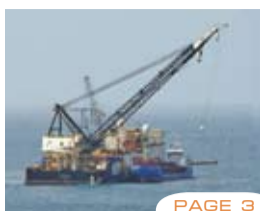


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CASPIAN PIPELINE CONSORTIUM CORPORATE NEWSLETTER

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CPC NEWS

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Photo by S. Mukhtarov

Kropotkin PS upgrade is in full progress

Marine Terminal switches to external power supply

In early July, CPC completed connection of Marine Terminal facilities to Neftenalivnaya PS 110/10 kV substation near Novorossiysk. The new 3.1MW connection of CPC consumers to OAO Kubanenergo's grid allowed to provide power supply not only to existing CPC oil pipeline facilities, but also to additional facilities being constructed under the CPC Expansion project.

This switch to the new source of power with a simultaneous switch of existing diesel turbines to a standby mode will allow to optimize the electricity costs for Terminal facilities and to reduce the amount of air pollutants by 50% at least.

CPC complies with international standards

CPC has passed the recertification of its environmental management system for compliance with ISO 14001:2004 requirements and confirmed the validity of OHSAS 18001:2007 certificate for its health, safety and environmental management system.

According to the results of audit performed by BSI (British Standards Institution), the HSE system currently used by CPC fully complies with international standards.

There is no someone else's woe

Caspian Pipeline Consortium has transferred RUB 10,000,000 to a special account of the Krasnodar department of All Russia Public Organization "Russian Red Cross" to support the flood victims in Krasnodar Krai. Neither did the company employees remain unconcerned. More than RUB 350,000 collected by them was used to buy food, drinking water and essential items.

While offering his condolences to the Krasnodar Krai governor, the CPC Director General N. Platonov called the disaster "our common grief".

FOR THE SAKE OF STABLE FUTURE

TODAY WILLIAM SIMPSON, DEPUTY GENERAL DIRECTOR, ENGINEERING AND PROJECTS, CPC, IS SPEAKING ABOUT EXPANSION IMPLEMENTATION PROGRESS AND ABOUT WHAT HAS BEEN DONE.



Photo by CPC

at PS, Tank Farm, and Marine Terminal. Long lead items for Phase one have been delivered. This year we are trying to tackle several important tasks. We have conducted the work associated with scheduled pipeline shutdown to tie in new lines and equipment. This is very significant step forward.

Marine pipeline and the third single point mooring will be installed by the end of this year. One more task is to complete PS refurbishment, and ensure that the pump stations are ready to pump through the additional oil.

What will be the pipeline capacity at the end of this year?

If everything goes as planned, the throughput mechanical capacity will increase up to 39 MTA by early 2013.

Design quality and pipeline reliability are the two notions closely connected. What would be your assessment of designers' performance?

I cannot call the design solutions perfect. We have analyzed those solutions to ensure safe operation of the facilities. In particular, a year ago we did a HAZOP analysis, where a number of aspects have been revealed requiring improvement. Also this year we have done Process Hazard Analysis (PHA) and a System Integrity Level (SIL) study which helps ensure quality of pipeline and pump stations control. These will result in additional recommended changes to design solutions for PS or the pipeline. Thus, we run standard safety study for each facility to make sure and to be confident that operation will be reliable.

What environmental activities are implemented under the Expansion Project?

There are two aspects to it. One – is the environmental requirements to the facilities we are building. But there are some requirements that are mandatory for the contractors. We ensure compliance in both cases.

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FAIL-SAFE, ACCIDENT-FREE



Photo by S. Mukhtarov

CPC'S NONSTOP OPERATION SECURED

The Caspian Pipeline Consortium's Tank Farm is one of the most important links in its infrastructure. Its capacity and equipment capability impress not only a common person who is not in the knowledge of the oil pipeline business, but also professionals. It has already gone down in the national pipeline history as the first tank farm in Russia with 100,000 cubic meter capacity tanks.

At present time the overall tank capacity to store crude oil for the CPC system exceeds 570,000 cubic meters, 400,000 out of them belong to the Tank Farm of the Marine Terminal. The second largest Tank Farm (80,000 cubic meter capacity) belongs to Tengiz initial pumping station.

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Several years ago the Consortium prepared environmental and social impact assessment (ESIA). Also there were public hearings, actions have been worked out to meet all the environmental requirements, and to resolve problematic issues. As CPC is planning a bank loan report the update of the ESIA has been done.

We request that our contractors provide environmental action plans. Prior to starting work at construction site they are to perform environmental monitoring, and upon work completion they are to make sure that no damage has been done to underground waters, soil or atmosphere. We will be making sure these requirements are met.

CPC is paying specific attention to HSE issues.

You are absolutely right. I hope that everyone working on the project know that safety is our number one priority. We continuously point that out. We put a large emphasis on safety training, both required regulatory training and training in safety culture and international practices. We work with each one of the contractors and discuss safety issues, those areas where we might encounter risks; we request that site management report to us in Moscow on all the safety issues.

Do you have to deal with violations in this area?

Significant amount effort has been done to make our safety program preventative. A third-party consultant has been engaged to develop a program called Incident and Injury Free (IIF).

Any work starts by having an obligatory safety induction. Besides, we have Incident and Injury Free orientations and use Total Safety Task Instructions completed on a daily basis for every type of work. Each group fills out such form and identifies hazards to know what they are to focus on.

We launched Stop Work Authority program which enables anyone to exercise such authority if some work is done unsafely.

Coordinator's and PMC's HSE specialists run safety inspections, I also do the site visits.

In CPC we do not believe penalizing to be effective. We try to teach people to work safely. When an employee tries to do something right, it brings him to the next educational and cultural level. And this is our goal we try to attain.

I will give an example. Recently an outrigger failed in one of our cranes, work has been immediately stopped. It goes without saying that everything was fixed immediately, but such cases make us think: 'Is our maintenance program failing in any way? What is the way to fix this?' we strive to take corrective action within the entire project,



Photo by S. Mukhtarov

«We put a large emphasis on safety training».

have our lessons learned from the near miss situations.

Many companies nowadays lay emphasis on social projects. What is being done under Expansion Project in this respect?

While budgeting for the Project we have allocated specific funds for social projects that are being implemented both in Kazakhstan and in Russia. We are renovating school buildings, medical aid facilities, buying ambulances for the regions, etc. In general, we direct our funds to places where they are especially needed.

Tell us about your work at similar projects in other countries. Is this experience in any way applicable in CPC?

I would start with referencing the safety program. I was engaged in its implementation in Africa, the United States, and in Europe. This appeared to be a valuable experience which helped me understand the dynamics of joint activities. I have also worked on projects implemented by several parties with different shareholders having different requirements. This resembles a lot the situation in CPC: we do have shareholders with opinions that may contradict with one another.

I also make use of my logistics experience, our current project is a 1,500 km pipeline passing

through sometimes very remote areas. I dealt with similar projects in Africa, and specifically logistics was the hardest part, everything associated with contractors, construction camps, water supply, consumables, power supply, etc.

And one more thing – multiethnic nature of the project. My experience of communication with representatives of various cultures helped me a lot in CPC. This includes, for instance, an understanding that we have a lot to learn about cultural peculiarities before making a decision and building a team.

Do you like working in Russia?

Yes, I like it a lot. Over 20 years ago I read "Crime and Punishment" by Dostoyevsky and became interested in the Russian culture. Today it is still my favorite book. I never imagined I would actually get the chance to live and work in Russia. I enjoy the people here and learning Russian history. I enjoy eating Russian food. And even though I am from Texas, I do enjoy the cold weather and snow.

Is there anything in your work that makes you smile?

There are so many interesting people on the project, and regular daily interaction with them brings real pleasure. I like meeting people in the regions and in local administrations. Participation in the social projects being implemented brings me real pleasure. Sometimes really amusing things happen here. For example, when we were giving the ambulance vehicles to a hospital in Kazakhstan I was to drink some camel milk. Something that I have enjoyed the most have been the project teambuilding activities.

How do you manage to steer such complex multinational team?

Yes, it is challenging to manage a complex international project like this. Due to our diversity there are many different approaches to how something should be done. Sometimes it takes patience and learning from each other to eventually agree on the right decision or process. But that is what makes a project like this so interesting. We all have to build relationships and learn how to work together. Sometimes we do have our tensions and emotional moments. Sometimes they are hard to avoid, but this is part of the stress we inevitably deal with at work. But in general, we have a good team, good leadership team, and I try to delegate to them as much authority I can and rely on them. There is no way you can deal with everything and make all decisions on your own. Our leaders manage their groups well and with confidence, and it really helps. I can only imagine that our relationships will get stronger and we will continue to improve the way we work together as the project continues.

Stopped to speed up

The CPC Expansion Project and CPC Operations Department have jointly performed two scheduled pipeline shutdowns. In May and August, new equipment was tied in to the system (additional trunkline filters, booster pumphouse for crude oil receipt, etc.) and maintenance work was performed at the pipeline.

Mobilization of all participants, main forces and means allowed to carry out this technically sophisticated procedure in a planned mode, to minimize all associated risks, and to complete current work operations. Despite some decrease in gross crude oil throughput volumes caused by the shutdowns, this effort will ensure the acceleration of the first phase of the CPC Expansion Project and an increase in its throughput.

Safety record

Caspian Pipeline Consortium has completed 15 million hours without a serious injury resulting in days away from work, which by all means can be considered as a serious achievement by international standards. This figure posted by the consortium's base business is a record for CPC and indicates a highly significant role of health and safety in the company.

To a large extent, this result was made possible by the professionalism of company employees and strict safety requirements imposed in the company.



Photo by S. Mukhtarov

«We have conducted the work associated with scheduled pipeline shutdown to tie in new lines and equipment».

EXPANSION PROJECT

FACING THE MOST DEMANDING TASK



Photo by S. Mukhtarov

Igor Lisin, Russian PS Coordinator (center), inspects facilities prior to scheduled tie-ins

A KEY COMPONENT OF THE CPC EXPANSION PROJECT IS PUMP STATION AMBITIOUS CONSTRUCTION AND UPGRADING.

PHASE 1

The first phase of the pipeline's throughput capacity expansion is about to be completed.

- It is yet too early to claim that Phase 1 facilities are in the state of readiness. As soon as the pump stations key equipment and structures construction-and-assembling operations are over and the dispatcher control/data acquisition system is outfitted, we shall face the most demanding task, the start-up and commissioning, Igor Lisin, RF Pump Stations Coordinator says.

In the course of the pipeline's scheduled shutdowns in May and August (the next one will be in October) monumental work was performed at pump stations. Each shutdown lasted for 72 hours.

In May the mainline pump house header and an additional booster pump were connected at Kropotkinskaya PS (Krasnodar Krai)

A booster pump house and additional mainline filters were connected at Komsomolskaya PS (Kalmykia).

The August tie-in, compared to that done in May, was larger in scale and scope. New equipment tie-ins were completed at three pump stations (Astrakhanskaya, Komsomolskaya and Kropotkinskaya).

- New process pipelines and equipment were connected to the ones in operation so as to fill them with oil within 72 hours after re-launching, Igor Lisin explained. All the operations were performed in strict compliance with the schedule; the timeline had been drawn by July. Each person knew what he had to do and how much time he had. The 72 hours were mapped out minute-by-minute. The assembling was completed ahead of schedule.

The rehabilitation of Astrakhanskaya pump station in Astrakhan Oblast is winding up. The mainline pump house electric motors are to be replaced, a new oil meter and a surge relief system built and open ponds rehabilitated in the process area. A canteen, a warehouse and several special process structures are to be built in the administrative/utility area.

- The CPC team works with precision. We aim at doing the job soundly and safely, Igor Lisin went on. We have a special program, additional safety measures are on the list. It is about risk analysis and about taking measures to have them prevented. The staff's expertise, immaculate business reputation and timely execution of agreements are the basic features in the Project's implementation.

WHO IS TO BUILD PUMP STATIONS

Transneftstroy LLC, Transneft's affiliate that rallied construction capabilities of the pipeline monopoly, is doing the job at Astrakhanskaya PS, A-PS-4A and A-PS-5A in Astrakhan Oblast.

Stroynovatsia LLC is engaged in rehabilitating Komsomolskaya PS, also in building four new pump stations in the Republic of Kalmykia and in Stavropol Krai.

Velesstroy Company is to build PS-7 and PS-8 in the territory of Krasnodar Krai and is rehabilitating Kropotkinskaya PS.

PHASES 2 AND 3

The construction of PS-7 has begun in Krasnodar Krai in the framework of Phase 2.

PS-3 is to be built in Kalmykia. The search for contractor is on, preparatory works are underway.

A makeshift camp has been put up at A-PS-4A (Astrakhan Oblast) for construction workers that will build a 28 km long access motor road; a pontoon crossing at Kigach River has been built. Provisional buildings and structures for the main PS construction workers camp are being assembled; test piles have been driven in.



Photo by S. Mukhtarov

Pipe edge machining

- The Expansion Project work is carried out nonstop, Igor Lisin points out. Phase 1 is at the finish line while preparations for Phase 3 have begun. For instance, preliminaries for the access road construction are already underway at PS-5A located at the border line between Astrakhan Oblast and Kalmykia.



Photo by S. Mukhtarov

A pipe spool welded during new equipment tie-in at Kropotkin PS in August 2012

CHEVRON STANDARDS AND VALUES

BEING ONE OF THE MAJOR CPC SHAREHOLDERS, CHEVRON IS TAKING AN ACTIVE PART IN IMPLEMENTATION OF EXPANSION PROJECT

DUE TO NEW TECHNOLOGIES

As a CPC contractor, Chevron is responsible for development of detailed documentation and construction of six additional 100 000 m3 tanks, designing and construction of the third subsea pipeline and single point mooring (SPM) at the Marine Terminal in Novorossiysk. Chevron is also in charge of designing, procurement and installation of control and communication systems throughout the length of the pipeline originating from the Tengiz oilfield.

- CPC Marine Terminal has state-of-the-art equipment and is rightfully considered one of the best in the world. Here, it is worthwhile mentioning single point moorings, automated control and communication system, automated monitoring and data acquisition system SCADA, - tells Kevin Nance, Project Manager - Caspian Pipeline Expansion Project for Marine Terminal and Control Systems, Chevron Neftegas Inc. - Project implementation will cause pipeline throughput considerably increase particularly due to construction of the third SPM and using new technologies. This will enable Operations to manage doubled oil quantity shipments with a very high level of reliability.

The first phase of Expansion in the Chevron responsibility scope provides for construction of three tanks, the third subsea pipeline and SPM. The first three tanks are well underway with foundations nearing completion. The third subsea pipeline and the SPM are currently being installed offshore and will be complete in the coming months. Three more tanks will come up in the third phase of the Project - earth work has already commenced at the construction site for the last three tanks.

WHEN WE ARE UNITED

- Expansion Project means huge scale, whatever criteria applied. And that necessitates interaction with other companies, - says Mr. Nance. - Contractor selection and contracting strategy for "Control Systems" section is very complicated, because it involves concurrent high-tech operations of several specialized firms, which need to coordinate their actions continuously.

Chevron main partners are trust "Koksokhimmontazh" (construction of tanks and auxiliary systems), Italian Saipem (laying of cement-coated pipes), as well as US companies - Honeywell Building Solutions (development of integrated pipeline security system) and Telvent (upgrading of fiber optical communication). Each of these firms has a really unique experience, long and good record in their relevant fields.

AVOIDING UNNECESSARY RISK

The project of such magnitude as expansion of CPC throughput capacity must be implemented without damage to human health and environment. CPC and Chevron work together to achieve this goal. Specialists of both companies carry out environmental monitoring of Tank Farm, Marine Terminal and Offshore Facilities operations jointly with representatives of Russian Federation regulatory authorities.

- Residents of Novorossiysk may rest assured: construction and operation of our facilities will cause no additional risks to either their health or environment, - says Kevin Nance.

Chevron and CPC have the same approaches in such an important area as quality standards. There is a 30-year warranty for system operation. Each step in project implementation is under close scrutiny of CPC, Chevron and their partners, including factory checks of equipment, its acceptance after delivery to the site, supervision over construction/installation, regular quality standard compliance audits.

- I am happy to have the honor of leading the Chevron team, - concludes Mr. Nance. - When we finish the project, I will be proud of having fulfilled such a challenging task.



Photo by S. Mukhtarov

SPM being unloaded in Novorossiysk to be installed at the Marine Terminal

Continued from page 1

ALERTNESS TO ROUGH SEAS AND TO SHUTDOWNS

The Marine Terminal's Tank Farm is the CPC system's pride. It is situated 9 km away from the sea at the height of 252 m above its level and consists of four tanks, each one holding 100 thousand cubic meters (630,000 barrels) of crude oil. They are the first tanks of this capacity built in our country. Their design took into account the terrain's specific features and its propensity to seismic activity. As of today Russia has only eight similar tanks (four of them built in 2005 in Khabarovsk Krai and on Sakhalin Island in the framework of Sakhalin 1 and Sakhalin 2 projects).



Photo by CPC

100,000m³ Expansion Tank construction, tank base and foundation preparation, Marine Terminal Tank Farm

The Tank Farm's 400,000 cubic meter capacity secures uninterrupted tanker loading and continuous operation of the main pipeline. The high-altitude position of the farm makes it possible to fill tankers using no pumps while the piping layout allows to receive and to lift oil simultaneously. Besides the tanks, the farm has self-contained power generators, sewage water treatment facilities, a backup control center and a powerful fire-control system,

According to the design solution, each oil storage tank has several types of protection: anti-fire, anti-lightning, protection against static electricity discharges, electrochemical protection, bottom tightness control system. The system for oil detection below the tank's bottom makes it possible to trace potential leaks. Protection against accident prone high and low oil levels installed at every, without exemption, oil storage tank of the Tank Farm makes it sure that the oil does not rise above or drop below the maximum or the minimum allowable levels. Double seals of the floating roofs substantially lower emissions of gaseous hydrocarbons into the air. Even the tank's coloring matters for the mitigation of adverse environmental impacts: light coating colors reduce the intensity of oil evaporation.

If a tank's integrity is damaged in an emergency situation three levels of protection will be engaged. The first one is the protection of the tank itself; the second one is the fully sealed by high density waterproof film square shaped berm around the tank with holding capacity 10% higher than that of the tank. The third level, made up of dikes with settling ponds built with oil outflow direction in mind, is for protection in case all the previously listed levels fail due to the type and size of the emergency situation, for instance, in case of an earthquake.

THE ANSWER IS PEOPLE AND PREVENTIVE MAINTENANCE

The personnel employed to service tanks and the Tank Farm must measure up to high standards. Only those who have undergone special training at the workplace and consequently passed professional competency test are allowed to work as operators. One of the main requirements to be met by employees is the no less than three year long experience of work in the oil industry. 90% of operators employed at the CPC Tank Farm have higher technical education diplomas. The safe and uninterrupted functioning of the oil storage tanks directly depends on their proficiency and responsibility. In accordance with regulatory documents, the service personnel carry out daily inspection and constant preventive maintenance of the Tank Farm's facilities.

"We have reached such a point in the tanks' lifespan when they must be put out of service and examined, Roman Vasilyev, General Manager, Field Operations, says. This is mandatory to do every ten



Photo by CPC

Roman Vasilyev, CPC General Manager, Field Operations

years in the framework of the full-scale technical diagnosis. Last year we completed this job at the Marine Terminal's first 100000 capacity tank. I must say that to the credit of construction workers and of the CPC staff that has operated these facilities that after the 10 years the tanks are in satisfactory state. We had to wash out the bottom sediments that had naturally accumulated in the tank's operation, and to upgrade the washing-out system. No other flaws that could lower the tank's operational reliability were found. On the basis of this examination we let the other tanks at the Marine Terminal operate for ten more years".

Speaking about technicians that do the tanks' maintenance R. Vasilyev said: "All the intricate jobs involved in operation and ongoing maintenance, not to mention cleaning and diagnosis of the tanks, which are very few in Russia, were done at the highest level. Our employees proved themselves to the best advantage. None of them had previously tackled 100,000 capacity tanks but their schooling, training and proficiency made them do the job well and on schedule".

IN VIEW OF THE EXPANSION PROJECT

The forthcoming CPC pipeline system throughput capacity expansion cannot be achieved without upgrading its Tank Farm.

Construction of six new 100,000 capacity RVSPK* tanks is scheduled at the Marine Terminal in the framework of the Expansion Project. They will be built in two stages at the sites with different altitudes. The first three ones will be located at the same height as the ones in operation (252 m), the rest at 260 m. Since the tanks' operation will require additional infrastructure new buildings and structures, process pipes, utility ducts and roads are planned to be built. As a part of that program, construction of a fire extinguishing pump station, electrical substations, a rainwater collection pond, sewage treatment facilities, etc. is underway for the set of tanks to be situated at the lower altitude. The higher altitude set of facilities will get shutdown units (for switching over between the lower and the upper tank sets), pressure setting units, safety valves, etc.

The tanks under construction, identical by design to the ones in operation, will be upgraded through certain technical adds-on. A more efficient, in comparison with the present one, washing-out system provided with mixers is to be installed. Electric motor driven mixers affixed at the tank's lower belt make the stirring of the whole body of oil more uniform so as to prevent sediment from settling and to increase efficiency of the whole Tank Farm. This solution is also being applied at the Marine Terminal's tanks in operation. A similar system was introduced in 2011 at RVSPK tank #B001. In addition to the mixer washing-out system installation the tank wall thickness will be increased at the lower belt, alterations will be made in the rim seal of the floating roof, etc.



Photo by CPC

100,000m³ tank bottom sediment washout mixer/ Marine Terminal Tank Farm

In the framework of the Expansion Project new tanks are also being built at the pump stations. By now the construction-and-assembly works for the building of two new 50,000 capacity RVSPK tanks at Kropotkinskaya PS have already been completed. Komsomolskaya pump station will have two 4800 cubic meter tanks, Atyrau PS two tanks of 20,000 cubic meter capacity each. As a result, the total capacity of the Caspian Pipeline Consortium Tank Farm will exceed 1,300,000 cubic meters. This volume will enable the CPC pipeline system to function smoothly after it reaches its full design capacity.

*RVSPK – vertical steel tank with floating roof

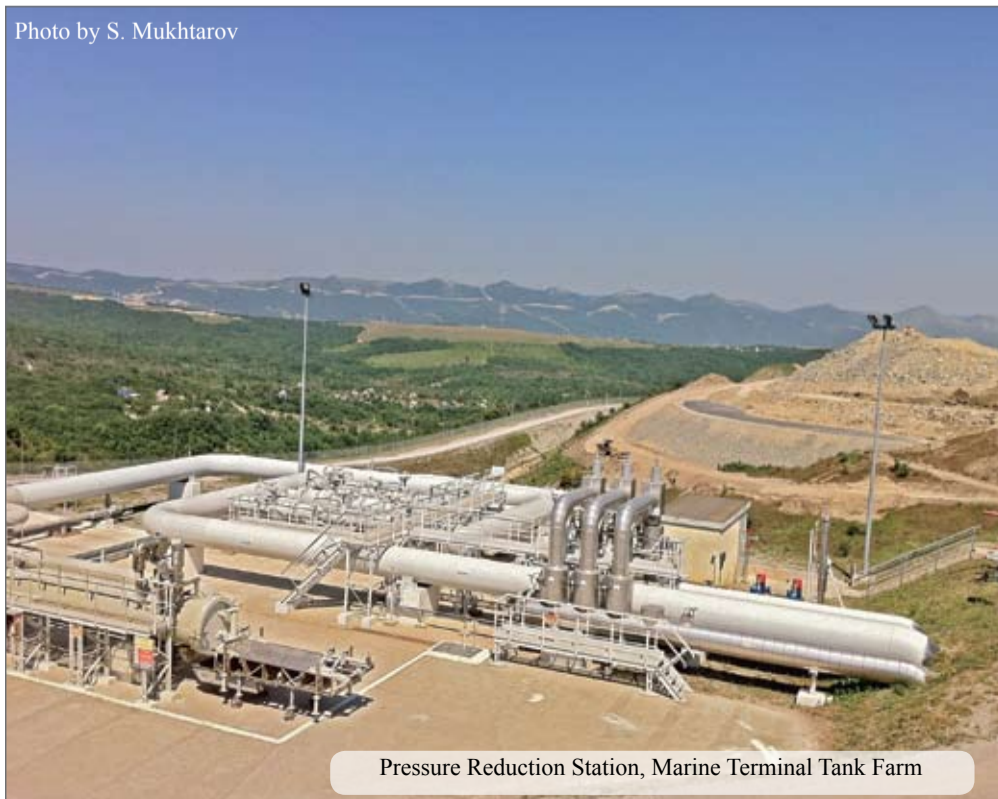


Photo by S. Mukhtarov

Pressure Reduction Station, Marine Terminal Tank Farm

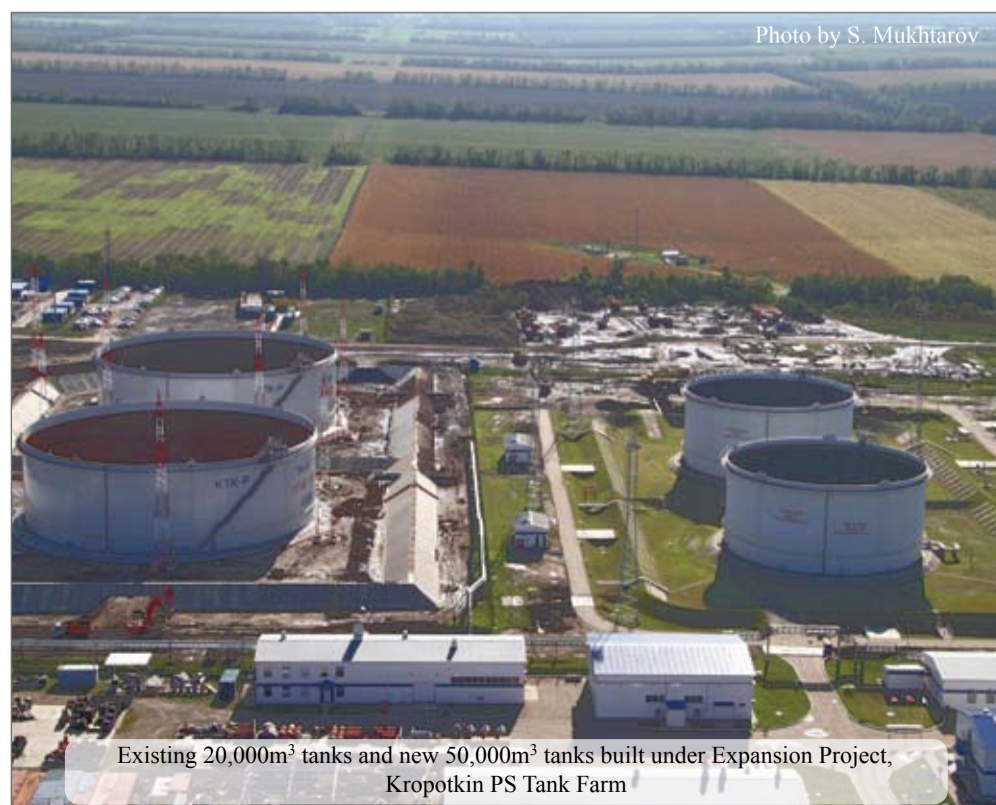


Photo by S. Mukhtarov

Existing 20,000m³ tanks and new 50,000m³ tanks built under Expansion Project, Kropotkin PS Tank Farm

HUMAN FACTOR

BIRTHDAY GREETINGS TO OLD-TIMERS!



Photo by CPC

Lyubov Yevstifeeva
Public Relations
Senior Representative, CPC-K

Yevstifeeva started her career as an engineer to become later forge shop supervisor at the Petrovsky Machine-Building Plant in Atyrau. For over 16 years she worked at State and the Communist Party bodies of the Atyrau Oblast Party Committee and of the Oblast Administration holding positions from instructor to Chief Manager for the Oblast Oil & Gas Complex. She has two higher education degrees.

In honor of the 10th anniversary of Kazakhstan's independence Lyubov received a Letter of Appreciation signed by RK President Nursultan Nazarbaev recognizing her merits in serving the country.

Lyubov Yevstifeeva came to work for CPC in August 2003 as a Public Relations specialist. At this job she has greatly contributed to building up cooperation and partner relationship between Consortium and the Atyrau Oblast Akimat (Administration). She is well known at health care institutions, schools and kindergartens of the Oblast main city and of the Districts, since her skill and efficiency have brought success to CPC community-related charity programs implementation. Her professional skill blends well with personal attitude: she is distinguished by goodwill and gentleness in associating with people in combination with integrity and insistence on strict compliance with norms and regulations. She is an open-hearted and friendly person always ready to help.

Yevstifeeva is married with two daughters and two charming granddaughters.

At the end of August, on the Republic of Kazakhstan Constitution Day, Public Relations Senior Representative, Eastern Region, Lyubov Yevstifeeva celebrated her jubilee. We wish her good health, inexhaustible energy, professional success, blissful family life and happiness!



Photo by CPC

Andir Mukhambetzhonov
Transport Service Head, CPC-K

We greet Andir Mukhambetzhonov on his 50th birthday. May he have luck in all his undertakings and endeavors, be successful in life and in work, may he be happy, prosperous, cozy at home and may his dearest wishes come true. Congratulations!

Andir was born on August 4, 1962, and went to School # 21 in Atyrau. He graduated from Guriev Polytechnic College with a diploma of a mechanical technician. He was on active service in USSR KGB Border Troops. For a long time Andir held jobs at the Motor Vehicle Authority Computer Center rising in ranks from mechanic to chief engineer.

Mukhambetzhonov has already been in charge of the CPC-K Transportation Service for more than 10 years applying on the job his great experience in transportation. He first became acquainted with Consortium in 1998 when he took the job of a driver.

Andir is a true know-it-all in his business and is highly respected by his team workers. His colleagues appreciate his abilities of a leader along with such human traits of his as honesty, loyalty to his duty and unfailing attention to people. He is keen on sports and enjoys fishing.

Mukhambetzhonov is married with three children. Recently he has become grandfather.

On September 4 Peter Melnikov turned 55. We congratulate him on this wonderful jubilee! May luck and success be on his path forever!

Melnikov took his first job as engineer-economist at Mangyshlakneft Industrial Association having graduated from Novochebarkassk Amelioration Engineering Institute

Peter's whole life has been associated with oil production, development, pumping and transportation. Great experience accumulated in many years of work in oil industry has made him know his way around in all the matters of his trade.

On the job with the Company since 2001 as Komsomolskaya PS Operator, Melnikov has ensured continuous control, revision, examination and troubleshooting of the Station's core equipment. In 2011 for his achievements on the job and for his managerial abilities he was appointed Shift Supervisor at Komsomolskaya PS; a great job was done therein with his personal participation to raise the CPC pipeline system reliability. Melnikov keeps on acquiring new technical knowledge and as tutor passes his experience on to younger workers. His colleagues treat him with well-earned respect and esteem.

This year Astrakhan Oblast Industry, Transport and Natural Resources Ministry awarded Peter Certificate of Merit.



Photo by CPC

Petr Melnikov
Shift Supervisor, Komsomolskaya PS, CPC-R

Melnikov is married with two sons. His junior one followed in his father's footsteps working as operator at Astrakhan PS.

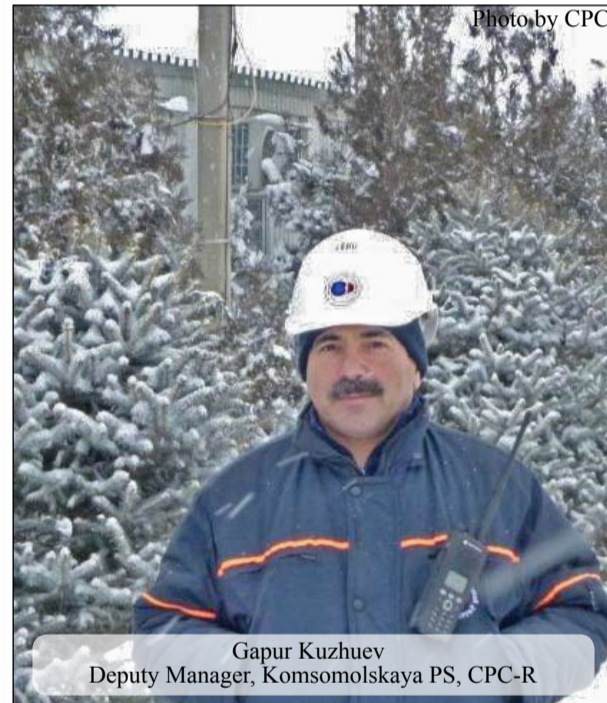


Photo by CPC

Gapur Kuzhuev
Deputy Manager, Komsomolskaya PS, CPC-R

This year Gapur Kuzhuev, Deputy Manager, Komsomolskaya PS, CPC-R, turned 55. We congratulate him on his jubilee and we wish him long life, good health and wellbeing!

In 1979 Gapur graduated from Grozny Oil Institute. He held a job at the Grozny Oil Refinery and later at the Ministry of Defense Procurement Contractors Office.

He started to work for CPC in 2001, just at the time when construction of the station's Phase 1 had begun. As Shift Supervisor at the Komsomolskaya PS he personally took part in equipment and systems testing and acceptance and then in PS launching in "operating regime". In 2011 he took position of the PS Deputy Manager. When in June of the same year the CPC pipeline system Expansion Project implementation got underway his duties enlarged to include construction quality control and its consistence with design

solutions, overseeing compliance with job safety rules, occupational safety, fire-safety and environmental protection. Presently Gapur is thoroughly engaged in the upgrading of the station that over 11 years on the job has become his second home.

At his job Kuzhuev proved to be competent and highly qualified worker, and apt leader. He is always ready to help his workmates. His distinctive traits are the ability to make right decisions, to be leader of the team; he has keen sense of humor. For today he is the best station's table tennis player with the attitude to the game that draws his colleagues to the gym.

Gapur has a large close-knit family with a wife, four children and two grandchildren.



Photo by CPC

Victor Kravchenko
Office Manager, CPC-R Marine Terminal

NOBODY INSENSITIVE

The tragedy that occurred last July in the City of Krymsk left nobody insensitive. Employees of our Company took an active part in helping the affected people collecting over 350 thousand rubles. In that Victor Kravchenko played the key role. He was the first one to raise the issue of the funds collection and together with other Marine Terminal employees arranged for the aid delivery directly to the casualties in Krymsk.

At the Company Kravchenko has been Office Manager since 2001. He interacts with contractors to make three offices run smoothly.

He is full of recollections and has the reason to be proud: he supervised construction and commissioning of a new office building at the Marine Terminal. Victor is competent with the knack to meet requests of the employees without delay and to prompt contractors make their working conditions comfortable. He is appreciated by his workmates for his attitude to work and for his warm-heartedness.

We are grateful to Victor Kravchenko who made the CPC-R employees' desire to help the affected in the inundation come true.

«THERE IS STILL MUCH TO BE DONE»

THE TRAINING DEPARTMENT WAS ESTABLISHED AT THE TIME WHEN THE CONSTRUCTION OF THE CPC PIPELINE SYSTEM BEGAN, FOR THE PURPOSE OF TRAINING OPERATION DEPARTMENT PERSONNEL. TODAY IT IS RESPONSIBLE FOR TEACHING AND PROFICIENCY DEVELOPMENT OF ALL CONSORTIUM EMPLOYEES FROM TRAINEES TO DEPARTMENT HEADS.

Initially the key task of the Training department was to ensure an employee's access to the working place by giving the employee certain technical knowledge and controlling the study of all necessary instructions. On the one hand, such training provided the personnel with knowledge and know-how required in his/her discipline, on the other hand, it was "detached" from all HR practices. Over time the corporate competence demand became evident: former technical specialists grew into technical departments' managers and were in need of being trained in managerial skills, coaching skills, ability of organizing people.

Professional development and training in Caspian Pipeline Consortium are currently being provided in accordance with the Employee Training and Development Policy. As per its provisions all newly hired employees should receive a briefing, go through

an on-the-job training and probation period, after which they will receive an access to independent work. The training does not end with that. An employee continues to improve his/her professional skills throughout his/her engagement in various formats: internal (on-the-job) or external (e.g., an equipment manufacturer's training). Personnel professional certification, as one of the forms of personnel development, gradually gains momentum. Project managers, HR specialists, accountants receive international certificates. Certification process as a form of short-term training is an alternative to qualification upgrade.

Development of professional matrixes and discipline profiles helps to properly determine the need in training this or that employee. The finished matrix reflects all know-how which a specialist on a concrete position should possess. The main objective of training is to level the difference between the matrix and the specialist's currently available know-how. "When the Company has a systems approach to the personnel development, it first analyzes the requirements to the position, then trains the personnel, - says Alexandra Utrobina, CPC Training Group supervisor. - Your current level is "raised" to the required one. You are assigned a coach or your line supervisor mentors you, then you get involved in a project and are guided as the project advances. This is how it should be. We are so far working towards this target. A lot has already been done, but there is still much to do".

For the purpose of determining the need in and priority of requested training annual training plans are developed for all departments, the contents of these plans being influenced by each specialist's needs, department's budget and personnel performance appraisal conducted on a regular basis. In addition to standard annual plans a one-off request for training can be submitted. This is possible in the event when an employee joins the Company after the annual plans have been approved, finds a workshop he/she needs which is not included in the list of training programs, or if a new position appears in the



Photo by CPC

Influence Techniques Training for HR Staff

Company which require new job functions. In this situation, upon a preliminary application of the employee's direct supervisor, the employee is sent to the discipline workshop.

«Training plans in general should be developed for the team, not for a Department, - says Training Manager Kyle McMillian. - The role of a line manager is critical in this respect. If any manager had an idea as to the areas in which his/her employee needs to improve his/her professional skills, it would be great benefit not only to the manager and his/her subordinate, but also to the Company, as a whole". Regarding learning and development opportunities in the Consortium he adds: «We have high quality prospects communicated throughout the organization by official channels and many times through Management suggestions».

The Training department is service oriented and makes efforts to display maximum flexibility. We drive timely implementation of training by the method most optimal to the employee, using various forms: execution of frame contracts, payment for training by transferring funds to the employee's credit card, etc.

Says Mr. McMillian: «Over the next couple of years as CPC adds 10 new pump stations, training will be the driving force by which CPC will continue to operate with excellence».



Photo by CPC

DWDM System Operation Training for Telecom Engineers

THE FOCAL POINT IS THE INTERESTS OF EVERYONE

IN JULY CASPIAN PIPELINE CONSORTIUM'S HR-SPECIALISTS SUMMED UP THE RESULTS OF THE ANNUAL RESEARCH ON THE MOTIVATIONAL MECHANISMS OF THE COMPANY EMPLOYEES' WORK AND ON THE EXTENT OF THEIR SATISFACTION WITH THEIR JOBS.

- Today any large business structure pays special attention to such an important factor as communications management because one of the main conditions for the efficient work is the personnel constancy, Alexey Surazhsky, human resources manager, says. This is why one of the tasks for our section is to provide the feedback from the personnel to the management. For this purpose interviews, e-mail, in-house forums and trainings are used. However, the main food for thought is, undoubtedly, brought in by the annual anonymous polling of the employees, carried out by CPC since 2007, to see the extent of their satisfaction with the job.

We at Consortium study people's opinions about what is needed and what is important to raise the quality of their work, what they think about the Company, how they appraise the prospects for their personal and professional growth, what, in their view, has to be changed.

This year more than 670 employees from the CPC Moscow Office, from the Central, Western, and Eastern Region Offices and from the Marine Terminal filled in the questionnaires. The polling showed that the majority of the respondents were content with their work. The people see themselves as a part of the team; they highly appreciate the work of the management and of the Company itself. At that the contentment growth trend in such important indices as "working conditions", "social package", "development opportunities", "environment in the Company", "relations between departments" and others (see the insert) is traced. Over 90% of the respondents consider the Company stable, developing and promising and do not plan to change their jobs.

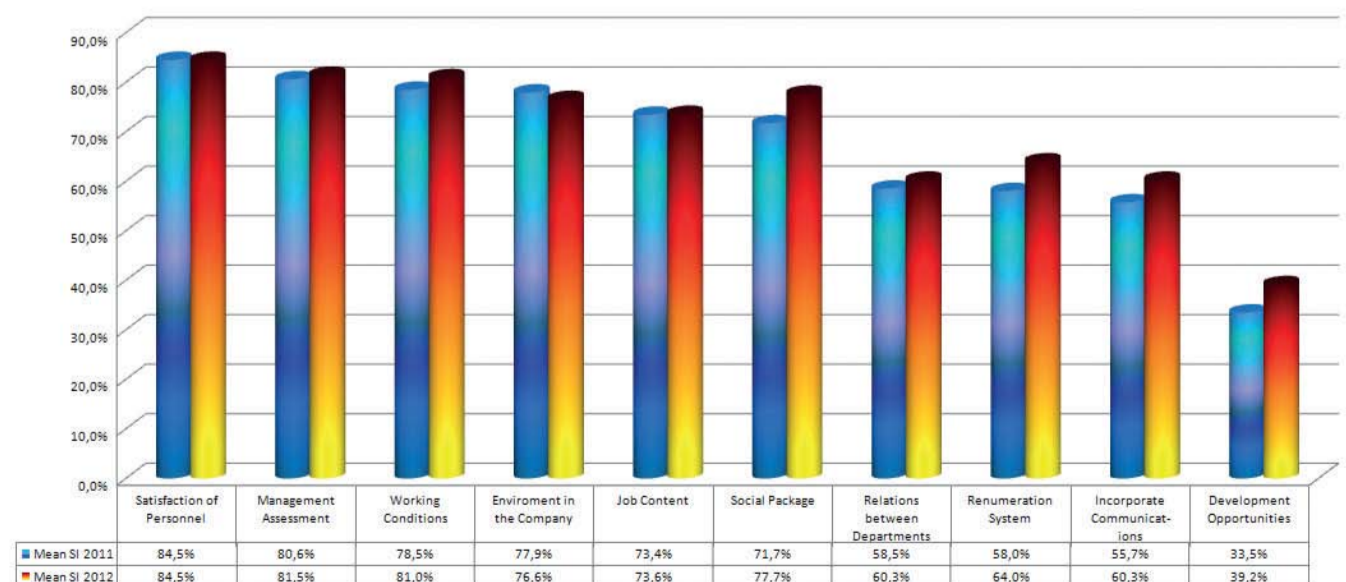
- Through this polling we learned that one of the important factors that employees care for is, for instance, a bonus to be paid on the Oil & Gas Industry Workers Day, Alexey Surazhsky says. For several years in a row employees wrote in their commentaries: for some unknown reasons it is not paid by the Company. This year the decision was made to institute this bonus. The CPC management

focuses its attention on everything that the employees care for, since their working conditions must meet their expectations. That enables people to concentrate on their work, on development of their potential and not on a discontent or on search for new employment.

In Surazhsky's words, the polling results let the Company's

management know the human resources risks and to work out the policies in this field. It is even more important in the context of the dynamic implementation of the Expansion Project. To reach successfully strategic business targets the proficiency level and the personnel's growth potential must be assessed.

Satisfaction index (SI is calculated as a difference between positive and negative assessments in percentage of all respondent who provided answers):



COURTESY OF CPC

RED-LETTER DAYS FROM CPC



FOR SCHOOLING AND SOCIALIZING

For 15 years Caspian Pipeline Consortium has been carrying out charity programs in all the regions of its operations. They are CPC to the First-Graders and CPC to Talented Children programs and The New Year Eve and Christmas Parties together with CPC. CPC is happy to be able to support gifted kids, to give them motivation to evolve, to study and to socialize.

The Consortium has been engaged in many good deeds. Apart from the above mentioned key programs CPC has consistently given assistance to regions purchasing equipment for general education institutions, sports schools and creativity centers and providing funds for their rehabilitation. For instance, a school bus was bought in 2008 for General High School #31 in Glebovka village of Novorossiysk District attended by children from all the settlements situated near the Marine Terminal. Recently CPC has purchased new furniture and computer hardware and replaced windows.

In 2010 a new school was built in Kulsary settlement (Republic of Kazakhstan), a school has been scheduled to be completed in the fall in Aktogay settlement.

SUPPORTING GIFTED CHILDREN AND CHILDREN FROM NEEDY FAMILIES IS A PRIORITY IN THE CHARITY WORK OF CASPIAN PIPELINE CONSORTIUM. OVER RUR 20 MLN ARE TO BE ALLOTTED FOR THIS PURPOSE IN 2012.

In the framework of the Expansion Project rehabilitation of the Children's Creativity Center is underway in Komsomolsky settlement in the Republic of Kalmykia and rehabilitation of Iki-Burul Elementary school is about to begin.

CPC TO THE FIRST-GRADERS

For several years Consortium's employees have been congratulating pupils at the beginning of every new academic year, present them with schoolbags filled with sets of school paraphernalia. Last year these were handed over to 8 thousand first graders in Astrakhan Oblast, Kalmykia, Stavropol and Krasnodar Krai. Thus, for school children September 1 became the day to get acquainted not only with school and teachers but also with CPC employees. This year Consortium's gifts will be given to over 8500 little fellows from the regions in Russia where CPC is in operation.

IN SEARCH FOR TALENTS

From the very first days of its existence Consortium has been keen on backing young talents.

Since 2004 CPC has assisted in staging Can Do festivals for youngsters with disabilities. Dozens of children from Atyrau Oblast and from Kazakhstan's rural areas are eager to attend since the festival is really exciting.

This year CPC will for the third time take part in the BG Energy Challenge-Kazakhstan prestigious charity project. Its purpose is to raise funds from Republic's energy companies through the City of Astana Disabled Children Society. The funds are to be handed to children with disabilities in Astana, Uralsk, Atyrau and Aktau cities.

CPC to Talented Children program has been successfully staged in Kalmykia for 12 years. In the spring of the current year Children's

Creativity Center attendees who repeatedly took part in competing concerts of this program went to the Moment of Glory international festival staged in Moscow. Members of the jury panel liked all the participants of the competition very much while some young talents from Kalmykia were especially singled out. Everybody was overwhelmed by Chichrdg Kalmykian folk dance performed by the prize winning Republican Children's Creativity Center team, and by the incredible voices of award winners Dina Ochirova and Kishtan Goryaeva.

In October-November another Festival for the talented is to take place in Kalmykia. Let us point out that these festivals not only give a potent boost to positive emotions, every participant is sure to get a valuable prize, a diploma or a gift.

AGENDA FOR DECEMBER 31

On the eve of New Year's Day and at Christmas time Consortium's employees come to visit child care homes, welfare centers and hospitals for children. A decorated Christmas tree along with gifts for children, stage shows with Jack Frost and the Snow Maiden are always on the festive agenda. It is important for CPC not only to hand out gifts. The idea is to cheer everybody up so as to have many happy returns of the magic festivities for a long time to come.

- This program gave start to the CPC charity work not only in Krasnodar Krai, but also elsewhere in Russia, V. Volgin, Lead Representative, Regional Government Relations, reminisces. In December of 1997, as I recall, the Company's management made the decision to earmark 5 thousand dollars to purchase New Year's Day gifts for children in welfare shelters. At the same point in time the tradition to accompany the deal out of gifts among children by colorful shows inviting actors was put in practice. So in December of this year we can in good faith celebrate a sort of a jubilee, the 15th anniversary of the CPC charity work in Russia!



On the eve of the Constitution Day celebrations in the Republic of Kazakhstan, CPC-R officials presented a vacuum vehicle to Makhambet Assistive Boarding School for Children with Disabilities. The cost of the donation was 5 mln tenge. Several years ago this school had already been donated a Gazel minivan. CPC is always at hand to help the institution stage the New Year's Eve celebrations.



The CPC-R General Director Nikolay Platonov handed 12 sets of medical hardware and equipment worth RUR 22 mln over to Astrakhan Cardiology Dispensary.

The Governor of the Oblast Alexander Zhilkin called it an important step in the implementation of the Consortium's community-related projects in the region. The new equipment makes it possible to turn the dispensary into the Oblast's basic post-surgery center to accept patients form the local cardiology center and from Alexandro-Mariinskaya Clinical Hospital for rehabilitation.

Volga newspaper (Astrakhan), August 1, 2012

In Makhambet District Center, Consortium's representatives also inaugurated an 18 km long water delivery pipe. The ceremony of its commissioning was held by the Ural River at the site that has a pontoon with a 30 cubic meter per hour capacity water pump aboard. Consortium had allotted 24 mln tenge for the construction of the water pipe.

Prikaspiyskaya Kommuna (Kazakhstan), August 23, 2012



In the framework of the CPC to the First-Graders charity program, 1713 children from Iki-Burul and Chernozemelsky Districts and from Elista are to be handed schoolbags filled with stationary goods at the cost of 1500 rubles each. CPC-R has for many years been implementing in Kalmykia projects to support gifted children, senior citizens and community-related

facilities. Besides the regular charity support (with 18 million rubles budgeted this year), the Company allotted in the framework of the Expansion Project 130 million rubles to carry out community-related programs in the territory of Kalmykia. These funds will be spent, in particular, to renovate Children's Creativity Center in Chernozemelsky District and to begin the overhaul of a primary school in Iki-Burul village.

Izvestiya Kalmykii newspaper, August 28, 2012



An up-to-date outdoor gym lot for children with an obstacle course attached was built in Yubileiny borough (Ipatovo City) in the framework of the charity support. Apart from that, in the nearest future two infrastructure community-related facilities will be built at the CPC expense in Ipatovo and in Ptichye village.

Stavropolskiye Gubernskiy Vedomosti newspaper, August 1, 2012



CPC donated a state-of-the-art MyLab Twice ultrasound diagnosis system that can be used to examine patients directly at their bedsides to the Krai Clinical Hospital for Children. The scope of the system's application is rather wide: cardiology, general examination, radiology, obstetrics, gynecology, surgery, urology, oncology, etc.

The hospital is the largest multi-purpose pediatric institution in the Krai. Over 20 thousand children undertake daily treatments there.

Kubanskiye Novosti, July 14, 2012



A meeting between the CPC-R General Director Nikolay Platonov and the Municipal Formation First Deputy Chief Igor Dyachenko was held at Novorossiysk Administration.

The sides agreed that Consortium would allot additionally RUR 150 mln for the implementation of the community-related projects (according to assistance programs in force Novorossiysk is to receive this year about RUR 27 mln). The money will be used to build a kindergarten for 160 toddlers and a school soccer field with Tartan turf in Glebovskoe village. Purchasing of equipment for the Perinatal Center, City Hospital #3, Dental Care Clinic for Children and Medical Diagnostic Center is also scheduled.

Novorossiysk municipal news line, April 27, 2012

THROUGH THE CAMERA LENS

Welding during ball valve replacement, Kropotkin PS



Photo by S. Mukhtarov

Marine Terminal Shore Facilities



Photo by S. Mukhtarov



Outlet pressure control station, Astrakhan PS



Photo by S. Mukhtarov

Mainline Pump Piping installation, Kropotkin PS



Photo by S. Mukhtarov

Mainline pump piping installation, Atyrau PS



Photo by KPV

SPM hose replacement, Marine Terminal offshore area



Photo by S. Mukhtarov