

### Reconstruction of NMT – Light Oil Products

This project is aimed at diversifying the LLC NMT's main business by repositioning part of the terminal's capacity to handle light oil products. Design and survey work began in 2018.

### Reconstruction of Novorossiysk Grain Terminal and Quay No. 3

The Company drew up plans in 2018 for the reconstruction of the NGT terminal and Quay No. 3, which will make it possible to accommodate vessels with capacity of up to 80,000 tonnes. The project is on hold due to the revision of the PJSC NCSP development plans.

### Port of Taman

The project to build a dry cargo area at the Port of Taman calls for building a Russian deepwater port on the Black Sea under a concession. PJSC NCSP and state company Rosmorport signed the main conditions of an agreement between the participants of RMP-Taman LLC – an agreement of intent on the joint implementation of the project to build a dry cargo area at the Port of Taman on June 16, 2016. PJSC NCSP is now considering the possibility of participating in the project by moving a portion of bulk cargo traffic that creates dust pollution from the Port of Novorossiysk.

## 1.4.2. Evaluation and audit of the Long-term Development Program

In line with the recommendations of federal government authorities, NCSP Group has drawn up and is implementing a Long-term Development Program (LDP) for the period from 2015 to 2020, and the implementation of the LDP is audited annually by a professional expert organization.

An audit of the LDP's implementation in 2017 was carried out in 2018, and the auditor issued a report. PJSC NCSP's Board of Directors approved the auditor's conclusion on the program's implementation on October 31, 2018.

## 1.4.3. Key performance indicators of LDP<sup>1</sup>

PJSC NCSP has approved and introduced a system of KPI within the context of the LDP. The composition of KPI and their target values for the current and subsequent year are selected according to methodological guidelines<sup>2</sup>.

### KEY PERFORMANCE INDICATORS IN 2018

LDP KPI	Target 2018	Actual 2018	Achievement, %
Change of Group market share for general and bulk cargo in Russian segment of Azov-Black Sea basin compared to 2014, in % <sup>3</sup>	10.0	-2.5	0
Reduction of energy costs per tonne of cargo, %	5.5	3.28	30
Building of new management model with introduction of staff incentive principles (% of plan completed)	100	100	100
Labor productivity, (revenue ('000 RUB) / number of employees)	3,802	8,262	100
Level of customer satisfaction, %	92	100	100
ROE, %	12.7	52.7	100
TSR, %	12.6	31.9	100
EBITDA, USD million	631	669	100
Reduction of cost of sales per tonne of cargo in % compared to 2014 <sup>4</sup>	2.5	34.8	100
Growth of gross vessel loading time efficiency compared to average for all types of cargo in 2014, %	20	25.2	100
Implementation of Innovative Development Program, %	100	100	100
Growth of EBITDA compared to three-year average (2012-2014), %	12.2	20.2	100

1. The presented information on the value of LDP KPI is preliminary. The final values of indicators will be presented after an audit of LDP implementation is carried out no later than June 1, 2019.

2. Guidelines for the Use of KPI by state corporations, state companies and state unitary enterprises, as well as companies in which the combined equity interest of the Russian Federation and a constituent member of the Russian Federation exceeds 50%.

3. For comparability of figures with 2014, calculations do not include ports in Crimea (lack of full statistics for 2014) and the Port of Kavkaz (expansion of port boundaries with inclusion of previously uncounted volumes of roadstead transshipment in cargo turnover).

4. Calculated at cost, expressed in USD.

The indicator for “Change of Group market share for general and bulk cargo in Russian segment of Azov-Black Sea basin compared to 2014” was not achieved because transshipment of dry cargo in the basin grew faster than at NCSP Group. The Group increased dry cargo handling in the Azov-Black Sea basin by 33.1% in 2014-2019, while average market growth, including NCSP figures, amounted to 36.4%.

In 2018, the main reasons that the indicator was not achieved were the opening of two grain terminals at the Azov port (Louis Dreyfus's Ustye Dona LLC terminal and the Rif Trading House LLC terminal), and growth of grain handling at the CJSC Yug Rusi and JSC Aston terminals at the Rostov port and at Taman Grain Terminal Complex LLC.

The “reduction of energy costs” indicator was not achieved due to a significant change in the structure of transshipments at NCSP Group, with a decrease in the share of liquid cargo and increase in the share of more energy-intensive dry cargo.

The other KPI for 2018 were achieved. Taking into account the review of the project portfolio and satisfactory KPI values, NCSP Group's LDP was fulfilled for 2018.

#### 1.4.4. Coordination of NCSP Group development plans with federal strategic documents on transport

The Roadmap for the Development of Seaports in the Azov-Black Sea Basin in the period to 2020 (with possible extension to 2030), as well as the development of short- and long-distance railway and road approaches to these seaports (hereinafter, Roadmap)<sup>1</sup> was approved in 2016. The Roadmap was updated<sup>2</sup> in 2017 and includes the following projects:

- ▶ Reconstruction of specialized grain handling terminal at the Port of Novorossiysk
- ▶ Reconstruction of container terminal at the Port of Novorossiysk
- ▶ Reconstruction of cargo area terminals at the Port of Novorossiysk

The Roadmap is an outline plan combining all projects by timeframe. The Roadmap will be elaborated as project business plans and design documentation are developed.

The Russian president's decree “On National and Strategic Objectives for the Development of the Russian Federation for the Period to 2024”<sup>3</sup> (hereinafter, the Decree) notes the need to develop transport corridors by expanding the capacity of Russian seaports, including ports in the Azov-Black Sea basin, and increasing the throughput capacity of railways to these ports.

Pursuant to the Decree, on September 30, 2018 the Russian government approved a “Comprehensive Plan to Modernize and Expand Mainline Infrastructure for the period to 2024” (hereinafter, the Plan). The Plan sets the objectives of carrying out measures to develop port infrastructure in the Azov-Black Sea basin and developing and modernizing railway infrastructure on approaches to ports in this region in the period to 2024.

The development strategy that NCSP Group plans to approve is aimed at achieving the national goals and objectives of developing the stevedoring and transport sector.

1. Approved by Russian Prime Minister Dmitry Medvedev on July 11, 2016 with order No. 5011p-P9.

2. Changes to the Roadmap were approved on December 21, 2017 following a meeting of the Government Commission for Transport that was chaired by Deputy Prime Minister Arkady Dvorkovich (Minutes No. 7, dated December 21, 2017).

3. No. 204 dated May 7, 2018