turnover and 5<sup>th</sup> largest in Europe
- “Natural monopoly”
- Approximately 20% of Russia’s maritime trade shipped via sea ports during 2006, including:
  - market share of 50% of grain and sugar traffic
  - 31% and 23% of ferrous and non-ferrous metals
  - 27% of crude oil and 12% of oil products

Source: Global Insight, ISL, Company Data

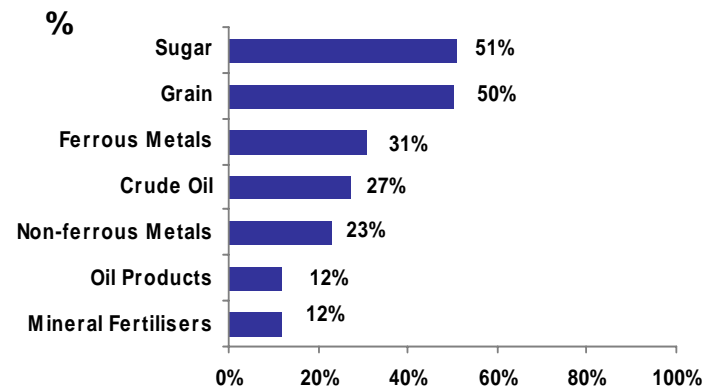
### Total Cargo Traffic - Top 10 European ports, 2005

MM Tonnes



Source: ISL Port Database

### Significant Share in Cargo Traffic of Russian Ports, 2006

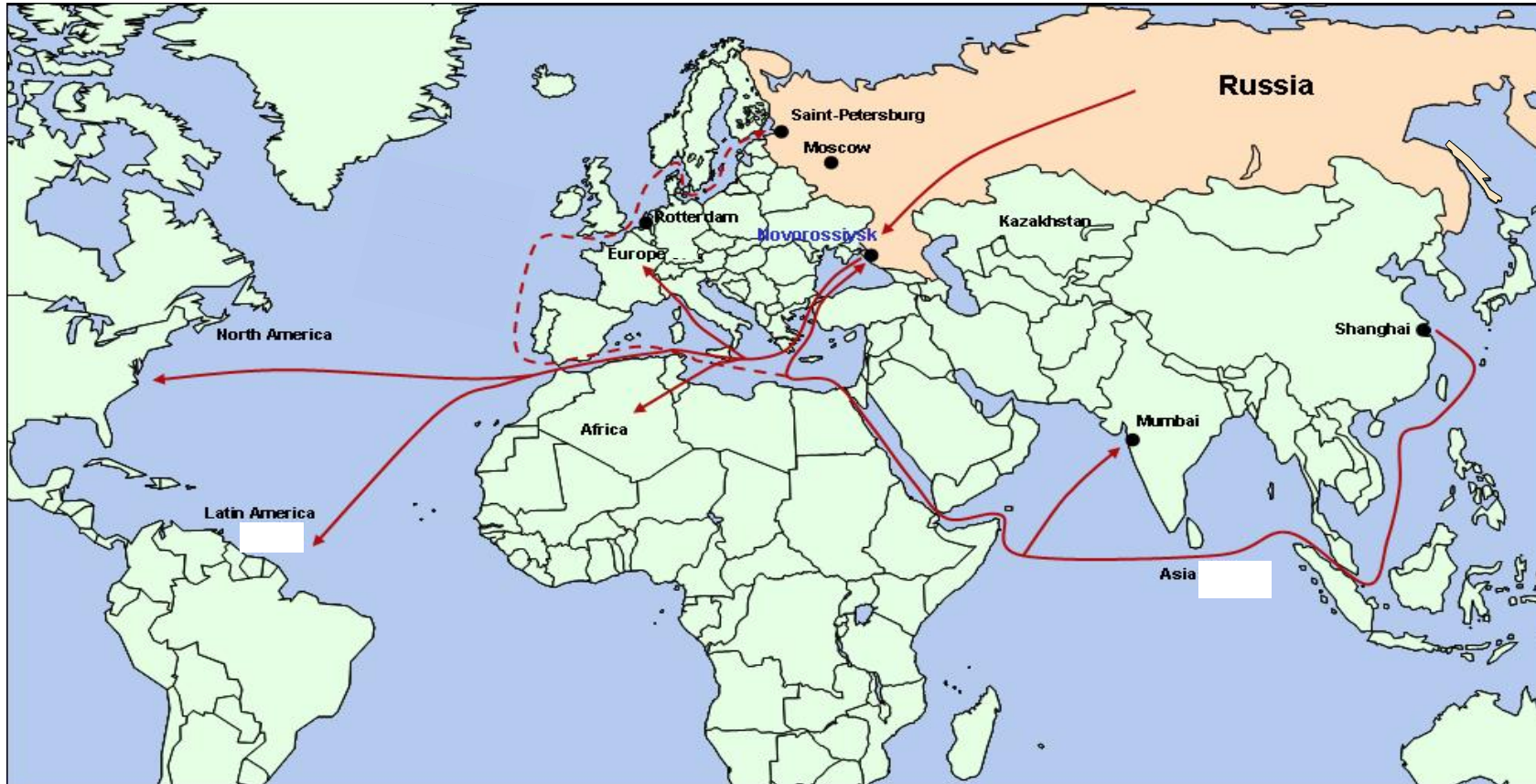


Source: Global Insight, ISL, Company Data



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## GEOGRAPHICALLY ADVANTEGIOUS LOCATION



Note: Map is not to scale and highly indicative

- Proximity to major producers in the Russian Federation
- Sea route from South-East Asia to Central Russia through Novorossiysk is approximately 8 days shorter than the sea route through Rotterdam and St. Petersburg
- Key Russian port for shipments to/from the Mediterranean and the Middle East
- One of the closest deep-sea port for transit cargoes from Central Asia (Kazakhstan, etc.)



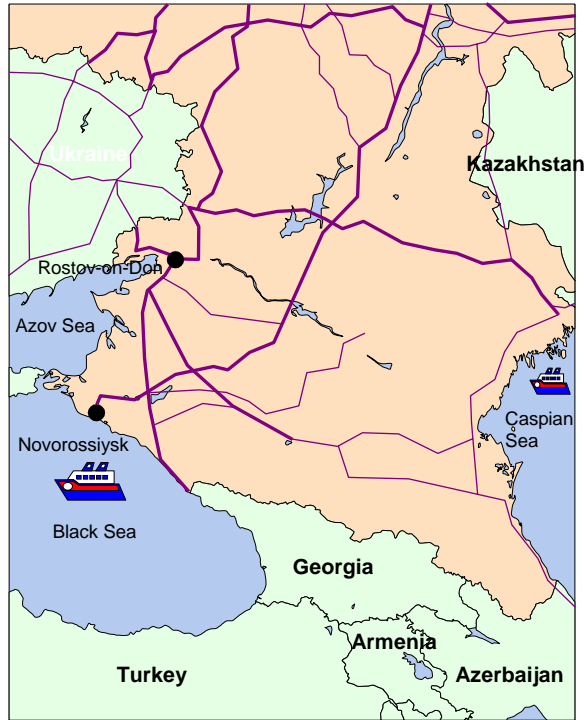
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## WELL-DEVELOPED INFRASTRUCTURE

### Rail

### Road

### Pipeline



Note: Maps are not to scale and highly indicative

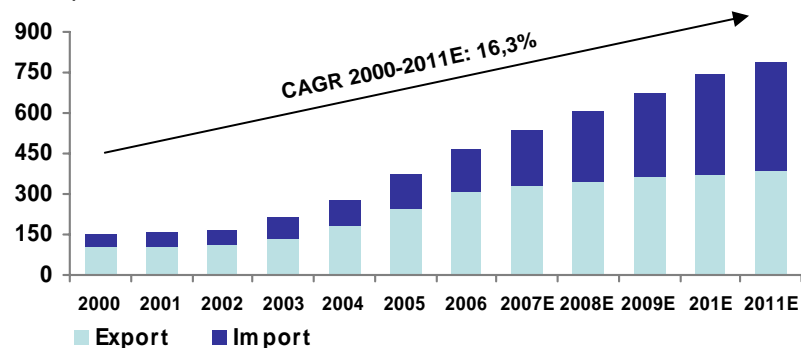


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## RAPIDLY DEVELOPING PORT BUSINESS

### Growing Volume of Russia's Foreign Trade

US\$ Bn

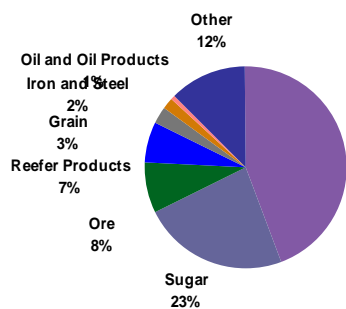


### Comments

- NCSP aims on developing capacity to keep pace with the demand of Russia's foreign trade

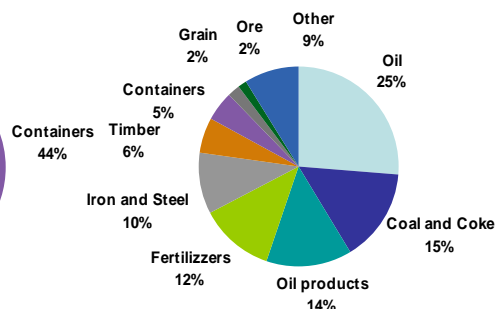
### Russian Seaborne Trade: Breakdown by Cargo, 2006

#### Exports



Total Exports: 345 MM Tonnes

#### Imports, transit, cabotage



Total Imports: 83 MM Tonnes

Source: Company data

Source: Global Insight



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## NCSP: Effective Management & Achievements in 2007



### ■ Full-segment consolidation of sea-port business in One Company

1. Optimization of cargo turnover
2. Improvement of internal logistics
3. Improvement stevedores specialization by cargo type
4. Optimization in human resources
5. Attrition of capital
6. Tariff increase

### ■ End of construction of highly remunerative terminals

1. Grain terminal, capacity 4 MM tones per annum.
2. Timber terminal, capacity 3 MM. tones per annum
3. Bunkerage terminal, capacity 0,6 MM tones per annum
4. Containers terminal, capacity 350,000 TEU per annum

**NCSP – Only one Russian stevedore company, listed on London Stock Exchange**



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## REGULATION AND GOVERNANCE

### Regulation & The State

#### Federal Agency for Marine and River Transport:

- Ministry of Transportation subsidiary
- Regulates the management of State property

#### Regulates:

- Management of State property

#### RosMorPort:

- Ministry of Transportation subsidiary
- Owner of all hydrotechnical equipment in Russia

#### Regulates:

- Collection of port duties and redirecting them towards construction and modernisation of ports infrastructure
- Ensuring effective use of port infrastructure
- Implementation of Federal port development programmes

#### Sea Ports Authority:

- Federal agency

#### Regulates:

- Security and ecology control
- Navigation within the harbour

#### Federal Tariff Service:

- NCSP is subject to tariff regulation for most types of cargo

#### Regulates:

- Approves tariffs in accordance with anti-monopoly legislation

### NCSP BoD Includes Several Governmental Representatives



#### **Alexander Ponomarenko**

Chairman of the BoD



#### **Alexander Davydenko**

Director, Federal Agency for Marine and River Transport



#### **Yuriy Parfenov**

General Director, Rosmorport



#### **Alexander Remezov**

First Deputy Governor of Krasnodar Region Administration



#### **Vladimir Vorobyov**

Vice President, Russian Railways



#### **Alexander Chubarivan**

President of Institute of History, Russian Academy of Sciences  
President of State Humanitarian University



#### **Vladimir Ulyanov**

Head of NCSP Internal Control Department



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**Investment Highlights**

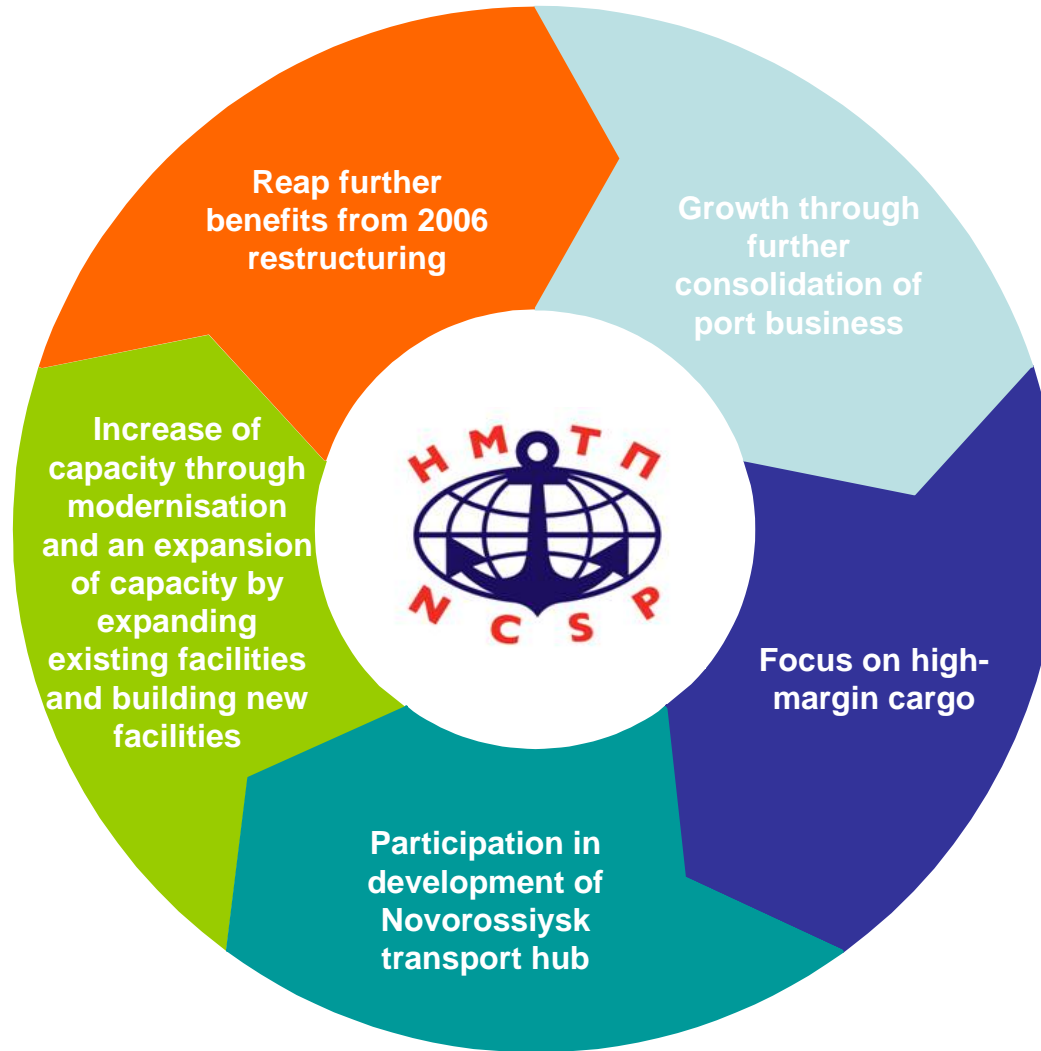
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## STRATEGY







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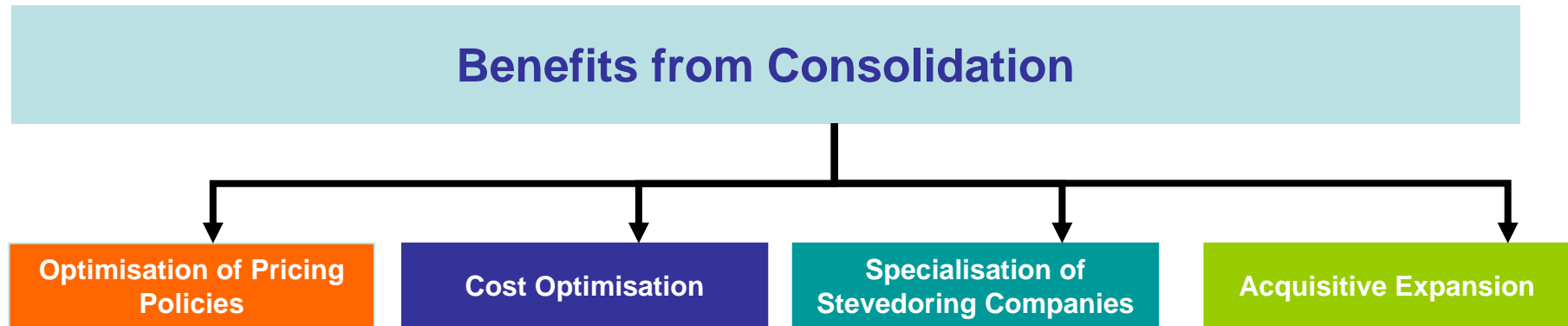
Increase of capacity through modernization and an expansion of capacity by expanding existing facilities and building new

- **Expected increase annual cargo capacity to up to 112 MM Tonnes by 2011 while increasing revenue and profitability**
  - **Increase in profitability through more efficient use of existing and construction of more efficient facilities**
- **New projects target high-margin cargo: containers, fertilizers, oil products and alumina**
- **The majority of projects to be commissioned in 2007-2008**
- **IRR in new projects of at least 20%**

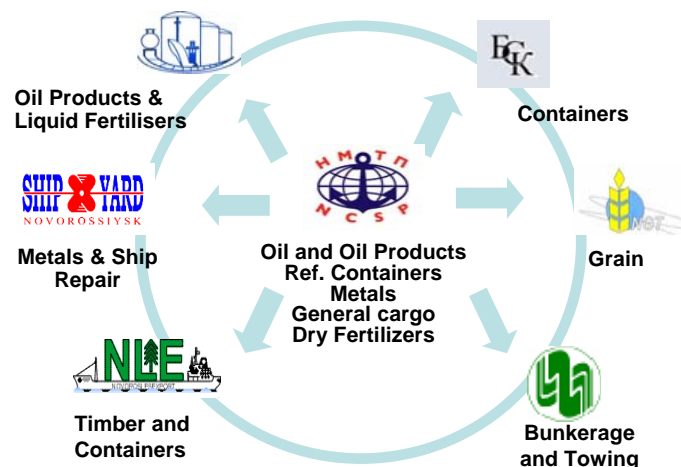


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## Reap Further Benefits from 2006 Consolidation



### Elimination of Internal Competition as a result of Specialisation



### Synergies

- Price enhancement
  - Tariff discounts were significantly reduced in Jan-Jul 2007
  - Increased oil and oil products tariffs were applied from April 2007
- Cost optimisation including SG&A savings, payroll and headcount reduction, optimisation of insurance, rent and repair costs
- Specialisation of stevedoring companies to eliminate competition and increase operating efficiency
- Acquisitive expansion

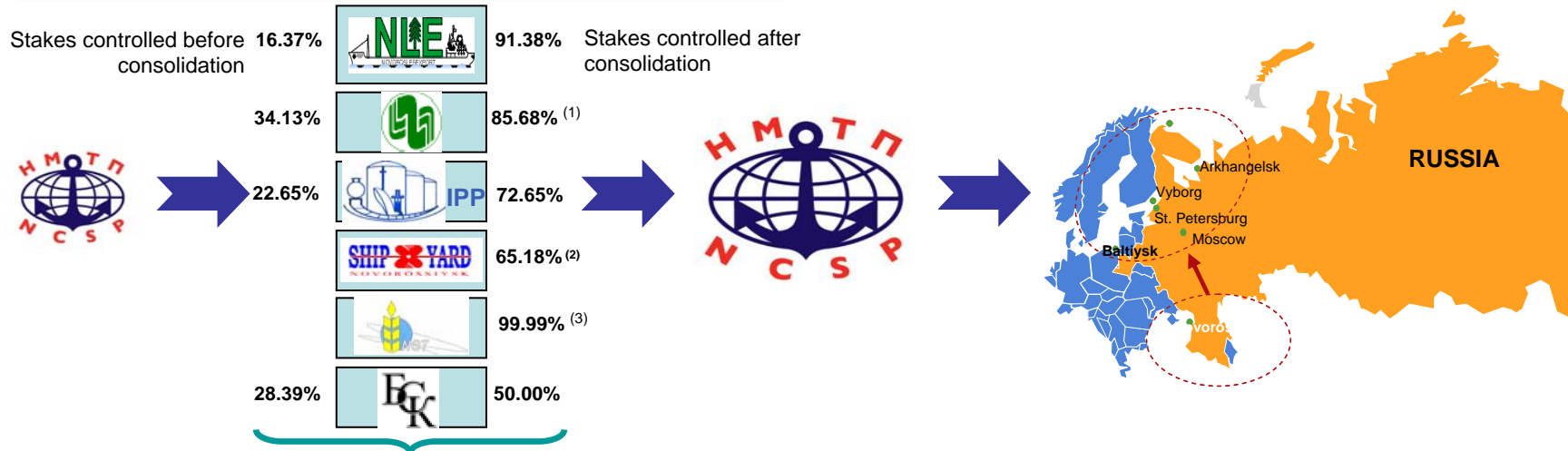


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## GROWTH THROUGH FURTHER CONSOLIDATION OF PORT BUSINESS

### Consolidation Opportunities in North Western & Southern Basins

#### Consolidation, June 2006



#### Former Competitors

#### Consolidation Opportunities

Location	Port	Number of independent stevedores	Cargo turnover, 2006 (mm tonnes)	Number of stevedores with over 2 MM tonnes turnover
Russia, Southern Basin	NCSPP stevedores	Buy-out of minorities in stevedores		
Russia, N-W Basin	St.-Petersburg	30	54.2	7
Russia, N-W Basin	Arkhangelsk	10	10.5	2
Russia, N-W Basin	Kaliningrad	18	18.8	3
Russia, N-W Basin	Murmansk	16	15.2	2
Russia, Far East Basin	Vostochnyi	9	20.5	2
Ukraine	Odessa	12	20.3	4

#### Note

1. Stake increased to this level in 2007
2. NCSPP holds 57.5% of the ordinary shares and 88.2% of the preferred shares in the share capital of NSRZ Ship Repair Yard
3. NCSPP Fleet holds the remaining 0.01% interest in NZT Grain Terminal

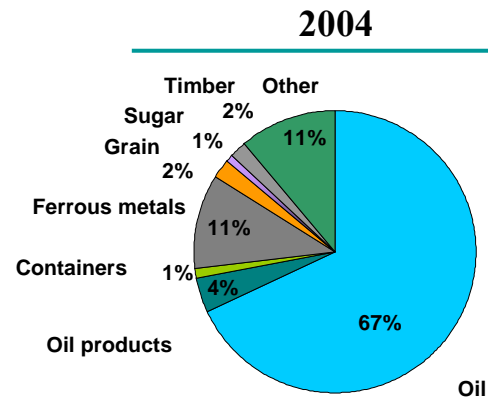
Source: RBK



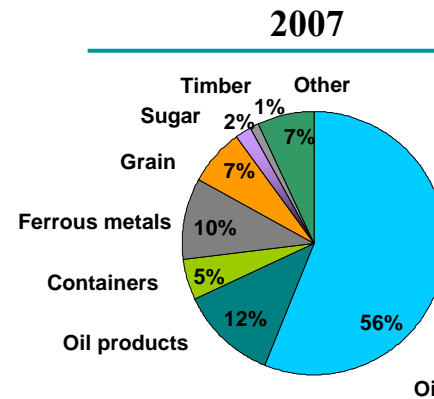
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## FOCUS ON HIGH-MARGIN CARGO

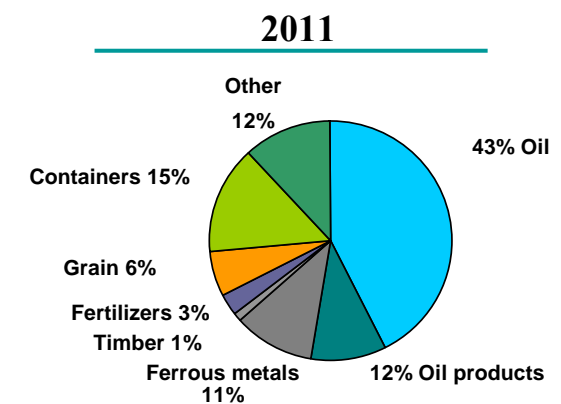
### Evolution of Cargo Mix



Total: 72 million tones



Total: 79 million tones



Total: 112 million tones

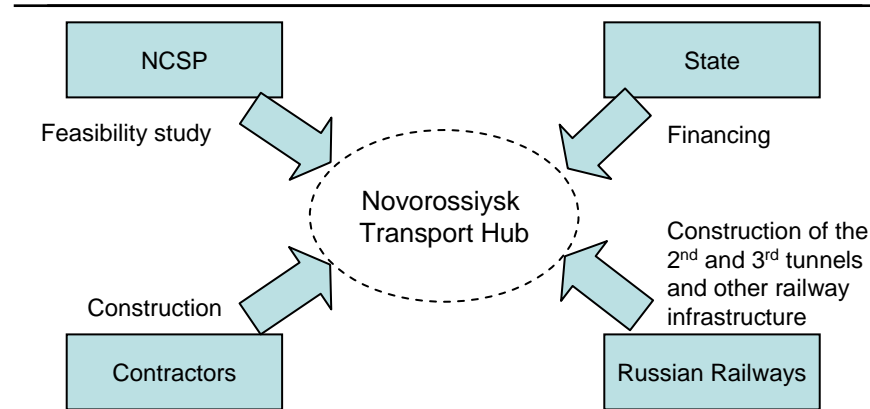
- NCSP aims to increase stake of high-margin cargo, such as:
  - Containers
  - Ferrous metals
  - Grain
  - Oil products



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## Participation in Program of Complex Development of Novorossiysk Transport Hub

### Parties Involved in the Development of Novorossiysk Transport Hub



### Program of Complex Development of Novorossiysk Transport Hub

- Russian Government is implementing a State programme of “Modernization of Russian Transport System (2002-2010)” to modernise the infrastructure of Russia’s largest transport hubs
- Novorossiysk is the only Russian multi-purpose deep-water port of South Basin capable to operate all year round, and one of the key hubs for international cargo transit
- The “Complex Development of Novorossiysk Transport Hub Programme” would result in the development of transportation infrastructure including highways, railway network and logistics automatisation
- NCSP will only finance own CAPEX programme
- The project participants include: Ministry for Transportation, Russian Railways, Krasnodar regional administration, City of Novorossiysk and relevant project institutes



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## INCOME STATEMENTS (9 MONTHS AND Q3 OF 2007)

**Main financial statements** (according to the consolidated unaudited financial results for the first nine months of 2007, in accordance with International Financial Reporting Standards)

\$ US млн.	9 months 06	9 months 07	Q3 06	Q3 07
Cargo Turnover, MM Tones	61	58,7	n/a	n/a
Revenue, US\$ MM	188	332	90	113
EBITDA , US\$ MM	88	167	43	77
<i>EBITDA Margin, %</i>	47%	50%	48%	58%

- Revenues up 76.5% on year-on-year basis to US\$ 332 million
- EBITDA up 90.8% on year-on-year basis to US\$ 167 million

*A number of stevedore companies at the port of Novorossiysk were consolidated in June 2006. The financial results only reflect this consolidation from the third quarter of 2006*



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## PRELIMINARY FINANCIAL STATEMENTS 2007

US\$ млн.	2006	2007	Change
Cargo Turnover, MM Tones	81	79	(2)
Revenue, US\$ MM	277	505	81%
EBITDA , US\$ MM	119	240	100%
<i>EBITDA Margin, %</i>	<i>43%</i>	<i>48%</i>	<i>5%</i>
Net Debt	506	471	(35)

• Revenues up 81% to **US\$ 505 millions**

• 100% Growth of EBITDA up to **US\$240**

*NOTE: Management Consolidated Financial statements of 2007 made according to Russian accounting standards and can be different to IFRS financial statements*





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## CHANGES IN DEBT STRUCTURE

### Credit Ratings:

S&P: BB+ - corp., BB+ - bonds

Moody's: Ba1 – corp., Ba2 - bonds

### Eurobonds

\$300 000 000

5 years

7%

Syndicated Credit

\$ 118 000 000

UniCredit Group

3 years

LIBOR + 1.6%

Reduction in interest rates of "Sberbank" loans

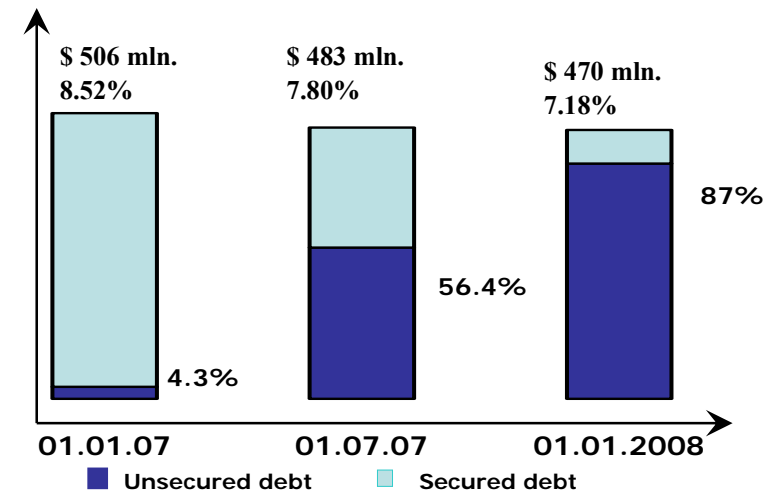
9.25% → 8.18%

### Unsecuritisation of debt

Increase of Eurobonds rating

Moody's: Ba2 → Ba1

### Debt dynamics and interest rates



### During 2007 NCSP:

- Has decreased a level of debt
- Has extended credit terms
- Has lowered interest rates
- Has replaced secured debt with unsecured

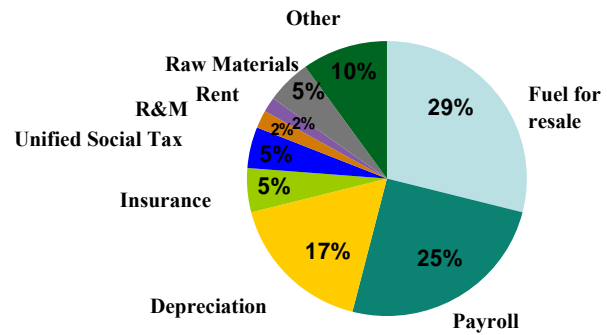


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## COST STRUCTURE

### Cost of Services 9 months 2007

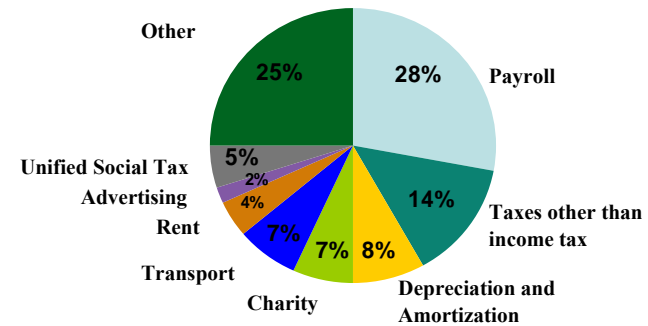
Total US\$178 MM



Source: Reviewed NCSP Q3 2007 IFRS accounts

### SG&A 9 months 2007

Total US\$46 MM



Source: Reviewed NCSP Q3 2007 IFRS accounts



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## QUESTIONS?

**Alexander Rybin**

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**Corporate Finance and Investor  
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## CASH FLOW STATEMENT

US\$ (000s)	2005	2006	3Q2007
<b>Cash Flows from Operating Activities</b>			
Cash Generated from Operations	102,670	122,942	133,010
Income Tax Paid	(24,272)	(18,770)	(22,797)
Interest Paid	-	(21,316)	(22,923)
<b>Net cash Generated by Operating Activities</b>	<b>78,398</b>	<b>82,856</b>	<b>86,290</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from Disposal of / (Payment for) Property, Plant and Equipment	(15,348)	(99,097)	(51,963)
Proceeds from Disposal / (Acquisition of) Securities and Other Financial Assets	(24,711)	(503,017)	(31,315)
Proceeds from Disposal / (Purchase of) Short-Term Investments	(57,263)	61,183	21,533
<b>Net cash Used in Investing Activities</b>	<b>(97,322)</b>	<b>(539,931)</b>	<b>(61,794)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from / (Repayment of) Long-Term Borrowings	499	471,028	<b>3,496</b>
Proceeds from / (Repayment of) Short-Term Borrowings	(459)	(10,339)	(1,751)
Buy-back of Ordinary Shares	(10,035)	(10,205)	(798)
Dividends Paid	-	-	-
Treasury Shares Sold / (Purchased)	-	(3,507)	<b>10,044</b>
Repayments of Obligations Under Finance Leases	-	(521)	<b>1,374</b>
<b>Net cash from / (Used in) Financing Activities</b>	<b>(9,995)</b>	<b>446,456</b>	<b>1,995</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(28,919)</b>	<b>(10,619)</b>	<b>26,491</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>75,519</b>	<b>43,915</b>	<b>37,037</b>
Effect of Translation to Presentation Currency	(2,685)	3,741	3,050
<b>Cash and Cash Equivalents at End of Year</b>	<b>43,915</b>	<b>37,037</b>	<b>66,578</b>

Source: NCSP IFRS accounts



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## INCOME STATEMENTS

US\$ (000s)	2005	2006	3Q2007
<b>Revenue</b>	189,246	277,277	<b>331,990</b>
Cost of Sales	(101,997)	(172,897)	<b>(178,041)</b>
<b>Gross Profit</b>	<b>87,249</b>	<b>104,380</b>	<b>151,949</b>
<i>Gross Profit Margin, %</i>	46%	38%	47%
Selling, General and Administrative Expenses	(20,540)	(33,979)	<b>(46,059)</b>
<b>EBITDA</b>	<b>105,357</b>	<b>119,075</b>	<b>167,0</b>
<i>EBITDA Margin, %</i>	56%	43%	50%
<b>EBIT</b>	<b>66,709</b>	<b>70,401</b>	<b>107,890</b>
<i>EBIT Margin, %</i>	35%	25%	32%
<b>Profit Before Income Taxes</b>	<b>78,214</b>	<b>57,736</b>	<b>99,292</b>
Income Tax Expense	(20,935)	(13,647)	<b>(24,966)</b>
<b>Profit for the Year</b>	<b>57,279</b>	<b>44,089</b>	<b>74,326</b>
Minority Interest	-	(380)	<b>(1,370)</b>
Equity Shareholders	57,279	44,469	<b>74,326</b>

Source: NCSP IFRS accounts



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## BALANCE SHEET

US\$ (000s)	2005	2006	3Q2007
<b>Assets</b>			
Non-Current Assets			
Property, Plant and Equipment	334,343	664,166	730,178
Other	107,299	500,469	531,512
Current Assets			
Cash and Cash Equivalents	43,915	37,037	66,578
Other	103,938	95,206	74,784
<b>Total Assets</b>	<b>589,495</b>	<b>1,296,878</b>	<b>1,403,052</b>
<b>Shareholders' Equity and Liabilities</b>			
Shareholders' Equity			
Share Capital	10,464	10,366	10,469
Additional paid-in capital			
Foreign Currency Translation Reserves	(18,200)	32,533	68,379
Retained Earnings	543,884	569,024	
Minority interest	-	41,734	39,692
<b>Total Shareholders' Equity</b>	<b>536,148</b>	<b>653,657</b>	<b>739,244</b>
Non-current Liabilities			
Long-Term Debt	500	482,297	503,929
Employee benefit obligation	2,508	6,451	8,221
Deferred Tax Liabilities	41,274	68,252	74,054
Current Liabilities			
Trade Payables	131	7,086	9,979
Short-Term Debt	284	60,400	40,475
Other Payables and Accruals	8,650	18,735	27,150
<b>Total Shareholders' Equity and Liabilities</b>	<b>589,495</b>	<b>1,296,878</b>	<b>1,403,052</b>

Source: NCSP IFRS accounts