



Press release

NCSP announces consolidated financial results for 2008

23 April 2009

Novorossiysk Commercial Sea Port (LSE: NCSP, RTS and MICEX: NMTP) announces its audited consolidated financial results for the year ended 31 December 2008, in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial results of NCSP Group for the year ended 31 December 2008 are available on the Group's website at: <http://www.nmtp.info/en/ncsp/investors/>

Key financial indicators of the Group (USD '000)

Indicator	2008	2007	Change, %
Revenue	653 777	483 380	+35.25%
Gross profit	311 538	231 204	+34.75%
EBITDA adjusted*	376 008	213 109	+76.44%
Operating profit (EBIT)	234 337	141 103	+66.08%
Finance costs	-39 932	-44 793	-10.85%
Net profit	95 782	93 674	+2.25%
Net profit adjusted*	210 633	67 244	+213.24%
Operating cash flow per share, USD	0.01430	0.00718	+99.16%
Investments*	92 803	82 800	+12.08%
Cargo turnover* (thousand tonnes)	81 633	79 398	+2.81%
Net debt*	378 717	471 179	-19.62%
Net debt/EBITDA*	1.01	2.21	-54.45%

* According to management reporting data

Commenting on the financial results for the year ended 31 December 2008, General Director of NCSP Igor Vilinov said: «The NCSP Group showed positive financial results during 2008, including growth in revenue, operating profit and EBITDA. Before the slowdown of industry growth in response to the global financial crisis, we managed to complete six important investment projects, which have already become drivers of growth for operating and financial indicators. We entered 2009 with strong financial and operating indicators and a steady balance sheet structure with a low level of net debt and a diversified cargo base. These factors, together with cost control and increased operating efficiency, will allow us to withstand the deterioration of the economic conditions in 2009.

Certainly, the changing economic conditions will be taken into account as we implement the NCSP Group's investment program, which is characterised by high level of flexibility and scalability in terms of scope and timing. Tapping internal sources of financing in a situation of limited liquidity on financial markets allows us to continue work on strategically important investment projects. As before, a prerequisite for launching works on new projects in 2009 will be a detailed market analysis confirming stable demand for transshipment facilities over and above current supply, or attracting partners capable to ensure the planned workload for new facilities.»

Revenue

In 2008 the revenue of the NCSP Group had reached USD 653.8 million, or 35.3% more than in 2007. A number of factors contributed to the revenue growth, including the completion of new projects, changes in the cargo mix, changes in the tariff policy and the increase in the amount of additional services provided.

The use of new transshipment facilities commissioned under the Group's investment program (the container and timber terminals of OJSC Novoroslesexport, the grain terminal of PJSC NGT, and the bunkering terminal of OJSC IPP) accounted for the largest growth in revenue in the reporting period. The changes in the cargo mix (the share of oil products growing from 11.6%* in 2007 to 13.7%* in 2008 and container cargo growing from 4.6%* to 6.5%* during the same period) was also a factor in our revenue growth. In total, these factors enabled the Group to increase revenue by USD 77.3 million* in 2008 year on year.

Another important factor in revenue growth during the reporting period was the increase in the amount of additional port services provided, including transportation and forwarding services, cargo storage, stuffing and unstuffing of containers, and other services. The active growth in this business segment led to a USD 54.8 million* increase in the Group's revenue in 2008.

The changes to the tariff policy on a number of cargo operations during 2007 and 2008 made it possible for the NCSP Group to generate an additional USD 38.3 million* in revenue in 2008.

Cost of Production

According to the IFRS financial statements, the full cost of production (cost of services + selling, general and administrative expenses) equaled USD 409.4 million in 2008 (compared to USD 328.8 million in 2007).

The growth in cost of production was mainly due to the effect of costs on bunkering services, as well as additional depreciation charge due to a reassessment of the useful lives of some fixed assets following the implementation of the investment program.

Adjusted EBITDA

In order to ensure the comparability of data for 2007 and 2008, the following factors must be taken into account when calculating EBITDA for both periods:

- Foreign exchange rate differences from revaluation of debt;
- Goodwill impairment;
- Loss on fixed assets disposal and non-capitalised expenses related to the implementation of the investment program.

Taking the aforementioned factors into account, adjusted EBITDA for 2008 equaled USD 376 million*, against USD 213 million* in 2007.

The growth in this indicator in the reporting period was caused by the factors affecting revenue growth, and the optimisation of the NCSP Group's operating costs.

The largest contribution to the increase in EBITDA during the reporting period came from the operation of new projects and the changes in the volume and cargo mix. All together, these factors led to a USD 67.2 million* increase in EBITDA in 2008 compared to 2007.

* According to management reporting data.

The changes in the tariff policy added another USD 38.3 million* to the increase in EBITDA in 2008.

The provision of additional port services led to a USD 36.4 million* increase in EBITDA in 2008.

The optimisation of operating costs, including through the controlled growth in production costs, secured a USD 20.99 million* increase in EBITDA in 2008.

Net profit

According to the IFRS financial statements, net profit for the year ended 31 December 2008 equaled USD 95.8 million (compared to USD 93.7 million in 2007).

To ensure the comparability of the 2008 net profit indicator with the 2007 indicator, the following factors must be taken into account:

- elimination of the effect of foreign exchange rate differences;
- elimination of the effect of change in depreciation charge due to a reassessment of the useful lives of fixed assets;
- elimination of the effect of goodwill impairment;
- elimination of the effect of profit (losses) from foreign exchange rate differences, changes in depreciation charge and goodwill impairment on profit tax.

Taking into account the aforementioned factors, adjusted net profit for 2008 equaled USD 210.6 million*, against USD 67.2 million* in 2007.

Credit burden and net debt

As at 31 December 2008, the NCSP Group had loan debt of USD 505.5 million; with the current portion of USD 42.3 million, or less than 8.4%.

In the reporting period, the share of secured debt dropped to 9.4% (USD 47.7 million)* versus 13% in 2007 (USD 70.3 million)*.

At the reporting date, net debt totaled USD 378.7 million, which takes into account the monetary resources at the company's disposal:

- cash and equivalents – USD 42.9 million;
- deposits maturing in more than three months – USD 76.9 million;
- promissory notes of Sberbank of Russia (demand notes) – USD 7.0 million.

Thus, the ratio of Net Debt to adjusted EBITDA for 2008 was 1.01* (compared to 2.20* for 2007).

According to the data of the audited IFRS financial statements, the average effective rate for borrowings in the reporting period was 7.02% (versus 7.26% in 2007).

Implementation of the investment program

Since the start of implementation of the NCSP Group's investment program, total investments equaled USD 341 million*, of which USD 93 million* was allocated in 2008.

* According to management reporting data.

At the end of 2008 Phase 1 of the NCSP Group's investment program was completed, under which six investment projects were put in operation:

- the OJSC Novoroslesexport container terminal – USD 86.4 million* invested;
- the OJSC Novoroslesexport timber cargo transshipment terminal – USD 14.8 million* invested;
- the PJSC NZT grain terminal – USD 82.6 million* invested;
- the OJSC IPP bunkering terminal – USD 19.8 million* invested;
- the OJSC IPP light oil-products transshipment terminal – USD 35.7 million* invested;
- the first phase of the LLC BSC container terminal – USD 7.7 million* invested.

The completed investment projects are already providing an increase in the operating and financial indicators of the NCSP Group, which have the potential for further growth as newly input projects reach their planned performance.

The reconstruction of the Sheskhari oil terminal will continue in 2009. At the end of the reporting period, USD 88.3 million* had been invested in the project, which amounts to approximately 68%* of the total cost of the project. The reconstruction is scheduled to be completed by the end of 2010.

Feasibility studies and design work on the other projects in the NCSP Group investment program are also continuing in 2009.

Consolidation of subsidiaries

The NCSP Group continued to consolidate its shareholdings in subsidiaries during the reporting period. USD 112 445 thousand were spent for these purposes in 2008.

The following acquisitions of shares of subsidiaries were made in 2008:

- 0.108% of the shares of OJSC Novorossiysk Ship Repair Yard; 65.18% of shares have been consolidated;
- 50% of the charter capital of LLC BSC; 100% of the charter capital has been consolidated;
- 24.91% of the shares of OJSC IPP; 97.56% of shares have been consolidated.

* According to management reporting data.

CONFERENCE CALL FOR INVESTORS

A conference call with NCSP management on the company's 2008 financial results will be held:

**23 April 2009 at 5:00 pm Moscow time
(2:00 pm London time, 9:00 am New York time).**

The speakers will be:

Mr. Igor Vilinov, General Director (CEO)
Mr. Vladimir Kayashev, Vice-President for Strategy
Ms. Tatiana Chibinyaeva, Vice-President for Finance (CFO)
Mr. Roman Zinovyev, Vice-President for Corporate Finance and Investor Relations

Conference call access details:

Conference name / Participant Code: NCSP Financial Results 2008
Participant UK and Europe dial in: +44 (0)20 7162 0025
Participant US and other dial in: +1 334 323 6201

Conference call Pre-registration link:

<https://eventreg1.conferencing.com/webportal3/reg.html?Acc=390782&Conf=165982>

Use this link to register in advance and receive your personal User PIN, Conference PIN and instructions.

For security purposes please do not give out your conference details for others to use, all participants must register individually if they wish to join the call.

Media representatives are invited to participate as listeners.

A recording of the conference call will be made available on the NCSP website (www.nmtp.info) in the Press Center/News and Investors section.

About NCSP Group

Novorossiysk Commercial Sea Port is the largest Russian port operator in terms of cargo turnover. Group's consolidated cargo turnover in 2008 totaled 81.6 million tonnes.

NCSP shares are traded Russia's RTS and MICEX exchanges (NMTP) as well as on the London Stock Exchange (NCSP) in form of GDRs.

NCSP Group includes the following stevedore companies: PJSC NCSP, PJSC Novorossiysk Grain Terminal, OJSC Novorossiysk Ship Repair Yard, PJSC NCSP Fleet, OJSC Novoroslesexport, OJSC IPP, and Baltic Stevedoring Company Ltd.

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