

1.1. Chairman Statement

Dear shareholders!

NCSP Group maintained its leading positions on the Russian port services market in 2018, and made progress in improving its corporate governance system and strategic planning.

The key event for the Group last year was Transneft's acquisition of a controlling stake in PJSC NCSP. Having Transneft as its majority shareholder puts the Group in a better position to implement an effective corporate governance system, innovative projects, and best practices in human resources management and environmental responsibility.

This already became evident in 2018 as the Group increased handling of oil products by 9.7% or 2.944 million tonnes due to synergy between NCSP Group's development plans and Transneft's strategic projects, including projects to overhaul and convert the capacity of the Sever (North) and Yug (South) trunk oil product pipelines with terminuses at the ports of Primorsk and Novorossiysk.

The Board of Directors and the Management Board did a great deal of work on drafting NCSP Group's Development Strategy to 2024, which will set the stage for providing a higher level of service, with a focus on cargo specifics and customer needs. The Strategy will be analyzed by the Company's Board of Directors soon and the Group's management will begin to implement it.

PJSC NCSP and its subsidiaries continued to implement the long-term development programme in 2018. Within the framework of this Programme, the assets will be modernized in order to provide a wider range of cargo types which NCSP Group would be able to handle, with the growing share of high-yield cargo handling operations.

In the reporting year, the Company's Board of Directors continued to work on improving corporate governance.

The Group's efforts to improve information disclosure were recognized in 2018, as Novorossiysk Commercial Sea Port was ranked 20th among the top-200 Russian companies by revenue in a rating of information disclosure transparency. Efforts to introduce best corporate practices are continuing.

Thanks to these actions, rating agency Moody's upgraded PJSC NCSP's credit rating to "Ba2," outlook "stable."

In conclusion, I would like to thank the members of the Board of Directors for their contribution to NCSP Group's development. I would also like to express my gratitude to our shareholders, investors, partners and customers for the support they have provided NCSP Group.

Respectfully yours,

Rashid Sharipov

Chairman, PJSC NCSP