

CREW MOVES AT
600 METERS PER
DAY



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PROFESSIONAL SKILL
AND DEDICATION TO
WORK



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YURT AT THE
"EUROPEAN"



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LEAVING IMPRINT IN
HUMAN SOULS

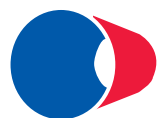


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CASPIAN PIPELINE CONSORTIUM CORPORATE NEWSLETTER

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CPC Expansion Project Construction Groundbreaking Ceremony,
Atyrau, Republic of Kazakhstan, July 1, 2011

2011: EVENTS OF THE YEAR

250 Millionth Ton of Crude Oil

On February 26 the 250 millionth ton of crude oil was lifted from the Marine Terminal of Caspian Pipeline Consortium near Novorossiysk since the commencement of the CPC pipeline system operation. "A quarter of a billion tons of crude oil lifted is CPC landmark achievement on the threshold of launching the Expansion Project implementation scheduled for this spring, - says Nikolay Platonov, Consortium's General Director. - It means that the company possessing the unique process and staff potential is functioning today like a well-oiled machine, efficiently and safely resolving the task of shipping the growing volumes of Kazakhstani and Russian crude oil to the world markets.



Expansion Project commencement

CPC Expansion Project Construction Groundbreaking Ceremony was held on July 1 in Atyrau, in the vicinity of the CPC namesake pump station. Sauat Mynbayev, Minister of Oil and Gas of the Republic of Kazakhstan, Sergey Shmatko, Minister of Energy of the Russian Federation, Nikolay Tokarev, President of the national company Transneft and other top-ranked representatives of the Shareholders in the Consortium congratulated all attendees on the significant event. CPC General Director then gave a command to launch the first weld of a large-diameter pipeline designed to replace the existing 88 km "bottleneck" section within the territory of Kazakhstan that currently limits the pipeline capacity to accept the increasing Kazakhstan oil volumes. Upon successful completion of welding the guests of honor attached their signatures to the new pipe.



Agreements with Russian Regions

Within the framework of the 10th International Investment Forum «Sochi 2011» held on September 15-18, Caspian Pipeline Consortium's General Director Nikolay Platonov had meetings with heads of the regions traversed by the CPC pipeline. Talks were held with Stavropol Krai Governor Valery Gaevsky, Astrakhan Oblast Governor Alexander Zhilkin, Krasnodar Krai Vice Governor Vadim Lukoyanov and Novorossiysk City Head Vladimir Sinyagovsky. Additional cooperation agreements were signed to provide funding by the Consortium of educational and healthcare facility construction projects in the regions of CPC facilities modernization and construction. A similar agreement was executed with Kalmykia. Agreements signed with all Russian regions where the CPC pipeline is present provide an allocation of more than 1 billion rubles for the stated purposes.

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OPTIMAL COMBINATION

2011 WAS A MILESTONE YEAR FOR CPC. GOOD TIME TO TALLY UP SOME INTERIM RESULTS. EVEN MORE SO AS SOME NEW HORIZONS AND NEW CHALLENGES OPEN UP AHEAD. GENERAL DIRECTOR NIKOLAY PLATONOV TALKS ABOUT CPC'S ACHIEVEMENTS AND PROSPECTS.



Mr. Platonov, what kind of performance results is CPC entering 2012 with?

Last year was significant for CPC: 15 years since the signing of the Shareholders Agreement, 10 years since the start of operation and the same time since the first tanker lifting at the Marine Terminal. It is important to note that the oil pipeline has been operating without a single accident for 10 years. Over the years the CPC Marine Terminal has loaded 275 MT of crude oil with over 2,500 tankers departing from the single point moorings. In all these years the CPC project proved to be one

of the most successful projects in the energy sector in the ex-USSR. In terms of the key performance indicators in 2011, the year was quite successful. CPC shipped a total of 34.2 MTA, including the Tengiz to Atyrau section. CPC Marine Terminal lifted about 32 MTA. That is a little less than the year before. But the reduction was expected and due to some objective reasons.

Those include one of the shippers rerouting some crude volumes

from our pipeline elsewhere. Those volumes used to be injected into CPC at the Kropotkin Pump Station. The distance from it to Novorossiysk is not great. So the reduction in throughput volumes made a very minor impact on the tariff revenues.

The next reason was the work to do major repairs with coating replacement on the pipeline in Kazakhstan. It requires pressure derating which naturally affected the shipment volumes. And finally, a mention should be made of weather conditions which often

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EXPANSION PROJECT

QUALITY AND SAFETY

EXPANSION PROJECT PHASE 1 THAT COMMENCED JULY 1 2011 IS IN FULL SWING. AT THE END OF THE YEAR PS UPGRADING PROCESS WAS AHEAD OF SCHEDULE IN RUSSIA. MORE THAN THAT, MEASURES ARE ALREADY BEING TAKEN TO BEGIN THE IMPLEMENTATION OF THE PROJECT'S NEXT PHASE.



- The bulk of construction work scheduled for Phase 1 has already been completed, Coordinator Pump Stations Igor Lisin says. What has yet to be done is to mount the technological equipment and to give the finishing touch to the buildings. At the Kropotkinskaya PS the installation of the 50 000 cubic meters tanks is about to reach the finish line, the same is true for the evaporation ponds at the Astrakhanskaya PS. The construction of two 5000 cubic meters capacity VSTs is under way at

the Komsomolskaya PS. All these facilities will be completed in the first quarter of 2012.

It is important to note that the completed facilities are to be one by one transferred to operational units before Phase 1 is officially over. The corresponding procedure is now under development. Among such facilities are the above mentioned evaporation ponds. A fire fighting station will become operational in the spring time

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OPTIMAL COMBINATION

2011: EVENTS OF THE YEAR



CPC's Jubilee

October 13 is a 10-year anniversary of commencing Caspian Pipeline Consortium system operations. It is symbolic that the company jubilee coincided with another very important stage of CPC life: commencement of implementing the CPC pipeline capacity expansion project.



10 million man-hours

The Consortium marked a very important milestone in process safety this October by achieving a total of 10 million manhours without DAFWC for CPC and contractors combined. That success came as a result of CPC applying high safety standards on a daily basis.

prevented tanker liftings.

Therefore 34.2 MTA is a rather good result. That was the target we were shooting for. In 2012 the shipment volumes are forecast to remain at the same level or may become a little higher.

Yearend financial results demonstrate CPC performance sustainability and stability. The resulting 2010 CPC tariff revenues amounted to USD 1 billion. A note should also be made of achievements in the safety of operation of our pipeline system. One important milestone which was recorded in late 2011 – we reached a total of 10 million man-hours without lost time incidents worked between CPC and contractors combined. That success came as a result of CPC applying high safety standards on a daily basis. That achievement places CPC among the most successful international energy companies.

There are some notable operating achievements too. In particular, a 70 km pipeline section was subjected to major repairs with coating replacement in Kazakhstan.

At the same time, CPC maintained its overall availability at 99%. All year round the Consortium operated with high organizational and process performance. Its operating potential

How do you assess the progress of the Expansion Project? There has been talk in the mass media about a potential project schedule slippage and cost increase. Do the time and financial parameters still remain unchanged?

In 2011 all contracts with contractors and subcontractors were signed and we entered the active phase of Expansion Phase 1. Along with certain successes we also face some difficulties, which is only natural for a project of that scale.

At the same time I'd like to comment that on the Russian sections and sites that are within the scope of ChernomorTransNeft as the Project Management Contractor the work is proceeding smoothly and on schedule. On the Kazakh section and at the Marine Terminal there is a slight delay which we expect to catch up with as the work progresses.

But what is fundamentally important is making sure that the efforts to catch up with the delay do not in any way lead to any impairment of work quality and safety. That is how we instruct both our contractors and subcontractors. Currently there are all reasons to believe that Expansion Phase 1 will be completed on schedule.

As for the entire Project, it would not be right for us to nail down an exact completion date for it at this point in time. We have two more phases to do and the situation may sway one way or the other. But we are in no way shifting our target to complete all major work activities in 2015. We are systematically working towards its achievement.

The Expansion Project budget also remains the same. It was approved by the Shareholders in December 2010 and we in the CPC Management have neither any moral nor legal right to revise it. That can be done only by the Shareholders. But at this stage there is no discussion of the budget being increased.

There was a CPC-R Board Meeting and an extraordinary CPC-K General Shareholders Meeting held at the end of last year. The meeting participants reaffirmed the importance of keeping up with the construction schedule and mapped out some steps necessary to ensure it is absolutely met. It was also stressed that it is important to synchronize work efforts on all sections and facility sites of the CPC pipeline system. Again it was stated that the Expansion Project budget approved at \$5.4 bn was not planned to be revised.

Phase 1 capacity increase. Once that is achieved we should be able to ship 35 MTA without DRA. With DRA and subject to availability of shipper injections CPC will be able to ship even more.

Phase 2 works will also start in 2012, even before Phase 1 is completed. It is fundamentally different in that it includes construction of new facilities rather than brownfield facility upgrades. Those activities will start as early as in the first quarter of the year.

You met with the leaders of the regions crossed by the CPC pipeline. How do they assess CPC's activities?



We try to leave a good trace in people's hearts

We have constructive amicable relationships with all regional leaders. Last year Supplementary Agreements on Implementation of the CPC-R Social Program were signed with the Russian regions under the Expansion Project. There is RUR 1 bn allocated by the CPC Shareholders for community-related needs in Russia and KZT 3 bn in Kazakhstan. Those funds will be primarily used to build and refurbish kindergartens and health institutions and to provide those with necessary equipment. Let me stress that these financial resources are allocated in addition to and along with the funding earmarked under our Base Business charity programs.

It is nice to see and hear the Regional leaders mention both in formal statements and face to face that CPC is important both for their regions' economics and communities. In addition, they commend CPC's high operational culture which sets a benchmark for local companies.

In return the regional authorities are assisting CPC with land allocation, expert review opinions and approvals, permit for commissioning of completed facilities and provide the Company with information support.

How would you characterize CPC's community role in the regions in Russia and Kazakhstan?

CPC's investments indubitably have a multiplicative effect. It adds up from many components. One of them, for example, is the creation of new jobs for local residents in the regions. In that connection I will comment that one of the results of the CPC Expansion Project is planned to be creating over 3,000 temporary and 350 permanent jobs in Russia and Kazakhstan. We consider using the local content as one of our priority tasks. Its solution not only improves the social situation in the region but is also important for CPC itself. It is obvious that a person who has come from afar and left his/her family and relatives behind will experience some mental discomfort. And that may negatively impact the work.

When we talk about CPC's role in the regions, we should also consider the increase in revenues received by the national budget at all levels and the increased geo-economics role of the host

regions crossed by that strategic transportation route.

However social responsibility is understood by our Consortium in a broader sense. We try to leave a good trace in people's hearts. We try to help socially-unprotected people and children. I am sure that schools, kindergartens and health institutions completed or refurbished on time and with good quality in areas where CPC has pump stations built and upgraded and the Marine Terminal will serve the community with good faith and fidelity for decades helping address some pressing social problems in our country.

You have been at the head of CPC for more than a year. Over the time you have visited all of its facility sites and held meetings with the work teams. Could you name any specific features of the Company and what qualities make its personnel different?

I have indeed visited all facility sites this year, some of those more than once. I saw them from the ground and from the air when flying along the pipeline in a helicopter. All the facilities look well-tended. That is indicative of the fact that our personnel are not just highly qualified professionals but also people who really love their job. Many of them have spent several decades in their job and reached a pretty high level in it.

I'm pleased that CPC has a low personnel turnover. At the same time our facilities are located in regions where a professional has a fairly good choice. Sometimes we have to compete for them with our own shareholders operating facilities in the regions. And yet our people value their jobs. CPC provides them with confidence in the future and professional career opportunities.

As CPC Expansion Project facilities get commissioned, more and more knowledgeable and trained personnel will be required. We are working on that by interfacing with higher education institutions and developing our traineeship program.

The CPC team is on its way to becoming younger but it is also nice that we manage to keep the experienced professionals in our team too. This way we get an optimal combination of youth and experience which gives our company extra advantages in terms of development potential. The young specialists have someone to learn from while the experienced old hands have to keep on their toes feeling the challenge of healthy competition.

CPC is also successful in combining the best organizational and technical skills we inherited from the Soviet times with the highest international standards. The Consortium has many Shareholders representing different countries, contributing their best practices and traditions. Our Company successfully synthesizes their knowledge and process skills. And that is one of the most important aspects of its uniqueness.



I saw all facility sites from the ground and from the air when flying along the pipeline in a helicopter

is very high.

The most significant event of the year was the start of the Expansion Project. CPC is a live, dynamic and continuously developing system. Increasing the pipeline's capacity is an imperative of our time. Additional oil volumes that will be delivered to international markets will not only augment the Shareholders' revenues but will also help improve the global energy security.

What is planned to be done under the Expansion Project specifically in 2012?

This year is going to be a very busy one. By the end of the year we expect to get close to completing Phase 1 for key facilities. The plan is to have the upgraded Russian and Kazakh pump stations commissioned.

The Atyrau and Komsomolsk upgrades are planned to be completed early. That is critical for



Construction in full swing

Continued from page 1.

QUALITY AND SAFETY

at Kropotkinskaya PS; by that time it will be fully outfitted with equipment, special machinery and motor vehicles.

As the work within the framework of Phase 1 proceeds, forces are drawn to facilities of Phase 2. In Krasnodar Krai it is PS-7, in Kalmykia PS-3 and in Astrakhan oblast PS-4A. In the first two cases the work is to start already in the first quarter of 2012. And at PS-4A - as soon as the access road and the Kigach river pontoon crossing to replace the ferry are built. The intention is to pass its operation over to the local administration in the future. The Expansion Project implementation bodes quite a number of good offers to the regions.

– Local resources are drawn to all the facilities, Igor Lisin points out. It is done mainly for participation in general construction. Regional enterprises that supply soil, gravel, crushed rock and concrete are also engaged.

The involvement of local resources was one of the terms in the agreements with contracting companies. CPC strives to contribute as much as possible to the improvement of the regions' economic and social situation. As of today the Expansion Project facilities engage up to 30% of

local residents.

Having a job at the Expansion Project facilities is for local residents not only a guarantee of decent wages, it also is a chance to gain experience of operating in strict compliance with international standards. Contractors and subcontractors are compelled to perform within the strict regulations and requirements of the Incident & Injury Free Program (IIF) (Its in-depth description is to follow in CPC News future issues – Editors). The program is focused on performing work at all levels of the Company without incidents and injuries in full “accordance with its purpose”. Safety and quality are the two fundamental and mutually complementary principles that must be observed by every CPC facility worker.

FACT SHEET

Project Phase 1 implementation includes an upgrade of the brownfield CPC facilities, replacement of an 88 km pipeline segment in Kazakhstan as well as construction of the third SPM and three tanks 100,000 m³ each at the Marine Terminal. It will make it possible to increase the system's mechanical capacity up to 35 MTA in 2012 from the current level of 28 MTA.



Birds eye view of Kropotkinskaya PS, January, 2012



Pump Stations Coordinator, (RF) Igor Lisin (in the center) holds a meeting at Astrakhanskaya PS



View on the Kropotkinskaya PS Tanks



Vacuum testing of welded seams

Smooth & Effective Team Interaction



William Simpson (first row, second from the left) during a business trip to Expansion Project facilities

William Simpson, CPC Deputy General Director, Projects and Engineering: «The Expansion Project is managed by a diverse team made up of people from Russian, Kazakhstan & International Oil Companies working together in the CPC Expansion team & in Project Management companies. Learning from the experiences of each other definitely enriches the team. This complimentary interaction is a big part of accomplishing the project successfully. The Expansion Project management model is different than the one used on the Initial Construction Project (ICP). At that time the project work was mostly managed by Fluor Daniel as an Engineering, Procurement, and Construction (EPC) contractor. But that was 10 years ago. Things were different then. Now there are many professional CPC project

people in Russia & Kazakhstan that are gathered together with western specialists for this work. However, this is also one of our challenges - to make this team interact smoothly & effectively on the project.

A key goal is to end the day with no one hurt.

The other thing that is very important is the safety issue. It is our number one value driver. We will try hard to execute this project without any safety incidents. That is why we focus everyone on this issue. Obviously we will be complying with Kazakhstan and Russian safety standards & CPC safety rules. And we will enhance that by applying a leading world practice for being «Incidents and Injuries Free». The main goal is to end each day with no one hurt. It is really going to be a challenge working in 2 countries, 22 different locations, having 18 contractors. A very important task is to continually improve the culture around safety, to teach people to follow the regulations. The idea is to show them that following regulations, taking care of themselves and of each other makes the difference. To me a successful project is a safe one.

Another goal is to make our new and upgraded facilities operate like they should. Of course costs & schedule are important. But if the project is not safe or does not work in the manner it was designed to it will not be considered successful. Those are the main drivers that we try to focus on while moving forward. So reliability & quality in the design and construction are also important value drivers.

There is also the social aspect. We are maintaining good relations with the federal governments, the local authorities & the communities. We have teams in Russia & Kazakhstan dedicated to regulatory affairs & social relations. They work together with regional, local authorities and communities on that aspect. And I think that our social program is going to be as challenging as getting the additional throughput».



CPC for schoolchildren of Kuban

In December 2011 the construction of a school cafeteria for local schoolchildren has been started in Temizhebskaya Village in the Kavkazsky District in the Krasnodar Krai under a regional charity program for supporting CPC Expansion host regions.

In addition the contract provides for CPC-R paying for all equipment to be purchased and installed as required to operate the school cafeteria. The construction work is planned to be completed in the spring of 2012. CPC-R plans to continue aiding the district in implementing social projects looking forward.

Modernization of the Kropotkinskaya PS and the construction of a route power line are a part of the Expansion Project on the territory of the Kavkazsky District in the Krasnodar Krai.

OPERATION RECOATING

PIPELINE'S MAJOR REPAIR WORK INVOLVING RECOATING IS AN IMPRESSIVE SIGHT. HIGH TECH, POWERFUL MACHINERY AND PEOPLE'S UNIQUE SKILLS ARE ALL INTERTWINED THERE. LARGE-SCALE WORK STARTED IN MAY 2011 AT THE KAZAKHSTAN SECTION OF THE CPC PIPELINE ROUTE.

The route in question is the Tengiz-Guriey-Astrakhan-Grozny pipeline section built in the late 80s. After the USSR broke up, the pipe was used in different modes (pumping in reverse, pumping of "untreated" oil from the fields) and later stood idle for a few years. When CPC was in the making, the route was given to the Consortium as part of Russia's and Kazakhstan's assets (Kazakhstan section is nearly 452 km long).

The years, naturally, took their toll, and the in-line inspection readings unquestionably showed that immediate measures had to be taken to stop the corrosion growth. In order to understand with the outmost objectivity what specific measures were needed under the circumstances CPC brought in an independent international company which gave the assessment of the



pipe's state. The experts found out that the best solution would be to perform a major repair work involving recoating. They also recommended replacing several short sections of the pipe. The application of the state-of-the-art knowhow and materials guaranteed that the rehabilitated pipeline would be in the fault-free service for at least 30 years.

AT ACCELERATED PACE

The work started in 2006. As the Expansion Project commenced the decision was taken to accelerate the process. "In the past we used to recoat only 20 km per year, CPC Eastern Region Manager Sarsembay Murinov says. But the Expansion Project called for acceleration. The fact is that the repetitive reduction of pressure in the pipe after the completion of the first stage (that is required by regulatory documents for major repairs at a pipeline in operation) would be economically unviable. Such steps negatively affect the pumping volume and consequently the revenue. So we have been given the task of completing the recoating of the 114 km section in the period between the spring of 2011 and the summer of 2012. And to recoat 62 km more upon completion of this task".

Sarsembay is an experienced professional. He

took his present job position almost eight years ago. And before that he rose through the ranks from foreman at the Tengiz Refinery to the Kaztransoil First Deputy Director General. He is certain that the repair work will be completed in time and with high quality.

The tempo taken in 2011 corroborated his words. Weather allowing, two contractors with two crews each recoated 600 meters of pipe per day (rain and snowfalls as well as high humidity makes it problematic to apply bitumen-based coating). A crew usually consists of five pipe-layers, three excavators and one bulldozer. The equipment is operated by 40 to 50 people.

The operational mode is as follows: the excavator cuts open the ground at both sides. It is followed

CREW MOVES AT 600 METERS PER DAY

by an undermining machine which digs out the earth from down below. Then, with the help of special machines that move along the pipe's body on hanger slips and are manipulated by a hose from the trench's edge, the old coating is removed, the pipe is sandblasted till it is purified enough and the new coating is applied. The pipe stays in its usual position. The pumping is not stopped. Only the pressure is reduced.

THE TRENCH AND THE CRAFTSMEN

"The whole crew must work as a team, says Sarsembay Murinov". The operators of the pipe-layers must be on the same wave. The craftsman's skill is also required from excavator operators. Under no circumstances should they damage the pipe's body. Neither should they let the excavator slip into the trench".

The recoating calls for the combination of high professional skills of the people with the precise

functioning of the equipment. Safety is at the top of the list. This is the CPC's trademark.

In its operations CPC rigorously complies with the environment protection requirements. All the materials and the knowhow are meticulously chosen so as not to harm the environment.

"While taking care of nature CPC also keeps tab on the staff's life and health protection. The Company acknowledges the importance of the safe working conditions not only for its own employees but also for its contractors. State-of-the-art equipment with high level of automation that fully prevents accidental errors often caused by the human factor also plays a no small role", says Maksim Shmelev, Lead Engineer in charge of the pipeline's electrochemical protection.

Of course, the repairs go well beyond recoating. The crews' task is to do away with all the detected faults.

CPC Senior Engineer Dmitry Gladikh informed our paper that the pipe condition is further tested by an NDT inspector so as to confirm the readings of the in-line inspection. He examines the pipe's body paying particular attention to seams (welded joints). On the basis of the obtained data the mode of repairs is chosen. If the faulty length requires installation of a repair sleeve it is passed by without being recoated and plowed in. Later a special crew installs the sleeve which is a repairing fixture that makes the pipe as strong and durable as it was in its virgin state. And then this stretch is recoated by hand.

The major repair work involving recoating of the pipe is a thoroughly planned and meticulously staged process. After its completion a reliable operation of the CPC pipeline is secured for dozens of years to come.



Sarsembay Murinov,
CPC-K Eastern Region Manager



HIGHER OPERATING FACTOR

- Not every repair work can be performed under the conditions of nonstop pumping. Any pipeline system has scheduled shutdowns. CPC regulations require that they take place quarterly and last for 24 hours. But we have managed to cut shutdowns considerably down to three times per year with the duration of 8 to 12 hours each. That means a higher operating factor. The system was designed with a 0.9 availability factor. That means that technically the pipeline could be out of operation 36 days a year.

Of course, we try to reduce the duration of shutdowns. And we achieve it by well-coordinated teamwork. When pumping is stopped due, let's say, to inclement weather conditions at the Marine Terminal we use this time for maintenance. A command is given to all in the system, and people begin to act. In the same way we also use interruptions that occur



Vladimir Grinko, Deputy General
Manager, Field Operations

when the scheduled linking of new sections is performed and when illegal taps are eliminated. Last year the CPC operating factor was near 99%, and we are rightfully proud of that.

HONOR AND RESPECT

PEOPLE ARE CPC'S MAIN ASSET. THEIR RESPONSIBILITY, EXPERTISE AND DEVOTION TO WORK VOUCH FOR THE CONSORTIUM'S SUCCESS. IN THIS COLUMN WE SHALL TALK ABOUT THOSE PERSONS WHO MARK THEIR "BIG BIRTHDAYS" AS WELL AS ABOUT THOSE WHOSE WORK HAS BEEN HONORED BY THE STATE AND THE CORPORATE RECOGNITION AND WHO HAVE FOR MANY YEARS BEEN CONTRIBUTING TO THE NONSTOP EFFICIENT OPERATION OF THE CPC SYSTEM AND TO ITS DEVELOPMENT.



Kanatbek Zhumin, Deputy General Director, Government Relations, RK, is receiving a blue ribbon from the Atyrau oblast akim Bergey Ryskaliyev

At the end of last year Kanatbek Zhumin was awarded the Kurmet order (Құрмет in Kazakh language means honor, respect).

The statute of this award reads: The Order of Honor is awarded to the citizens for their merits in the development of economy, social sphere, science, culture and education, for the exemplary service in governmental bodies and for the active public work.

Kanatbek Zhumin's long working lifespan has embraced many job positions: those of a drilling foreman for a geological survey expedition, chief specialist and later department chief at the Foreign Economic Relations Administration in the Republic of Kazakhstan State Committee on Economy. Since June of 2000 he has been CPC-K Deputy General Director, Liaison with the Government, Republic of Kazakhstan, engaged in taxation matters, project implementation supervision, coordination of the CPC-K interrelations with various state-owned and private enterprises in the RK, sponsorship for Atyrau oblast and in many other fields.

The high state award is a token of recognition of Kanatbek Zhumin's endowment into the development of the Republic of Kazakhstan economic potential.



Andrei Molodichenko
Manager, Kropotkinskaya PS

Last year marked precisely 10 years since Andrei Molodichenko had for the first time passed through the gatehouse of the pump station; working there has become his real mission in life. The total work record of Andrei in pipeline oil transportation is 18 years. He started his career in 1994 as a pipeman. At Kropotkinskaya PS he worked for many years as shift supervisor. In July of 2011 he was appointed its Manager. This was in recognition of his extensive knowledge of the system and its equipment functioning that he had learned through down to the smallest screw, of his weight in the eyes of his team workers and of his knack for defending his point of view clearly, reasonably and convincingly. Andrei Molodichenko is a true connoisseur of his trade. Work on the Expansion Project implementation is now in progress at the Kropotkinskaya PS. Molodichenko's complex and vast domain of responsibility is to become even larger and more complicated. But he has never been afraid of new tasks; on the contrary, he has treated them as a challenge that he has always expertly coped with. After its renovation and upgrade the PS will, as always, be a reliable and a very important link in the CPC oil transportation chain.



Ludmila Girenko
Astrakhanskaya PS Laboratory Head

In January Lyudmila Girenko celebrated her jubilee. We congratulate her on this occasion from the bottom of our hearts!

Over the years with CPC she has proved herself to be a highest level professional who earned deep respect of the management and of the co-workers. Great experience and extensive knowledge helped her to make the laboratory at Astrakhanskaya PS, that checks the quality of oil proceeding from Atyrau PS, function accurately and efficiently. For ten years she has been continuously heading a close-knit team that she shaped up herself.

Lyudmila graduated from the Grozny Oil Institute majoring in Chemical Technology of Oil and Gas Processing. Before joining CPC she spent over a quarter of a century working as an engineer at LUKOIL-Astrakhannefteproduct Oil Storage Depot #5. During those years she was awarded multiple merit certificates, acknowledgements and bonuses. Her work efforts at the Consortium were also redeemed with various stimulations: acknowledgements, a merit certificate and mementoes.

Lyudmila Girenko raised two sons. One of them is also a CPC employee.



Oleg Sadovskiy
Marine Terminal Deputy Manager, Shore Facilities

Oleg Sadovskiy has been with the Company since 2001. He is a true old-timer in the oil industry having 28 years of grueling and demanding work under his belt.

He earned an honorary title of the Sibnefteprovod Labor Veteran (1999), was awarded the Certificate of Merit by the Krasnodar Krai Administration (2003) and the Certificate of Merit by the RF Fuel & Energy Ministry (2010). From 1982 till 1995 Oleg Sadovskiy was in charge of maintenance and repair teams, Central Main Pipelines Emergency & Repair Services of Transneft JSC system.

Oleg Sadovskiy honed and put in operation the knowhow for pipeline laying in marshland and for pipeline protection from metal corrosion in acidic environments. In 1996 Oleg Sadovskiy was entrusted with leading the Main Pipeline Administration at Nizhnevartovsk that transports oil from the most remote places in the North-West Siberia. In 2001 he was in charge of the CPC Kropotkinskaya PS – Novorossiysk MT pipeline section and of the Marine Terminal acceptance and commissioning. And in 2002 he took the position of the Deputy Manager at the facility that he had launched. Everyone who has ever worked and who now works alongside him recognizes his dedication to the chosen trade, his professional skills and his high human qualities.

THE WELL THOUGHT-OUT CORPORATE POLICY IS ONE OF THE MOST IMPORTANT ELEMENTS IN THE MANAGEMENT OF A MODERN COMPANY. IN THIS RESPECT CPC HAS ITS OWN SPECIFICS, ITS BRANDED STYLE AND ITS UNIQUE WORKING SPIRIT. IT IS MAINTAINED, AMONG OTHER THINGS, BY FESTIVE EVENTS.

FESTIVITIES IN REWARD

On December 16 a festive get-together was held at the “European” Trade Center banquet hall: CPC Moscow office staff celebrated the forthcoming New Year and commemorated anniversaries that had fallen on the current year.

Yurt at the “European”

In the lounge the guests were met by performers of Kazakh songs and by artists robed in the warrior-of-the-steppe garb. A true-to-life yurt (nomads' tent) stood nearby. For a photo opportunity anybody willing could don a sumptuous caftan and pretend to be a rich noble nomad for a few minutes.

The festivity began with an address to the staff by General Director Nikolay Platonov. He himself was unable to attend the get-together because at the time he was in Geneva at a ceremony where the documents attesting to Russia's accession to the WTO were being signed. His greetings therefore had been prerecorded and were presented on the screen.

A gala dinner followed accompanied by a concert full of exciting and inspiring performances, with inescapable dances at the end. The get-together will surely remain a bright and joyful event to remember in the heart of everyone.

The corporate style

From its very inception CPC has been a project to achieve very specific tasks: to secure the formation and the trouble-free operation of the most economically efficient route for the delivery of Caspian oil to the Marine Terminal near Novorossiysk.

“CPC was designed in such a way that Consortium was not to have employees that were not pivotal, Human Resources Manager Alexey Surazhsky points out. This approach has its pros and cons. The skill level of the employees is rather high; and that undoubtedly is a pro. On the other hand, the departure of any employee results in certain problems for the structure”.

CPC was formed on the model of the best World practices and that was determined by the makeup of its shareholders. There was virtually no doubling of personnel roles. The motto was: each person carries his share of responsibility personally. At the present stage when the Company keeps spreading out on objective grounds, this approach remains unchanged.

A considerable amount of work associated with securing the pipeline operation, and now also with the growth of its throughput in the framework of the Expansion Project is accomplished by outside organizations. Ongoing operations management stays in the hands of the CPC employees. All of them must be high level professionals. Consortium operates in the territory of two countries strictly complying with their legislations; besides, it meets the requests of the shareholders that represent the Company in different countries.

“The compliance with these legislations and principles demands exceptional capabilities from our employees, Alexey Surazhsky says. Not everyone can work for CPC”

Stability assured

In the course of Consortium's operation the Human Resources services managed to define the best type of an employee who is of the outmost benefit to the Company and who gets from it exactly what he seeks.

Granting the undeniable importance of the influx of young workforce, Consortium in particular values experienced, fully formed specialists. The record shows that the latter reciprocate CPC's approach in full. It is not always so with the youth...

The fact is that Higher Education graduates often look for sweeping career advancement. Some of them are guided by the principle: “If there is no promotion within a year

purchasing power of the wages. CPC is the most appropriate place of employment for highly skilled specialists who most of all appreciate stability, civil and respectful treatment on the part of superiors, friendly and fair family ambient.

A good point is that a CPC employee would never hear demands spoken in harsh and rude language, even with a reason. A different way will always be found to tell him about his fault or inadmissible conduct. At the same time nobody engages in the Soviet-style educational work. An employee has an option to either accept the request to improve his work attitude or to leave Consortium.

The best for the best

“People who are with us are special, the Human Resources department Manager goes on. They are the people whom the management values for what they are worth. The natural urge is to give them the best in accordance with their skill and their commitment”.

Corporate festive gatherings arranged by CPC, never aim at conveying work related guideposts to employees. They are always the means of expressing gratitude to the employees and their families: to the former for their work, and to the latter for their love and patience. And for their understanding that the hard and demanding work does not allow employees “to let go” even at home where they often bring the burden of their job-related problems. CPC festivities are the occasion to get together, to mingle in an informal setting, to relax in fair conditions and to shake off the worries.

In summer reunions are staged alfresco. Last August the CPC Moscow office employees came to the beach at Strogino with all their family members. It was a festive cookout with good food, jolly games and competitions. What's important, the lattermost was not compulsory. Each one picks the way to relax to his liking. At CPC the “corporate coercion” along the line of: “Everybody steps into his bag and starts jumping on the heels of the managers” is out of the question,

CPC employees' reunions are, naturally, arranged not only in Moscow but in the regions as well: in summer at leisure camps, in winter time in restaurants.

“It is noteworthy that since 2005 when I joined the Company and began to arrange corporate events we have never had a single incident, Alexey Surazhsky says. I wish to thank our coworkers for the high level of their inherent culture that they display. I hope that our festivities will in the future also be interesting, merry and memorable”.

it's time to move to another place of employment”. At CPC such people may rather quickly loose motivation. This is, again, brought about by the Company's peculiar features.

“Our structure is rather flat, Alexey Surazhsky says. Besides, we have a revolving group of expats brought in by shareholders. The chances for career growth are limited. We can recompense this in part by prospects for personal and functional growth. These are rather vast. CPC's main advantage, though, is stability which is difficult to overestimate given the developing economies of Russia and Kazakhstan”.

It is important to note that neither in the crisis of 1998, nor in the situation of 2008 the Company's employees found themselves abandoned in the tempest of the economic foul elements. Consortium took measures to balance up the changes in the



IN THE MODERN WORLD LARGE NATIONAL AND INTERNATIONAL COMPANIES CANNOT LIMIT THEIR ROLE TO THE ECONOMIC COMPONENT ONLY. SOCIAL RESPONSIBILITY IS A MUST. IT IS AN IRREFUTABLE REQUIREMENT FOR CONDUCTING CIVILIZED BUSINESS.

COMMITTED TO GOOD DEEDS



GROUND RULES

CPC has been carrying out diverse charity programs in the territories of Russia and Kazakhstan virtually

since the first year of its existence. Consortium regularly renders assistance to vulnerable social groups, disabled people, veterans, orphaned

children; it also implements numerous programs to support the social sphere and the infrastructure in towns and settlements traversed by the Consortium's main pipeline. The ground rules for the CPC's charity work are responsibility, targeting, transparency and strict control. The coordination of this work with administrations of the regions traversed by the Consortium's main pipeline makes it possible to schedule events efficiently and to provide effective, zeroed-on-target help to those in need.

FOR KIDS AND FOR VETS

Thousands of orphaned children and senior citizens accommodated in social institutions of Russia and Kazakhstan have since 1997 been receiving New Year Eve's presents from CPC. The CPC for veterans program gained popular appeal; begun in 2002 it embraces Atyrau oblast in the Republic of Kazakhstan and all 22 districts in four regions of the Russian Federation crossed by the CPC pipeline.

In the course of all its lifespan CPC has been paying great attention to supporting the education system. In particular, a 210 pupil school was built at Consortium's cost in the city of Kulsary in Kazakhstan, major repairs of utility lines for kindergartens and schools are done every year in Atyrau oblast.

In 2009 the CPC for first-graders program was launched. Since then thousands of children from the regions traversed by the pipeline route have been donated schoolbags packed with all necessary scholastic paraphernalia just before the first day of each new academic year.

CPC pays special attention to orphaned children. The CPC for gifted children program with contest

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concerts for orphanages' inmates has been underway since 1998.

Consortium has been helping district and regional health centers in purchasing equipment since 1999. One of the major donations was the acquisition of equipment for the Republican Children Hospital of the Republic of Kalmykia. Its east building fitted, courtesy of CPC, with all the necessary equipment was inaugurated at the end of November 2011.

In rural areas schools are often located far from children's homes. CPC financed the acquisition of transportation means for high schools and other educational establishments in Astrakhan oblast, Republic of Kalmykia, Stavropol Krai and in Kazakhstan's Atyrau oblast.

Public transportation in big cities also needs support. Trolley buses were purchased for Novorossiysk as well as a passenger bus for the municipal transportation company to service the residents of the Kavkazskiy district, Krasnodar Krai, where Kropotkinskaya PS is located.

NEW HORIZONS

The figures below speak for themselves. The CPC-R beneficent aid in the 1998-2011 period amounted to over RUR 1 bn. The CPC-K beneficent aid in the same period amounted to about KZT 1.45 bn.

The project to expand the CPC main pipeline throughput commenced on July 1, 2011 contemplates new allotments to finance social programs and institutions in the regions where new facilities are to be built or brownfield facilities are to be upgraded. Over RUR 1 bn is to be spent in the territory of Russia and over KZT 3 bn in the territory of Kazakhstan.

With the aid of the equipment purchased at the CPC cost neuro and vascular surgeons as well as other MDs saved more than one life. And the introduction of up-to-date diagnosis methods made it possible to give medical assistance to patients already within the first hours of their illness preventing irrevocable aftereffects.



Nash Novorossiysk, March 10-16, 2011

It must be acknowledged that Consortium has for many years been energetically supporting children from large lower-income families as well as talented pupils. The good news is that the CPC CJSC charity endeavors are to go on in the territory of the Republic, remarks Raisa Dyakieva, RK Deputy Education, Culture and Science minister.



Izvestia Kalmykii, August 31, 2011

On May 11 CPC General Director Nikolay Platonov solemnly handed certificates for the up-to-date medical equipment to the chief doctor of the regional cardiologic dispensary Sergei Galtsev. Governor Alexander Zhilkin who was in attendance said: "I am grateful to the Company for its assistance in bringing health care in the region up to date. Equipping the dispensary is important for the region, more so because it serves to rehabilitate patients at the Federal Cardiology Center, always full to the brim."



Volga newspaper, May 17, 2011



says Kulshara Zhumagalieva, chief doctor at Polyclinic #5.

Prikaspiyskaya kommuna (Kazakhstan), December 10, 2011



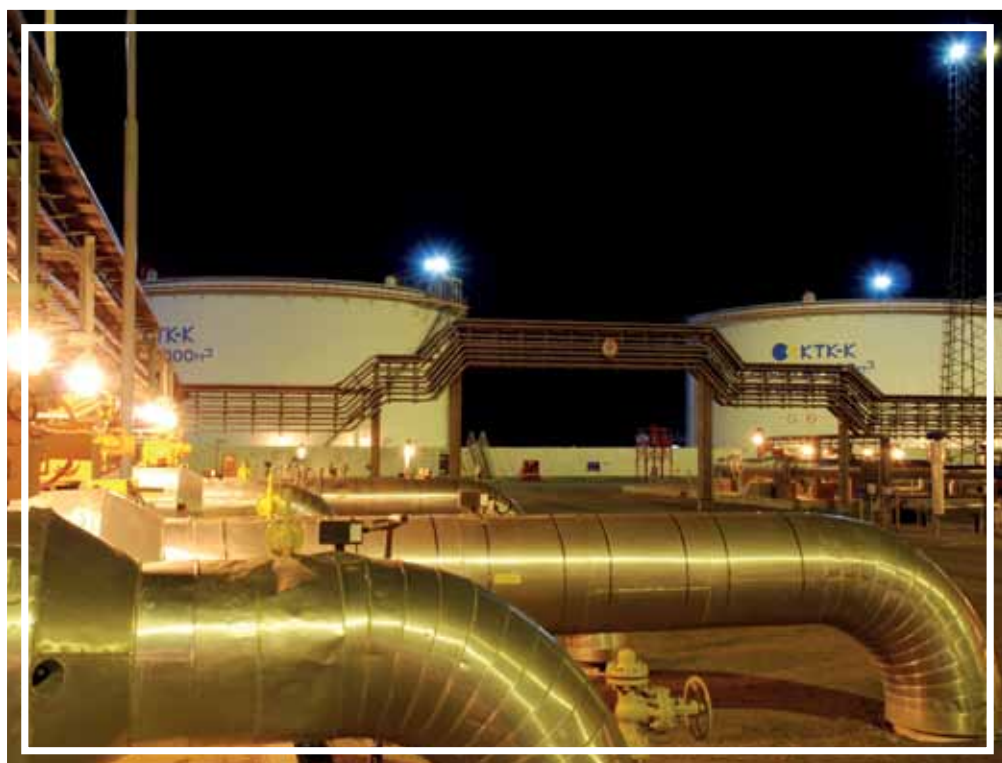
Various events aimed at improving the environment in Trunovski district as well as at enriching the children's perception of their homeland are staged in the framework of the Young Naturalists center at the Municipal general education institution, preschool supplementary education branch that has brought in many nature fans from general education schools. In view of the irrefutable importance of these events Caspian Pipeline Consortium (CPC) has rendered charity aid to this center; it has donated special tourist gear so that the fans could be better equipped for engaging in environment oriented tourism.

Stavropolskie gubernskie vedomosti, November 9, 2011



Caspian Pipeline Consortium well known in our district for its charity has a lot to do with positive changes occurred at the city hospital. The equipment for the food unit worth RUR 1 million 470 thousand and for the laundry room worth RUR 863 thousand arrived in October at this health institution; here is the list: two industrial capacity refrigerators, two caldrons, a pulping machine, a meat grinder, a vegetable slicer, a potato peeler, a cabinet oven, washing tanks, three washing machines, two tumble driers, two ironing mangles.

Ogni Kubani (Kropotkin), November 21, 2011

Astrakhanskaya PS, booster pipeline pipe station, Sergey Simakov*Pipe flaw detection equipment, Danil Gayntsev**Atyrau PS, Vladimir Kosukhin**Marine Terminal, small boat shelter, Oksana Mariinskaya**Single point mooring, Danil Gayntsev**Marine Terminal, small boat shelter guide bollard, Andrey Bondarenko*

We show our appreciation to the authors of the photos and to the initiative group for the making of the «Company Gallery»: <http://www.cpcpipe.ru/ourcompany/photos/gallery>