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CASPIAN PIPELINE CONSORTIUM CORPORATE NEWSLETTER

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CPC NEWS



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Oil-bulk stowage at the CPC-R Marine terminal

Unconditional priority

On March 27, 2012 Caspian Pipeline Consortium (CPC) held an extended meeting in Moscow attended by representatives of the Shareholders, CPC Management, Expansion Project Management Contractors and all major Construction Contractors involved in the CPC oil pipeline system throughput capacity expansion.

Issues of health, safety and environment related to the implementation of the CPC Expansion Project were the subject of the meeting. The attendees stressed a special role of the Incident and Injury Free Program implemented by CPC and its contractors. There was an active exchange of views and experience between the Management of CPC and its contractors, as well as representatives of the CPC Shareholders which successfully apply to their operations the principles of this Program with a positive record of world-wide use. Strict compliance with the Incident and Injury Free principles is the most important condition for work performance under the Expansion Project. (more about the program on page 3).

SAFETY. RELIABILITY. EXPANSION.



CPC FIRST DEPUTY GENERAL DIRECTOR DENNIS FAHY TELLS ABOUT THE ACCOMPLISHMENTS AND ISSUES, JOBS AND HORIZONS OF THE CASPIAN PIPELINE CONSORTIUM.

On July 1, 2011, CPC launched the Expansion Project. Did anything change in the pipeline operation routine? What problems it created and what resources CPC had to engage to resolve them?

During the Initial Construction Project (ICP), CPC built a new pipeline system from a combination of existing, but unused, facilities as well as several new-build pump stations, pipelines, storage tanks and offshore loading facilities. CPC is currently building the Expansion Project side-by-side with hazardous industrial equipment operating at full capacity. This creates special challenges for CPC, especially in the area of process safety. We recognized this situation in the early planning stage of the Expansion Project, and we knew that Operations involvement in all construction activity at our locations would be a necessary condition for the incident-free operation of our pipeline system during the Expansion Project. This was discussed at

the CPC Board of Directors' meeting held in September 2009. It was clearly understood that all Expansion contractors would be required to follow CPC work control procedures and operations personnel would retain rights of safety enforcement.

Prior to the start of construction in 2011, meetings were held between Operations, HSE and Expansion to define exactly how CPC would authorize work on a daily basis to ensure the integrity of our existing operation while also executing the Expansion Project in a safe manner. Procedures were established and Engineering and HSE personnel from Operations were assigned to each location to make incident-free

a reality. I am very pleased that after almost one year of intensive Expansion Project construction activity, we have not experienced any serious safety-related incident or unplanned shutdowns at our operating facilities.

Winter is the most troublesome period for pipeline companies and marine operations. This year Novorossiysk saw a hurricane combined with anomaly cold weather. How CPC responded to that challenge?

Winter storms create a challenging work environment for our marine operations. Winter storms impact our operations every year.

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TOGETHER WE MAKE A TEAM



THE MOST IMPORTANT SINGLE INGREDIENT IN THE FORMULA FOR SUCCESS IS THE KNACK OF GETTING ALONG WITH PEOPLE.

--THEODORE ROOSEVELT

Timur Rakhanov, KPV General Director, CPC-K JSC Chairman of the Board: 20 years ago when an agreement to launch CPC was signed nobody could even imagine how huge the load of work that had to be done was. It is no secret that as we proceeded the difficulties that we had to overcome were not few. The biggest problem undoubtedly was the need to reach consensus among commercial, legal and financial interests of three governments and eight producing companies. It took 7 years just to make the decision to begin the construction of a new pipeline, while negotiations on the Expansion Project lasted for 8 more years. It is to hope that this time was not lost because precisely in those years we were learning to

achieve the most important thing: how to work as one team, to perform the common task, to respect each other and to learn from one another despite all the disagreements.

Although the project is still far from fully implemented one can firmly assert that it succeeded. By today Consortium proved to be a successful model of efficient international cooperation in energy.

Continued on page 4

CPC builds bridges & strengthens partnerships

Nikolai Platonov, General Director of Caspian Pipeline Consortium, met today with Alexander Zhilkin, the regional governor, in the course of a business visit to the Astrakhan Region.

The meeting signed a memorandum of cooperation on issues around the construction of the pontoon river crossing. A representative of another party who placed a signature under the document is Nurgali Baytemirov, the administration head of the Krasnoyarsk District where the crossing will actually be built. According to the memorandum CPC will ensure the building of the pontoon crossing and, upon completion of construction work at the APS-4A will transfer the completed infrastructure facility to municipal district ownership. The new bridge will be a good help to the local public: today, in order to cross from one side of the river to the other, one needs have a long wait for a ferry boat whose operations are influenced by season and weather.

Works at the CPC expansion sites are on time

Nikolai Platonov, CPC General Director, toured Russian regions crossed by the mainline oil pipeline during a business trip on April 24-27. The trip included visits to the construction sites of PS-3 in Kalmykia, PS-4 in Stavropol. He also visited the Marine Terminal including the Tank Farm, where large-scale work activities are progress under the CPC Expansion Project. Nikolay Platonov has noted the visible progress made on all of the Expansion project construction sites.

This past winter was unprecedented in terms of intensity and duration. When wind or sea conditions are severe and we cannot safely perform all of the offshore activities associated with crude oil loading, we shut down this part of our operation and wait for weather conditions to improve. This past winter, between December 1 and March 1, we had a total of 12 instances, at a total of 272 hours, where vessel loadings were delayed. However, due to various actions our personnel take to mitigate the impact of these periods, such as terminal inventory management and working with our Shippers on early vessel arrivals, the impact of this weather resulted in only 29 hours of pipeline system shutdown.

In addition to good marine terminal operation during winter, a part of the successful pipeline system operation during this harsh weather was due to the efforts of our Operations and Engineering personnel in returning the 100,000 cubic meters Tank 001 to service following a comprehensive diagnostic and repair program. This project was the first of its kind in CPC. Everyone involved, which included employees from Marine Terminal and Moscow Operation and Engineering & Projects, as well as our contractors, knew of the criticality of returning this tank to service before winter conditions. And this goal was achieved.

What can you tell us about the technical condition of the CPC pipeline system? Are there any sections requiring rehabilitation? What new equipment and technologies is CPC using?

Our pipeline system is a combination of pipeline segments and pump stations built in the late 1980s, as well as additional pumps stations, pipeline segments and a marine terminal built during ICP. Therefore, parts of the system range in ages from more than ten years to in excess of 20 years. The existing pipeline system is approaching middle-aged. Just as with people, our system requires certain diagnostics, maintenance and rehabilitation to ensure its operation in a safe and reliable manner. In 2010 we replaced 130 kilometers of pipe in Kazakhstan, with an additional 88 kilometers being replaced as part of the Expansion Project, which, upon its completion will result in the full replacement of all linear pipe between Tengiz and Atyrau pump stations. We have a pipeline recoating project underway, which, to date, has resulted in external coating replacement of approximately 150 kilometers of pipeline downstream of Atyrau.

To maintain our high system reliability, we rigorously follow a series of documents that regulate how we operate, inspect and maintain all of our facilities. These documents are periodically reviewed and updated to incorporate technological improvements and industry best practices.

CPC has always put HSE first. Are there any achievements in this area worth mentioning?

We continuously improve our HSE performance. Our overall HSE numbers are quite good and, in my opinion, sustainable. The entire CPC workforce deserves the credit for this performance, because it takes the efforts of each employee and each contractor to take the responsibility for an incident-free environment.

Over the years, CPC implemented many initiatives aimed at achieving world-class HSE performance. We have A Risk Management Procedure which ensures that we focus our resources on the right activities to improve HSE. We have rigorous motor vehicle standards, including driver training, equipment safety requirements and vehicle data recorders. Last year we began hazard awareness training to increase the fluency of our employees in hazard recognition. CPC is ISO 14001 Environmental Management

and OHSAS 18001 Health and Safety Management certified. We perform numerous emergency response drills throughout our Regions as well as Crisis Management and Business Continuity planning. We have an incident/near miss investigation standard to learn from incidents such that we can reduce the probability of future incidents by eliminating the causes. And, very importantly, we hold our contractors to the same HSE standards as ourselves.

Additionally, all operations personnel are engaged and fully supporting the Incident and Injury Free (IIF) initiative which is

be consistent, keep the organization focused on the critical aspects of our business and strive for continuous improvement. Hopefully, after six years, our employees have become comfortable working in this environment.

Plans in place to tie-in the new Expansion Phase 1 capacity this year. New pumps and tanks for temporary oil storage will be put in service at the existing pump stations. How are the preparations to the commissioning of the new

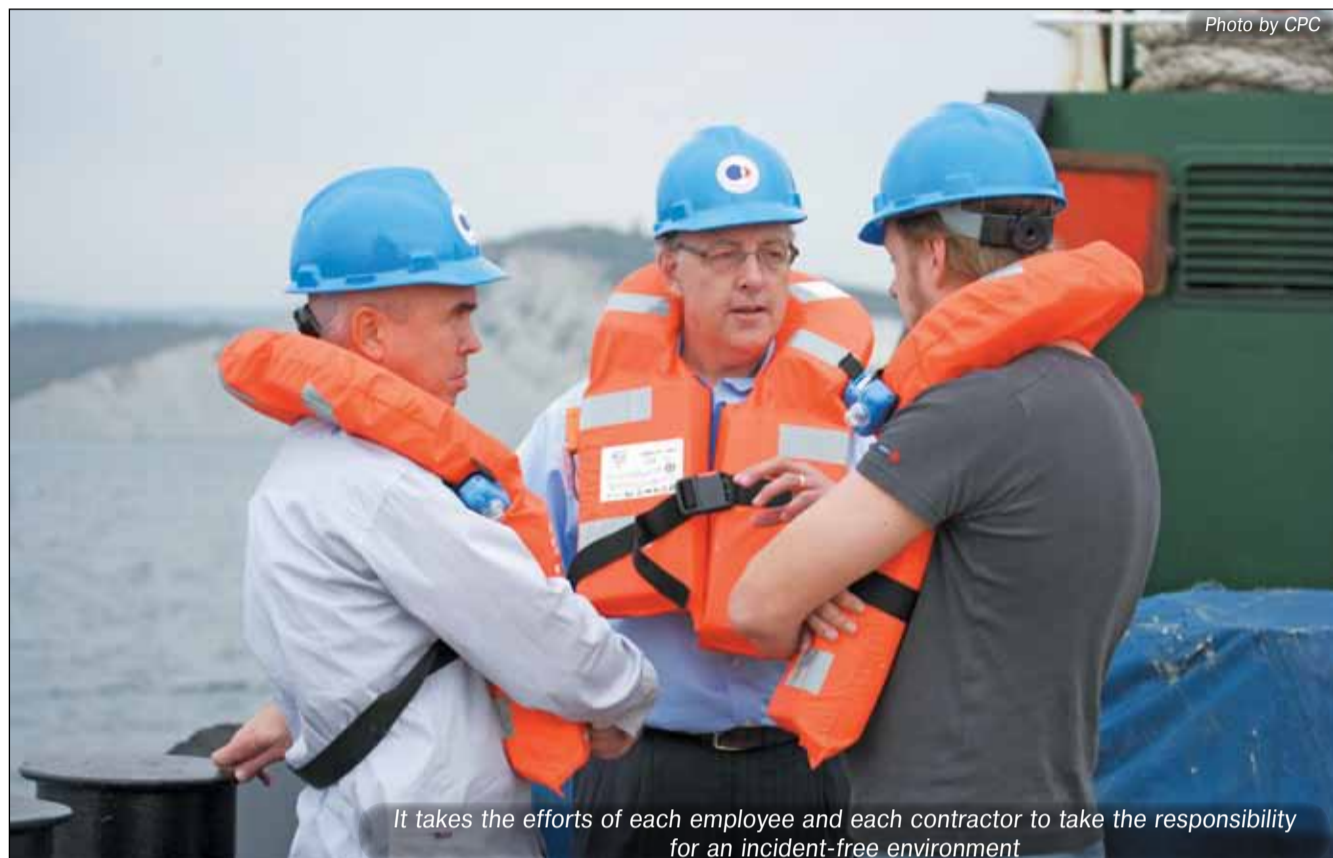


Photo by CPC

It takes the efforts of each employee and each contractor to take the responsibility for an incident-free environment

being utilized by the Expansion Project to develop the culture necessary to achieve an incident-free construction project.

You have a vast experience in the pipeline industry worldwide. What are the specific features of the CPC management and control system? What do you think about the qualifications of the Russian and Kazakhstan pipeline specialists? Is there anything you can tell us about the labor traditions and culture specifics of these countries?

The technical aspects of CPC do not create any significant issues. Whether you are from Russia, Kazakhstan, England or the US, the same laws of math and physics apply. We have significant organizational capability within CPC in technical areas such as Pipeline Operations, Engineering, Finance and Law. We are quickly developing in the areas that require knowledge of behavioral sciences, such as Training, HSE and Human Resources. I am quite satisfied with what I see every day at the working level in CPC. We have a competent and continually developing workforce.

Where I see a difference in approaches to problems is at the managerial level. Management practices evolved differently in various parts of the world. When I came to CPC six years ago, I brought with me a management style that was different than what may have been expected. However, I have tried my best to

facilities progressing? Will it have any impact on the overall availability of the pipeline system?

As a manager, I have to think about the future. The Expansion Project has captured much of my attention for the past few years. Two years ago we had to ensure that the design of the Expansion facilities would deliver on the safety and reliability standards that we have achieved in our base business operation. We involved many of our experienced operations personnel in various design assurance activities, such as HAZOP studies and Design Assurance Reviews. Last year, as we were preparing for Expansion construction mobilization, we involved our experienced personnel in constructability reviews, execution plans and other quality assurance activities. Operations personnel also play a key role in the on-site authorization of day-to-day construction activities.

Later this year we will begin commissioning Expansion facilities to place in operation. This must go smoothly. In preparation for this, we have begun staffing a Start-Up & Commissioning Team (SU&C). This team will take the decisions as to when new facilities ready for commissioning, and then manage the commissioning activities to give us the assurances that we need that the Expansion facilities are ready for ongoing operation. While the SU&C team organizationally is within the Expansion Project, many of the personnel that will work on SU&C are coming from our base operation. We are staffing the SU&C team while taking into consideration the capabilities of our personnel and the long term needs of our operating organization post-Expansion. The end result of a successful SU&C campaign is a successful facility operation.

What do you think about the CPC business perspectives in the long term? What is, in your opinion, the formula of success for CPC?

CPC has very good long-term prospects. World class crude oil reserves are connected to our pipeline system. CPC, through its competitive tariff, efficiency of operation and application of the quality bank, is the best transportation alternative for this crude oil. Therefore, our Shippers have the volumes and the desire to ensure long term business for CPC.

We have proven to our Shippers that we are a safe and reliable transportation provider with overall operating time in excess of 98%. We have the people, equipment and attitude in our organization to maintain the high operating factors that our Shippers and Shareholders want. With the upcoming Expansion Project, many of our personnel have been working on important studies to maintain our reliability. These include Critical Process Equipment, Reliability/Availability/Maintainability (RAM) and Marine Terminal Simulation. Maintaining this system reliability post-Expansion is not an easy task, as we will be increasing the complexity of our pipeline system by an order of magnitude.

In addition to the strong position that CPC has as a sustainable business enterprise, one of the biggest factors that will enable CPC's future success is building on our foundation as a multi-cultural organization with diverse experiences and ideas. We have



Photo by S. Mukhtarov

World class crude oil reserves are connected to our pipeline system

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Photo by S. Mukhtarov

Production site at Komsomolskaya PS

employees with extensive experience working for not only CPC, but for many other Russian and Kazakh industrial companies. We have people with vast international experience building and operating pipeline systems. We have numerous recent college graduates who are coming into our organization to learn and be part of this diverse CPC organization.

Therefore, as CPC is preparing itself to take advantage of its future growth opportunities using the tremendous organizational capability that we have, there is no doubt that CPC will continue to be a successful business enterprise long into the

future.

At the 10th anniversary event you mentioned that you would be playing golf after retirement. Tell us more about your hobbies though man does not live by work alone.

Be assured that whether I am on the golf course or just sitting on my porch looking at the mountains, I will remember my years with CPC and I will be periodically checking in to see that CPC has maintained its status as a world class pipeline company. We are capable of this.

INCIDENT & INJURY FREE

I would like to start with thanking everybody participating in the IIF Program for the passion and energy around safety, it is absolutely fantastic to see what we have accomplished in a relatively short period. Our Safety improvement initiatives are professionally implemented with a great sense of urgency and we will continue to rely on all of your efforts, to ensure that everyone goes home safely every day.



William Simpson,
CPC Deputy General Director,
Projects and Engineering

In 2011 under the banner of Incident & Injury Free we implemented our first Safety improvement campaign and introduced Total Safety Task Instruction or TSTI. TSTI is a tool to assist the workforce with conducting a good quality tool box talk.

I am very pleased to announce that TSTI has become a common practice on all sites and we will focus to further improve the use and quality of TSTI this year. Then, early in 2012 as part of the Incident & Injury Free activities we started the roll-out of the 12+1 Life Saving Rules.

The additional 12+1 rule is to ensure that the implementation focuses on reward and recognition as well as consequence management. Many people on other projects have lost their lives by not following these simple Life Saving Rules like not wearing seat belts, intoxicated while driving or working, speeding, no Permit To Work or TSTI. We therefore would like to remind all that the Project Leadership expects full compliance from everyone involved in the project. The Life Saving Rules are a key cornerstone to develop an Incident & Injury Free worksite and project. Later in 2012 we will run a number of campaigns, focusing on

one or more Life Saving Rules, to further deepen the understanding of the Life Saving Rules and the need for full compliance by all. On many occasions people have expressed their concern around their difficulties with stopping the work if they see something to be unsafe. Please be assured that I will support anyone with the courage to stop work if it is deemed unsafe, it is not just an expectation, I consider it part of our duty to keep our colleagues and you safe. We are therefore planning a STOP WORK AUTHORITY campaign to ensure we create an environment where you feel supported to speak up and enable you to show care and concern for fellow workers and use your experience, knowledge and skills to support an Incident & Injury Free worksite. We have also started to focus on an element of the Incident & Injury Free program called IIF in action. This part of the IIF program aims to strengthen the skills of the Site Managers, Supervisors and Brigadiers to further develop and improve how safety is managed on their work sites.

THANK YOU!

PLEASE STAY SAFE AND GO HOME HAPPY EVERY DAY.

EXPANSION PROJECT

BY STRICTEST STANDARDS

THE CPC PIPELINE SYSTEM HAS FROM THE VERY BEGINNING BEEN DISTINGUISHED BY THE HIGHEST TECHNICAL AND TECHNOLOGICAL LEVEL. NONSTANDARD DECISIONS AND INNOVATIVE APPROACHES WILL, NATURALLY, ALSO BE APPLIED AT THE EXPANSION FACILITIES.

It is well known that only CPC employs 100000 cubic meter tanks in the European part of Russia. The 4 of them currently in use will be joined by 6 more when the Expansion Project is implemented. The tank farm at the Consortium's Marine Terminal in Novorossiysk will become a powerful oil stronghold.

Foreign state-of-the-art knowhow is vastly used in the implementation of the project to expand the CPC pipeline system throughput capacity. Such as, for instance, SIEMENS turbines equipped with pollutant emission reduction system or SIEMENS air-cooled electric motors. For the construction of the underwater part of the pipeline welding technology from a special barge is applied. This, of course, is far from the complete list of the up-to-date technological solutions for the Expansion Project. Contracts for equipment procurement specify installation supervision and training for Consortium's personnel.

Scheduled shutdowns will be needed to tie-in and to commission new facilities. What will the «tie-in knowhow» be?

- For pipeline components with diameter of up to 150 mm the method of «cold» tie-in will be used, says Vyacheslav Sergeev, Expansion Project General Manager. Full shutdown of the pipeline is planned with the section shut off, oil pumped out and the technological elements prepared for the welding-and-assembly work to tie-in new pipelines and equipment. Then the new section will be filled with oil and the pressure within raised to the working value. For 72 hours the equipment (pumps, filters, process pipelines) will go through the final testing in operating mode.



Photo by S. Mukhtarov

Installation of a 50 000 m³ tank at Kropotkinskaya PS



Photo by S. Mukhtarov

Pipeline surge relief system construction at Komsomolskaya PS

CPC has scheduled to have three extended shutdowns this year: in May, August and October. They are related to tie-in of the new equipment. But the standard situation for Consortium is to have as a rule one scheduled extended shutdown per year lasting for 72 to 80 hours.

- The environmental dimension of our project has been fully thought-out, Sergeev pointed out. All the potential risks have been taken into account and have been mitigated. In accordance with the international norms a large number of additional tests has been taken.

Operational safety became a built-in feature at the stage of project drafting and selecting equipment and expendables that had to comply with the strictest international standards. For instance, turbines will be specially configured; tanks will have floating roofs to lower the level of pollutant emissions. To protect the pipeline from pressure surge virtually every PS will have a surge relieve system installed.

- Both Russian and foreign staff at the Project is recognized to be high class specialists who are well acquainted with international practices, norms and work procedures, remarked Vyacheslav Sergeev.



Photo by S. Mukhtarov

Task meeting during a business trip of CPC General Director to Expansion Project sites, April 2012

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Photo by CPC

CPC project in good hands

It is important to realize that «big» differences and negotiations are left behind. We got involved in the Expansion Project, and we are bound together by responsibility and common goal. There are many new specific tasks ahead that will demand even more cohesion, tolerance, understanding and mutual support.

In this regard I would like to shed light on some important principles that the KPV international team is guided by. I hope that it will prompt my colleagues to reciprocate by shedding light on their efficient practices of work and problem solving.

International team

Our Project put together people from all over the world; and that leaves a great imprint on the Consortium's style of work. Cultural, national, religious identities make invaluable entries into the National Geographic. For instance, only at KPV specialists from 17 nations, including Kazakhstan, Russia, Great Britain, Austria, Germany, USA, Canada, Australia, from countries in the Middle East, the South-East Asia and elsewhere. Such a «cocktail» may, given the right approach on the part of each employee, become a solid foundation for the coinage of a «house style» in the corporate ethics and in Consortium's culture for many years to come.

The main task for each executive, manager, specialist of any level

is to study, respect and keep in mind these varieties, to direct all his efforts, patience and wisdom, talent and knowhow at finding the common language and at making the team cohesive.

And let me add that hospitality is the feature that is inherent in the peoples of Kazakhstan and Russia. Keeping up the traditions we try to make the foreign colleagues feel at home in Kazakhstan. And we always remember that we represent our country.

Continuity

Many new employees joined CPC because of the Expansion Project. To help them become integrated into the Project and the team, understand the specifics of work for Consortium, to steer them towards cooperation, to impart upon them promptly and plainly the principles of the corporate ethics and thus to secure the outmost response from each new employee is the responsibility of each Consortium's «old-timer».

Overcoming disagreements

Consortium's far from simple history, contractual basis and intricate structure inevitably make disagreements crop up at various levels of interaction and management.

Human nature is prone to conflict; it does not need to be taught on purpose. Propensity for reaching concord, ability to compromise, on the contrary, has to be taught.

So let us learn to solve disputes peacefully. Let the Shareholders take care of them, while we concentrate on our common task, our common cause: our construction.

KPV rules:

- defend your opinion as a man who is sure of his righteousness;
- listen to the others as a man who thinks he is wrong;
- when losing a dispute have no hard feelings. Help those who proved right.
- Forgive mistakes, learn your lessons, and help others learn them, too.

Management techniques

Administrative management techniques work nicely at enterprises with routine processes. But I am deeply convinced that to manage such a living organism as the Expansion Project with a huge amount of parties, communications and processes involved social and psychological methods must be widely applied:

EXPANSION PROJECT KAZAKHSTAN



Photo by KPV

Business trip to Tengiz PS

- individual treatment of employee;
- team shaping;
- involvement of employees in the decision making processes;
- shaping and maintaining benevolent social and psychological climate;
- improvement of working conditions;
- building up potential of the team and the employees;
- making the mission and the vision of the staff's, the team's, the Company's future look attractive.

This approach contemplates that powers and responsibility are delegated downward; consequently it contemplates the knowledge and understanding of each employee's individual qualities, staying in constant contact. This is a huge task for the leader to be rewarded with a huge response from the team. This is what team building is all about!

Let us keep in mind that we cannot have losers and winners. Every part of the construction is a part of the system and every person is a part of the team. Mutual understanding, mutual support, teamwork must become our main principles. So we shall overcome. We'll do it together.

And safety, of course, is above all the rest!

ATYRAU'S BIG CHALLENGE

It is an open secret that today oil production in Kazakhstan exceeds the exportation capabilities of pipelines in the region: for many years they have been operating at the limit of their throughput capacity. In this regard, what will the Expansion Project's properties be in the Republic's territory?

All construction works are contemplated to be implemented in three stages:

1. Replacement of 88 km of the pipeline (to be completed on December 20, 2012); Atyrau PS and its feed source, 220/110/10 kV Atyrau substation, expansion (December 1, 2012); Tengiz PS and 110/10 kV Tengiz substation upgrade (March 20, 2013);

2. A-PS-4 and 220/10 A-PS-4 substation construction; 220 kV along the route powerline and 10 kV along the route powerline construction (December 12, 2013);

3. A-PS-3A and 220/10 kV A-PS-3A substation construction (April 5, 2014).

About 2000 people (CPC-K, contracting and subcontracting agencies staff) are estimated to be engaged at the Expansion Project facilities. The highest number of manpower will be brought to Atyrau PS, Tengiz PS, A-PS-4 and A-PS-3A

construction.

Kazakhstan's construction companies with excellent records gained at similar facilities have been called to work at the pipeline. They are PromstroyEnerg LLP (substations and 220/110 power external lines construction); KazStroyService O&G Construction Company (new PS construction and operating PS upgrade, pipelines and related facilities construction), NSS LLP, Unex Stroy LLP and others. These companies are to execute about 80% of all work.



Photo by KPV

Replacement of 88 km of the pipeline in Kazakhstan



Photo by CPC

State-of-the-art equipment is used at the oilpipe construction works

The beginning of the Expansion Project gave a new push to the implementation of community-related commitments undertaken by the Company for the duration of construction.

Since 2011 four Toyota vehicles were donated to Atyrau City Medical Emergency Station. That same year on the eve of the New Year holidays a charitable event for the members of the City Society of the Disabled and the Public Association of the Disabled Mothers was staged with distribution of personal food certificates. Each certificate was worth 10 thousand tenge (about 2000 rubles). The event involved 210 people.

Targeted charity aid is only one of the Company's community-related programs. Three kindergartens are to be built, eight schools to have major repairs, a unit at the Oblast Maternity Home transformed into a Perinatal Center, other projects implemented in the zones crossed by the pipeline.

Presently the elaboration of design specifications and estimates documentation is in full swing for all the above listed community-related facilities. Some blueprints are undergoing state expertise. Following approval a contractor will be chosen by competitive bidding among Kazakhstan's construction companies.

The primary attention in project designs is paid to environmental protection and to strict compliance with the Republic of Kazakhstan's laws on environmental safety. The work is chartered so as to keep to a minimum or to prevent its negative impact on the ecosystem adjacent to the pipeline's route.

Project Management Contractor and Expansion Project Team specialists constantly monitor compliance with environmental and production safety requirements. The staff is daily briefed on relevant issues. This is how the most important production principle of the Incident and Injury Free Program applied at CPC is implemented.



Photo by CPC

A new push to the implementation of community-related commitments undertaken by the Company for the duration of construction

HUMAN FACTOR

EXPERTISE AND HIGH PERSONAL QUALITIES

IN THIS ISSUE WE ONCE AGAIN TALK ABOUT CPC «BIRTHDAY BOYS» WHO HAVE BEEN AWARDED DECORATIONS AND CERTIFICATES OF MERIT FOR THEIR WORK, ABOUT THOSE WHO HAVE FOR MANY YEARS BEEN CONTRIBUTING TO THE NONSTOP EFFICIENT OPERATION OF THE CPC SYSTEM AND TO ITS DEVELOPMENT.

In April **ANATOLY ABAKUMOV**, Vehicle Transport Engineer at Caspian Pipeline Consortium-K, celebrated his 50th birthday. From the bottom of our hearts we congratulate him on this remarkable date.

Anatoly Abakumov was born in Guriev (presently Atyrau), regional capital in the Republic of Kazakhstan, in 1962. At 17 he, as is customary, graduated from High School #20. Enrolment in the Kazan Institute of Chemical Technology N.A. Kirov followed (1979-1984) where he earned the degree of Mechanical Engineer. But this young man believed that he needed one more university level degree and got it from the Polytechnic Institute after having taken off-campus classes.

Anatoly's eventful work record included jobs as driver for the Research and Manufacturing Association at the Sviyaz Construction Company (1987-1995), processing unit fitter at the Atyrau Oil Refinery (1995-1996) and driver for Arman JSC, communications company, (1996-1998). Since 1998 Abakumov has held his present position.

Anatoly is a true connoisseur of his trade. Everybody who has happened to work with him and who is by his side now recognizes his devotion to his craft and his high personal



Abakumov Anatoly,
Vehicle Transport Engineer, CPC-K

qualities.

Together with Natalia, his wife, Anatoly raises three children. His hobbies for spare time are hockey and soccer.

By order of the RF Energy Minister, **ALEXEY FOMENKO**, O&M Manager, Western Region, CPC-R, was awarded the title of Honorary Worker, Fuel & Energy Complex, «for his great individual input into the development of the Fuel & Energy Complex and for his long and conscientious service».

Throughout his working experience Alexey has been associated with pipeline oil transportation. He's been in the industry for 36 years.

He started his career in 1972 as a PS electrical fitter to become master of the Emergency Response and Restoration Service and then Novovelichkovskaya PS Manager at Chernomortransneft JSC. For seven years he held the position of Lead Engineer at Krasnodar District Oil Pipeline Agency (DOPA). Fomenko was in charge of constructing and commissioning new Tikhoretsk-Novorossiysk, Tikhoretsk-Tuapse, Khadyzhensk-Krasnodar and Krym-Krasnodar pipeline sections. He was actively involved in tank farms upgrade at Krym, Khadyzhensk, Karsk pump stations and in overhaul of their pump stock.

Alexey has been with CPC-R since 2001. On the basis of his skill and business acumen he was appointed at first Region's Technical Maintenance Manager and later, in 2008, Operations & Maintenance Manager.



Alexey Fomenko
O&M Manager, Western Region, CPC-R

Alexey Fomenko holds the titles of Merited Worker of Krasnodar DOPA, Honorary Labor Veteran and Honorary Oilman. His service has been repeatedly rewarded with Certificates of Merit and Mementos.

His success rests on enormous work, dedication to duty, expertise and high personal qualities.



Alexander Starshinov
Technical Manager, Instrumentation O&M, CPC-R
Marine Terminal

ALEXANDER STARSHINOV has been in the oil industry for about 40 years.

After graduation from the Kuibyshev Polytechnic Institute in 1974 he chose to work in Siberia, at PS in Anzhero-Sudzhensk (Kemerovo Oblast). He was drawn there by romanticism and the desire to see what he was worth. And Siberia with its gorgeous nature, severe cold in wintertime and interesting characters did not fail him. He liked to work at the lead PS; there he acquired a lot of experience handling automation systems.

After the second PS stage was put in operation coworkers persuaded him to go to Urai. At the time that city was nicknamed «pioneer of Siberian oil at Shaimsky field». There were no roads there; aviation was the main means of transportation. Alexander came there in 1979 for three years and stayed for... almost 25 years.

Working at Transneft's Start-up and Commissioning Administration he moved up the ladder from Senior Engineer, Control Instrumentation Alignment, to the Administration Chief. But he could not endure the supervising position for more than two years and got transferred to the Urai Trunk Pipeline

Management Department to carry on with his favorite control instrumentation job.

The main task successfully fulfilled at the Department was to found its own Operations & Maintenance Service for Automation and Telemechanics and to fit it out with equipment and human resources.

Starshinov's memory is full with what he can be proud of. He adjusted PS automatics during construction of three pipelines: Surgut-Gorky-Polotsk, Kholmogory-Klin and Krasnoleninsk-Shaim-Konda, worked at oil and gas production facilities at Strezhevoe, Nyagan, Nizhnevartovsk...

Since 2003 Alexander has been employed at CPC. He is the Technical manager, Instrumentation O&M, CPC-R Marine Terminal engaged in field control instrumentation operation and maintenance, increasing its reliability, maintenance documentation preparation. As of 2010 he spends from 30 to 40% of his working time examining Expansion Project's detail documentation.

In 1997 Starshinov was awarded Certificate of Merit by Fuel and Energy Ministry, in 2001 he was bestowed the title of Honorary Oilman.



Alexander Ignatyev after receiving the award from the
Astrakhan oblast Governor Alexander Zhilkin

On occasion of his 60th birthday **ALEXANDER IGNATYEV**, Senior Representative, Regional Government Relations, Central Region, CPC-R, was awarded Medal of the Order of Merit for Astrakhan Oblast.

Ignatyev joined CPC at the end of 2006. Over the time with the Company he contributed considerably to strengthening good relations between the authorities of Astrakhan Oblast and the Caspian Pipeline Consortium's management.

His expertise, knowledge and experience of a civil servant who has spent 26 years at managerial work for the benefit of the state along with his high personal qualities enable him to cope successfully with the tasks of making the pipeline system operate efficiently and of developing the CPC Project fault-free in

the Region's territory.

Alexander Ignatyev energetically promotes socio-economic development in the zones crossed by the pipeline as well as in all Astrakhan Oblast. By virtue of his skilled handling the program of charity aid to health care, educational and social facilities and of supporting disadvantaged segments of population is being successfully carried out. He is directly involved in reconciling a wide range of issues that help implement the CPC Expansion Project. He is much respected and trusted by his team.

In 2001 and in 2007 Ignatyev was awarded Certificates of Merit by the Astrakhan Oblast State Duma.

CASPIAN PIPELINE CONSORTIUM'S EXPANSION PROJECT IS GAINING MOMENTUM: NEW HORIZONS, NEW, FAR FROM SIMPLE TASKS LIE AHEAD. AT THIS POINT EFFICIENT USE AND STRENGTHENING OF THE COMPANY'S HUMAN RESOURCES ASSUME SPECIAL IMPORTANCE

PEOPLE CHERISH THEIR WORK

TO FIND AND APPRAISE

- Manpower turnover at CPC is the lowest, Consortium's General Director Nikolay Platonov says. Yet our facilities are located in the regions where a pro has a wide variety of choices. Sometimes our rivals in this matter turn out to be our own shareholders' businesses. However, people cherish their work. CPC makes them feel confident about tomorrow, offers them a chance to realize their professional potential.

Consortium's Human Resources are constantly on the lookout for valuable professionals, including within CPC itself. Besides, according to the Expansion Project not a small number of new employees are presumed to be hired which places additional responsibility on HR officers. Not only must they pick manpower error-free and make its work more efficient, but also foresee correctly the capabilities of employees and the results of their work. There is more: Human Resources must always keep in mind that on the team are citizens of several nations with rather different sets of mind.

The appraisal of the personnel's efficiency begins at the stage of its competitive selection when the Human Resources officers uncover the potential of each applicant. It implies examination of the contender's professional and psychological qualities: his knack for teamwork, ability to build up relationship with higher-ups and juniors. It is also important to anticipate the contender's conduct in case of an abnormal situation.

When a person is recruited the next stage of appraisal begins to make sure that the choice was right. The system in use at CPC is such that each immediate superior assigns an employee a set of tasks to be performed within a year. Then the outcome is thoroughly evaluated. This system not only guides the people towards total efficiency, it also helps the person in charge a lot.

MOTIVATION AND SKILL

The most important force that increases personnel's efficiency is motivation. It is hard to overestimate the Company's social policy that has among its components medical insurance for employees and members of their families. Besides, health resort treatment, athletic activities and health improving rest for children are partially compensated for all the employees that have stayed at Consortium for over a year.

At CPC great attention is given to the personnel's training and to the enhancement of their skill. For instance, the Company has the English courses for those specialists who have to know that language.

- Annual polls let us appraise the true efficiency of the incentive system and to work out recommendations for the enhancement of social policy, Alexei Surazhski, who is in charge of the Consortium's Human Resources Department, explains. - For example, on the basis of such polls in 2011 we resumed staging traditional summer corporate events for family recreation.

Another important component of the social package is nourishment. The CPC pipeline system crosses Atyrau Oblast in Kazakhstan and four regions in Russia (Astrakhan Oblast, the Republic of Kalmykia, Stavropol and Krasnodar Krai). Many employees work at hard-to-reach facilities, often on a rotation basis. In view of this free of charge hot meals have since 2003 been served at all the far away facilities by order of the CPC General Director. The Company set for its contractors the strictest requirements: meals must be tasty and healthy. The CPC management makes a thorough study of opinions voiced by Consortium's employees, considers their requests and complaints. The responses are placed on the CPC in-house website. By the way, the latest polls showed that the employees in their majority, 86%, were satisfied with their meals at mess-halls.

For the team's sake!

IN THE MIDDLE OF MARCH CASPIAN PIPELINE CONSORTIUM HELD A TEAM-BUILDING TRAINING WORKSHOP IN ATYRAU FOR THE EAST REGION OPERATIONS DEPARTMENT AND FOR THE EXPANSION PROJECT EMPLOYEES AS WELL AS FOR REPRESENTATIVES OF CONTRACTING AGENCIES.



Photo by CPC

Seminar-training for CPC employees, Atyrau, March 2012

Similar events have already become customary for the Company: the first workshop was held in December of 2011 for the Kropotkinskaya PS employees in West Region. This time it was Atyrau's turn to welcome managers.

Over 20 specialists were in the course of training making serious production-related decisions, laying out «business strategies», holding «negotiations», taking part in «designing an oil pipe model» and in «PS construction», «putting mock facilities in operation»...

- Attendees got only good vibes while they strengthened interaction among CPC key divisions so much needed for the Expansion Project implementation, says Kirill Fedotov, Expansion Project Administrative Manager. - In the training everybody enthusiastically designed components for the future «pipe» model, energetically solved production problems, discussed logistics.



Photo by CPC

Everybody enthusiastically designed components for the future «pipe» model

Today any company, especially such as CPC, needs team-building workshops and trainings. They are not only a venue for experience sharing, intercourse and communication among employees of various regional offices. In business game as in work a lot depends on the team, on mutual understanding and synergy. The experience in holding negotiations, making right strategic and tactical decisions in ambiguous situations, analyzing their implications cannot be overestimated. Such gatherings gain even more importance because last year the Company hired over 200 employees on account of the Expansion Project, of upgrading and constructing new stations: they must be integrated into the team.

The attendees were asked to appraise the workshop's results on a 4-point scale. The answers were as follows:

- coaches' skill: 3.9;
- teaching techniques: 3.9;
- recommended for workfollows: 3.8.

It is plain to see that the survey results speak for themselves and hardly need commentaries.



Photo by CPC

Consortium's Human Resources are constantly on the lookout for valuable professionals



Photo by CPC

Hot meals are served at all CPC facilities



Photo by CPC

At CPC great attention is given to the personnel's training

COURTESY OF CPC

DIALOGUE AND TRANSPARENCY

ONE OF THE MOST IMPORTANT FEATURES OF THE CASPIAN PIPELINE CONSORTIUM'S CORPORATE POLICY IS ITS CHARITY AID PROGRAM FOR THE REGIONS THAT HAVE THE COMPANY'S PIPELINE SYSTEM EXPANSION PROJECT FACILITIES ON THEIR SOIL.

AID STAGES

Focal areas for community-related investments in the framework of the CPC Expansion Project are health care and education. Agreements attained with all the regions in Russia with the CPC pipeline route within earmark over RUR 1 bn for this purpose.

Execution of community-related programs is linked to the stage by stage completion of the Expansion Project. Thus many of them are only getting underway.

Consortium assists District and Regional health care centers in procuring equipment. For instance, Krasnodar Regional Clinical Hospital for Children has recently asked CPC for help in purchasing an ultrasound investigation scanner. In June the apparatus is to arrive in this medical establishment.

Construction of a catering unit to feed 150 customers is underway at High school #18 in Temizhbebskaya Cossack village (Kavkazski District of Krasnodar Krai). The need to have it has existed since long ago: the school has no canteen, so the assembly hall is used for the purpose. About 14 mln rubles have been appropriated for the project; the construction is scheduled to be completed this year.

Recently the Company began to rehabilitate the Children Activity Center in Komsomolski settlement (Chernozemelski District of Kalmykia). By the end of March a four-party agreement had been signed by CPC, District's Administration, Children Activity Center Municipal Educational Institution and the contracting agency to do the rehabilitation. The facility is scheduled to be commissioned before the school year starts. A lot has to be done during the remaining time: the roof replaced and interior finishing done... About 20 mln rubles are earmarked for the rehabilitation.



Photo by CPC

Building of the Yenotayevka village high school, Astrakhan oblast

Presently negotiations are being held with Novorossiysk Administration on the construction of a kindergarten for 160 children and of an athletic ground for School #31 in Glebovskoe village. 150 mln rubles have been appropriated for the purpose. Two years from today parents will take their toddlers to the new kindergarten, while in September a soccer field with artificial grass will be awaiting pupils.

School reconstruction in Yenotaevka village of Astrakhan Oblast is also contemplated. The roof, windows and doors along with heating radiators will be replaced there, the gym overhauled. The work will go on along with schooling.

SETTING OUT PRIORITIES

One of the most important components of the CPC charity work is coordination of actions with administrations of the regions crossed by the main pipeline.

- Businesses' initiatives in executing community-related programs are of great importance for regions. Administrations are interested in a constructive dialogue with such companies as CPC, says Sergey Karpezin, Manager, Regulatory Affairs, Russia.

- No wonder: allotted are large funds to encourage the territory's development.

Within the framework of community-related programs CPC earmarks a certain budget for each district. The list of community facilities that require the most serious aid is discussed at joint meetings and sessions with administrations.

- We pick the facilities to include in the program of community-related projects very thoroughly. This is the principle: do not grasp it all scattering funds with the intent to help and cuddle everyone. It is better to have one thing done, but done well, all the way to the end. District heads' anxiety is easy to understand, they want to patch something up here, to do some painting there, to fix the kindergarten's roof, to lay floors and

do the plumbing. But we insist on financing the construction or reconstruction on a turnkey basis. We don't want people to say later: «Well, CPC bought toilet bowls for our school but had no money for new doors». We believe: it's better to do less, but all the way, so that we have a facility fully constructed, reconstructed or repaired, says Pavel Sukhoruchkin, Lead Specialist, Regulatory Affairs RF Group. - We make four-party beneficent agreements to implement community-related projects. CPC acts as benefactor, Administration as coordinator, the third party is the beneficiary (School, kindergarten, etc.) and the fourth one the contractor.

Sometimes it is not easy to find compromise with administrations, to reconcile with them the list of facilities that fits the boundaries of the CPC community-related projects. Recurrent working meetings with District Administration Heads are of help. Open dialogue and information transparency enables us to lend effective help to the residents of the Districts where Expansion Project facilities construction is underway and to set efficiently the timeline for all the necessary procedures. They have been and remain the main principles of the Company's policy for interaction with local government bodies to solve production and community-related issues.



A new catering unit opened up on the premises of the elementary school at High School #35 in Novotatarinskaya Cossack village, This good deed came about because the District's Administration and Deputies had allotted one and a half million rubles of budget funds to overhaul several classrooms turning them into a canteen while CPC-R had bought excellent state-of-the-art 600 thousand rubles worth equipment for the span-new eating place.

Tribuna (Krasnodar Krai), March 3, 2012



More than 60 high-tech pieces of equipment worth 12.5 mln rubles were delivered in the framework of the Consortium's Charity Program to the City Maternity Home that had opened up this year at the end of January following major repair works. Thanks to CPC-R's aid two surgery rooms were completely overhauled. Since the beginning of the year more than 270 surgeries have already been performed there.

Elistinskaya panorama (Republic of Kalmykia), Apr. 27, 2012

On March 1 Caspian Pipeline Consortium's Shareholders handed new sporting equipment worth almost 2 mln rubles over to Kharabali athletes. The grand presentation ceremony was held at the great hall of the Sports School for Children and Youth in attendance of the top officials from the Oblast, City, District, children and youth teams.



Kharabali (Astrakhan Oblast), March 10, 2012

CPC-K earmarked 20 mln roubles for landscaping and beautification of the square in front of the District's Akimat, for building a bridge across a river arm that separates Orken village from Akkistau settlement, for lighting Sugurov and Musagaliev streets in the District's main city. Still ahead is construction of a kindergarten at Company's expense.



Prikaspiyskaya kommuna (Kazakhstan), Oct. 8, 2011



On the eve of the Victory Day a reunion of war and labor veterans, of wartime home-front workers and widows of combatants fallen in battles took place at Mir cafeteria in Divnoe village. The get-together was sponsored and founded by Caspian Pipeline Consortium, since long well known in Apanasenkovsky District. Upon its completion all the attendees were handed keepsake gifts on behalf of CPC.

Primanychskie stepi (Stavropol Krai), May 5, 2012



only gives items of value,

CPC-R has been giving patronage assistance to School #31 in Glebovskoe village since 1998. This time split systems have been installed at the school and the newest furniture that measures up to the latest requirements bought for the pupils at the price of over 1.5 mln rubles. Good deeds do not go unnoticed; they are like beacons shedding light on those who are in need. Rendering assistance CPC-R not only gives items of value, it also brings joy and hope.

Novorossiysk's Municipal Newswire, Apr. 5, 2012

Photos by S. Mukhtarov



Maintenance of auxiliary systems at Komsomolskaya PS mainline pump



Diving operations in the CPC-R MT sea area



Construction site of CPC-R MT tanks. Heavy earth-moving machinery



Construction site of CPC-R MT tanks. Excavation of the 6-th category soil (rock) for tank foundation



Installation of the surge relief system manifold at Komsomolskaya PS



Arrangement of foundations for pipe headers at Kropotkinskaya PS

