



IT IS BEST TO
PREVENT MVAs



PAGE 2

LESSONS ARE LEARNED,
QUALITY OF CONSTRUCTION
SECURED



PAGE 3

CONSORTIUM IN
SEARCH OF HUMAN
RESOURCES



PAGE 6

TO SUPPORT A
SCHOOL IS TO BUILD
THE FUTURE

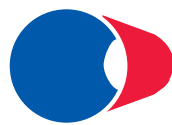


PAGE 7



Newsletter
electronic version:
www.cpc.ru

CASPIAN PIPELINE CONSORTIUM CORPORATE NEWSLETTER



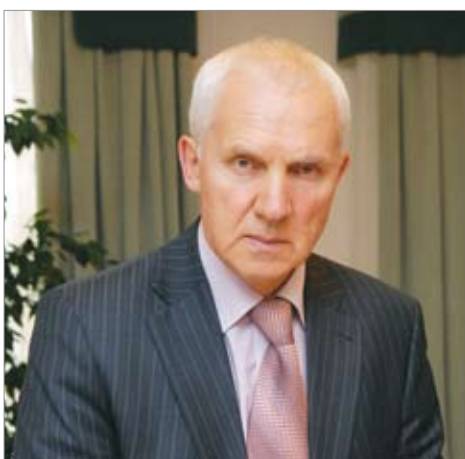
CPC NEWS



CPC MT Shore Facilities in Winter

INVALUABLE EXPERIENCE OF INTERNATIONAL COOPERATION

COMMENTS OF OAO AK TRANSNEFT VICE-PRESIDENT, TRUSTEE OF RUSSIA CPC STAKE MIKHAIL BARKOV ON IMPLEMENTATION
PROGRESS OF TENGIZ-NOVOROSSIYSK OIL PIPELINE THROUGHPUT EXPANSION PROJECT.



Mr. Barkov, how do you estimate the role of the Russian pipeline monopoly in the Expansion Project implementation?

Before giving an answer, I would like to send 2013 New Year greetings to all CPC employees and whole-heartedly wish all colleagues and partners new strength, luck, sound health,

success and prosperity. Let trust and peace rule at home and stability – at work!

Coming back to your question. Transneft definitely is interested in all aspects of the Project implementation, because this is one of the largest foreign-invested infrastructure investment programs within the CIS. For us, it is a good experience of international cooperation. The Project requires compliance with the highest HSE, equipment and services quality standards, warrants a dialogue involving the interests of many international oil producers.

Transneft is always willing to be a coordinator on the issues requiring immediate decisions through initiation of discussions among the Shareholders and employees of the Consortium resulting in specific instructions for CPC. Project Management Company for the Russian part is our subsidiary – Chernomortransneft.

We always provide assistance to foreign companies engaged by the Consortium for maintenance, upgrading or construction of

facilities on our territory. There is only one objective – to avoid potential problems and delays, which may be caused by legislation differences.

If a contractor fails to be on schedule, the company is ready to offer qualified personnel, as and when made available at other projects, under a subcontract or otherwise.

What is the importance of this Project for Russia?

Its potential is really huge, the system capacity will be more than doubled – from 28 to 67 million tons per annum without application of drag reducing agents. This will ensure growth in revenues, impart an extra impetus for oil production, help in maintaining the lead position of the route for hydrocarbons delivery from the Caspian region to the world markets.

Major international oil companies participate in the Project. They pay special attention to compliance with the HSE standards.

Continued on page 2

Dear Friends,

From the bottom of my heart I wish you a Happy New Year and a Merry Christmas!

The expiring year was challenging, but rich in events for the Consortium.

We have achieved a certain progress in the Expansion Project. The work to tie-in additional equipment into the system was successful, installation of a third Single Point Mooring was completed. CPC Marine Terminal was converted to an external electric power supply source. These and other projects helped to significantly upgrade the Consortium's crude pipeline system and get prepared for its operation with the increased pumping volumes in the future. Caspian Pipeline Consortium has completed the certification of its quality management system for compliance with requirements of the international standard ISO 9001:2008 and re-confirmed compliance with ISO-14001:2004 and OHSAS 18001:2007 international standards.

The Consortium has again demonstrated a high level of ensuring operation readiness of the existing system facilities. This year CPC Marine Terminal has lifted the 300-millionth ton of crude oil since the beginning of the operation of the trunk crude pipeline, with over 11 years of accident-free operation. Another key indicator of the year: in our operation business we have worked more than 17 M hours without days-away-from-work cases.

The achievements listed above and many others have become possible thanks to the teamwork of all our employees and dedicated work of each of you. Much still remains to be done, but I am confident that by joint efforts we will manage to meet all the tasks facing the Consortium.

I wish you, my dear colleagues, strong health, further professional success, well-being, implementation of the most ambitious plans and hopes in the New year!

**Caspian Pipeline Consortium
General Director
Nikolai Platonov**

FAIL-SAFE, ACCIDENT-FREE



MARINE OPERATIONS

On October 10, 2012 the 300 millionth ton of oil was lifted at the CPC Marine Terminal in Novorossiysk since loading operations began. CPC achieved that milestone without a single accident at the Marine Terminal which during all this time had been operating as a well-oiled machine. Built in 2006 with the use of the latest knowhow and state-of-the-art equipment it became the winner of the then just introduced Oil Terminal 2006 International Award in the Best Technologically Equipped category and in 2009 in the Reliable Partner category. This year the facility was connected to external power supply which put it on a higher level in securing safety of the environment.

Continued on page 4

Continued from page 1

Involvement in the Project is a possibility for all participants to adapt this experience, improve environmental policy.

Bilateral relations between Russia and, primarily, Kazakhstan, as well as other countries are being strengthened. So, at the meeting of OAO AK Transneft President Nikolay Tokarev with US Deputy Secretary of Energy Daniel Poneman (June 2012) the US side highlighted that the Project had become a model of successful energy cooperation between our countries. He meant, in particular, joint work with Chevron and ExxonMobil.

Social projects continue to be implemented in the regions crossed by the oil pipeline – CPC helps medical, children, sport, educational institutions, supports disabled persons, veterans, orphans ... We should not forget about tax receipts of the budgets, creation of jobs.

The Burgas-Alexandroupolis Project developed for oil transportation to bypass the congested Bosphorus and Dardanelles Straits is frozen. What is your vision of export routes from the Black Sea basin after CPC expansion?

First of all, it should be stressed that, despite the position of the Bulgarian side, Russia proceeds from the necessity to implement the project. The Greek side supports us in that.

Burgas-Alexandroupolis is a long-term project, momentary political trends should hardly play a serious role here. It is objectively required for all Europe in terms of diversification of oil supply routes from Russia and Caspian countries.

Unlike other potential projects, Burgas-Alexandroupolis is economically optimum, and we do not reject it. Nevertheless, after CPC expansion Transneft does not exclude alternatives of bypassing the Black Sea straits through other Russian ports, Ust-Luga being one of them.

Initially, Expansion Project was scheduled for completion in 2014. Now it is 2015 with a possibility of further postponement...

Expansion Project is scheduled for completion in 2015 and we expect to meet this timeline.

Regretfully, pre-construction work at Marine Terminal and Kazakhstan facilities took longer than planned. That and other problems, in particular, late delivery of pumps by Siemens, caused almost a one-year delay in the implementation of Phase 1. We do hope that the situation will not affect the final results of the work and lead to appreciation of the Project. This will not happen, if CPC Management reviews thoroughly the causes of delays, takes measures to catch up and reimburse the damage inflicted. Besides, in September the Shareholders representatives confirmed that the budget approved by them in 2010 would remain unchanged.

What problems are you facing?

Considering the scale and strategic nature of the Project, its geographical coverage, amount of



Mikhail Barkov attending the CPC Expansion FID Signing Ceremony, December 2010

investments, undoubtedly there are risks, with the main one being potential appreciation due to the Phase 1 delay and resulting lesser tariff revenues. We expect that CPC will draw serious conclusions based on the acquired experience and, taking into account the errors made, develop an action plan in order to prevent delays in Phases 2 and 3.

Yet there are differences related to the system of secondees. We underscore the necessity for foreign employees working in Russia to observe the labor legislation and execute relevant agreements. The system of secondment was justified at the Consortium startup stage, but now objectively it has become a factor complicating business processes, reducing speed of and responsibility for decision-making, that affected, in particular, the implementation schedule.

How would you appraise professionalism of contractors?

The contractors involved in the Project are mostly reputable companies with a multi-year experience of facilities construction, including those of Transneft.

But at some facilities, where delay reaches 12 months, of course, there are questions concerning contractor's qualification. Besides, on some oil pipeline sections welding defects were found and welding was suspended.

I regret to mention that the main cause of delay for some items was late commencement of work and its insufficiently competent organization by contractors.

Non-compliance with the schedule or poor performance by contractors, vendors, design institutes are the basis for CPC to submit claims, recover losses. Agreements with certain contractors might even be terminated.

What can you say about OJSC Chernomor-transneft performance?

This is a company managing works within Russia. In effect, it was the only one, which made its contractors to start work on time. The company's performance was good, so a decision was taken to add some extra project management functions to its work scope, and namely: land allocation in the Krasnodar and Stavropol krais.

What about economic prospects of the Project?

Revenues will be ensured by the "ship or pay" obligation undertaken by the producing companies. This will enable efficient planning of cargo traffic flow, minimization of losses in case of unutilized capacities.

We regard economic prospects of the Project as positive, but still there is much improvement work ahead.

Most sustainable in 2012

- The Caspian Pipeline Consortium Marine Terminal has become an award winner of the 3rd International Oil Terminal Award in the 2012 Sustainability nomination. The CPC Marine Terminal built with the use of the most state-of-the-art technologies and equipment had won the award before. In 2006 it became the winner in the Best Process Equipment nomination and in 2009 in the Reliable Partner nomination. This year the Consortium Terminal was announced the best in its nomination as it had demonstrated sustainable performance metrics throughout more than 10 years.

CPC complies with all key standards

- Caspian Pipeline Consortium has completed the certification of its quality management system for compliance with requirements of the ISO 9001:2008 international standard. The certification area is CPC's core business activity of moving crude oil through the Tengiz-Novorossiysk trunk oil pipeline.
- Getting the Certificate signifies that Caspian Pipeline Consortium is now internationally recognized as a company whose quality management and also personnel qualifications and competence, the operations infrastructure and technologies used meet very high standards. This is the third key international standard the company has confirmed compliance with.

It is best to prevent MVAs



On November 1 the CPC General Director held a general safety standdown for all employees of CPC and its contractors working for the Company's Base Business and in the Expansion Project in Russia and Kazakhstan. The purpose of the standdown was to draw the personnel's attention to the matter of safe driving and unswerving compliance with the CPC Transportation Safety Standards.

The General Director pointed out that the use of vehicles should in each case be substantiated and adapted to the road and weather conditions. It is important that each road user seek to prevent any accidents happening at the fault of the CPC's and the contractors' employees as well as through the fault of third parties. Although there was no fault of any persons associated with Consortium in the majority of the recent MVAs, all the employees licensed to drive a vehicle should take lessons learnt from the accidents that occurred and improve their defensive driving skills.

Summing up the results of the meeting Nikolay Platonov outlined a guideline that each employee must observe: "Any MVA can be prevented. The duty of those who drive a vehicle is to put preventive measures consistently in practice".



Alexei Sapsay, Transneft Vice President (shown on the left in the picture on the right) and Alexander Zlenko, CTN General Director (shown in the center in the picture on the left) during a visit to CPC Expansion construction sites, the summer of 2012

POWER UTILITIES IN RUSSIA AND KAZAKHSTAN TO START PROVIDING SERVICES TO CPC ON SCHEDULE

WORK IS IN FULL PROGRESS ON TECHNICAL CONNECTIONS OF CPC PUMP STATIONS TO EXTERNAL POWER SUPPLY IN RUSSIA AND KAZAKHSTAN.



110/10 KV Substation A-PS-5A

After the Expansion Project FID in 2010, CPC had to find a solution to provide electric power to the new pump stations.

The solution had to meet high requirements for power supply reliability and have an optimal construction cost of electric substations compared to competitive sources of power supply. The initial option was to construct turbine-driven pump stations, similar to the operating Atyrau, Kropotkinskaya and Komsomolskaya Pump Stations.

Ultimately it was decided to connect all new stations, with the exception of A-PS-4A, to external energy sources providing the “cleanest” energy used for industrial purposes. As opposed to other types of energy resources, the electric power not only contributes to environmental safety, but also protects the personnel’s health since it totally excludes polluting emissions into the atmosphere. Let us recall that last summer the CPC Marine Terminal was converted to external power which

made it possible to cut down the volume of pollutants in the air near the Terminal by at least 50%. For the projected A-PS-4A pump station the turbine drive was chosen as the best energy supply source because the construction site is located close to the Makat-North Caucasus gas pipeline.

Presently CPC is working with FSK UE and MRSK South on technical connections of the pump stations under construction in the Astrakhan Region, the Krasnodar Krai and the Republic of Kalmykia, and with MRSK Northern Caucasus on technical connections for pump stations being constructed in the Stavropol Krai. Agreements were signed in Kazakhstan with Atyrau Zharyk to connect the Atyrau PS to the 110 kV grid and to upgrade the 110/10 kV substation in order to provide power to the Tengiz PS as well as with KEGOC to connect A-PS-3A and A-PS-4.

All in all 450 km of 220 kV OHPL, over 570 km of 110 kV OHPL have to be constructed, four new 220/10 kV substations and five 110/10 kV substations erected, and more than 20 110-220 kV substations upgraded to feed electric power to the PS under construction. The overall cost only in the

Russian Federation will exceed RUR 6.4 bn.

In November 2012, the upgrading of the Nefteprovod 110/10 kV substation indoor switchgear done as part of the technical connection for the Astrakhan PS was fully completed. The substation is ready to provide power to the new 5,000 KW motors being installed at the mainline pump station. The work to provide external power supply to PS-3 and PS-4 is in the final stage. A grand opening of PS-3 in Kalmykia is scheduled for this December. The work at the facilities to provide external power supply to PS-2, PS-5 and PS-7 is in full swing. CPC is doing all it can to finalize the work on the external power supply to PS-8 by a scheduled date.

To keep close tabs on the progress, CPC and CTN representatives visit construction sites on a regular basis (no less than once a month) and assess the work performed. The information thus obtained during the inspection trips makes it possible to assert that the task of providing external power supply to the CPC Project’s facilities will be attained on schedule.



110KV Overhead Power Line Nefteprovod Substation – A-PS-5A Substation

PS-7 CONSTRUCTION PROCEEDS AHEAD OF SCHEDULE



In February 2012 the construction of PS-7, a CPC Phase 2 facility, began.

The station’s site is located at KP 1345 of the CPC pipeline between the villages of Staromyshastovskaya and Krasnoselskaya in the Dinski District of the Krasnodar Krai. The station’s site area is 24.85 hectares. 307 staff with 32 pieces of equipment takes part in its construction. The job is being done by Velesstroy LLC. The project’s management in Russia is delegated to the CTN Directorate for CPC Pipeline Expansion Project.

The construction of PS-7 proceeds ahead of the contract schedule: foundation work has already been fully completed, 4,000 meters of engineering and utility lines installed, 80% of the block-modular and skeleton-type buildings assembled. Welding and

assembling of process pipelines and of cable racks are underway. In December interior finish of production and utility rooms began.

Compliance with labor discipline plays a major role in the construction of such a large facility; Marko Bosich, construction manager, expertly keeps it up. Work safety is also on a rather high level. The HSE Department has 7 specialists who are always ready to give employees competent advice on the issue of safe work performance. Incident & Injury Free Program (IIF) is strictly applied. The proof that the work safety policies and the IIF program are a success at the PS facility construction is the 400000 hours free of incidents and injuries from the beginning of the facility’s construction till the beginning of December.

The construction management sees to it that the accommodation conditions of the workers are civilized and their leisure time is sound. The nearby 300 people capacity construction camp meets all the international requirements. The camp has satellite TV, a fitness room, a basketball and a soccer fields.

CPC and the contractor maintain good relations with local authorities and agencies. District’s enterprises are involved as subcontractors, local human resources are drawn to do construction and assembling works. The construction provides good revenues to the local budget. Besides, CPC has allotted funds for the construction of an up-to-date kindergarten in the nearby Staromyshastovskaya village.



LESSONS ARE LEARNED, QUALITY OF CONSTRUCTION SECURED

The replacement of the pipe with a larger diameter pipe at the pipeline’s 116-204 km section was a major component part of the CPC pipeline system capacity Expansion Project in Kazakhstan. Now that the construction of the facility’s linear portion is nearing completion we would like to recall its major way-marks, the achievements we are proud of and the mistakes we learned to forestall.

The contract to build the linear part of the pipeline was signed in May of 2010. Till October 2011 the construction preparations were underway: procedures, blueprints, instructions were approved, prior to mobilization and prior to construction audits were held, two rotational construction camps were set, equipment was brought in. Training for the pipeline specialists was held on the basis of the Incident & Injuries Free program (IIF).

In October of 2011 a CPC contractor, Kazstroyservis Company (KSS), got approval for the construction and began welding. The

following modes of welding were certified: hand arc welding and automatic PWT. But later on the CPC and the KPV specialists detected many discards at the PWT welding complex.

Having examined all the mistakes revealed the specialists came to the decision to abandon the welding complex and to do all kinds of work by the Enershield semiautomatic welding. It was a lesson that brought valuable experience to be used at further stages of the project. After this decision was made thanks to a close-knit team of skilled personnel working at the facility under construction and to additional managerial and engineering measures the number of welding joints to be repaired at the pipeline was brought sharply down to 3% and even less.

Today all the major welding is over, all the junctions are completed, preparations for hydrotesting and inline inspection are underway. The work at the linear portion is virtually at the finishing line.

Continued from page 1

Igor Florovsky, Deputy Regional Manager,
Marine Operations, CPC-R Marine Terminal

Loading operations at the Marine Terminal are well adjusted and performed under the nonstop supervision by the Consortium's personnel at all stages of the operation. Since an emergency situation may arise at a tanker's mooring as well as at its loading a long list of inspections of the single point mooring (SPM) and of the tanker is in force.

Guided by our captains

A shipper receives permission to load from CPC only if a mandatory inspection by CPC and the contractor's staff has detected no "dark spots" in the tanker's record of service and if its technical capabilities have been acknowledged as safe for loading at the Marine Terminal.

After the tanker has passed the customs-and-border control and has been issued instructions for loading, the contractor's mooring masters jointly with the pilot take the tanker to an SPM. The tanker's approaching and mooring operations take about an hour and a half. An hour and a half more are required to connect the SPM hoses to the tanker's loading system. At this time one of the mooring masters checks with the chief mate all the details of the loading schedule. The initial loading lowest rate is 500 cubic meters per hour. After the crew has made sure that the loading proceeds normally the dispatcher gradually raises the rate. The highest allowable loading rate at the Marine Terminal is 12,700 cubic meters per hour. The vessel may agree on this or on a lower loading rate depending on its size and on structural properties.

The loading time for a 150 thousand ton capacity tanker from the start till the end is 16 hours and that of a 100 thousand ton capacity one is about 14 hours. The mooring master remains on the vessel all the time, supervising loading and keeping in touch with the loading dispatcher.

When the loading is over and the valves on the shore and onboard are shut off the disconnection of the loading houses begins. At this time the cargo in the vessel's tanks is measured and the loaded oil is tallied up in the presence of the mooring master. The results are sent to the loading dispatcher who compares them with the figures registered in the bill of lading (onshore figures). The pilot is called up again for unmooring to take the tanker away from SPM together with the mooring master. "The pilots are called up for one reason only", says Deputy Regional Manager, Marine Operations, CPC-R Marine Terminal I. Florovsky. "The pilotage within the port's internal sea area is compulsory. But our mooring masters are in effect the same captains who have large experience of commanding large capacity tankers. They are skilled enough to take a tanker away from the SPM and to lead it out the CPC-R Marine Terminal zone of responsibility on their own by concurrence with Novorossiysk port supervision authorities in cases when the weather is bad, preventing the pilot from coming aboard". Florovski himself has been a sea wolf for 20 years. After graduating in 1993 as engineer-navigator, he, for 10 years, was onboard large capacity tankers as chief pilot and captain; there he acquired some profound knowledge and experience in commanding and operating similar type vessels as well as in all the details of mooring, loading and unloading operations. Since 2003 his work has been closely tied to the CPC Marine Terminal.

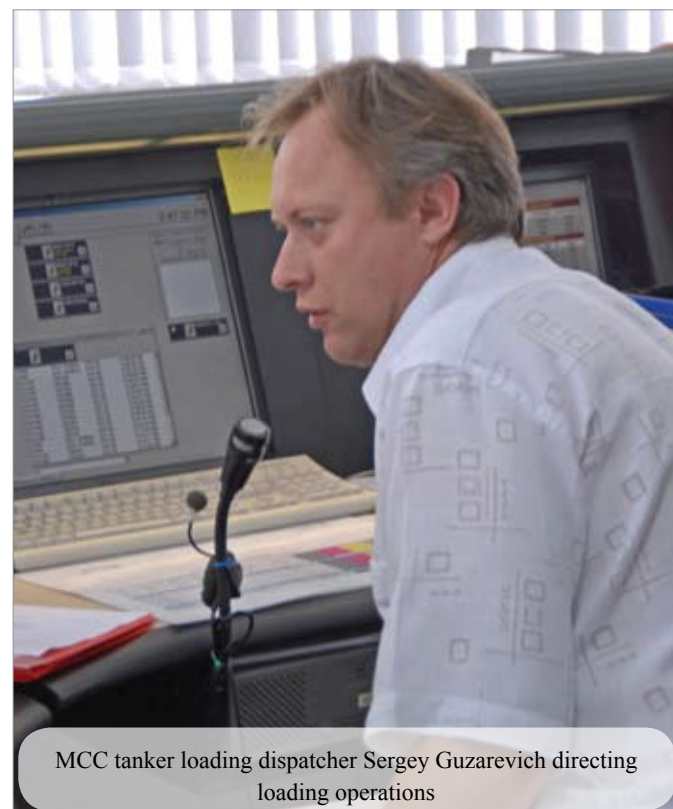
Conducting a loading is the same as flying a plane

During oil loading the mooring master is in constant touch with the Main Control Center's (MCC) tanker loading dispatcher who accepts oil into onshore tanks and does the loading. In the course of loading the dispatcher not only supervises the process parameters but compares oil loading data with the onboard data. The responsibility of the dispatching service specialists are hard to overestimate. Any mistake they may make is fraught with serious environmental implications since it may induce a surge and make an oil spill into the sea.

"The critical stages of loading that call for the utmost attention on the part of the dispatcher are the start and the finish", says CPC's Head Dispatcher I. Mischenko. "To compare tanker loading with flying a plane: they are the takeoff and landing. One must find the required dispensing mode, steady the flow, load the tanker and at the finish cut down the speed and smoothly make it stop. Finding the mode and cutting down the loading speed are the most demanding stages. At this time the loading line devices, the reduction station and the flowmeter open up. If there is a problem, chances are that it will reveal itself at this moment".

Not everyone is capable of handling the responsibility and the work routine, so the MCC is extremely careful in selecting future employees. At least a year should pass before a dispatcher is able to work on his own. It is so even though they hire only specialists with core education that have already had the experience of work as dispatcher for at least three years. The test called Cobra checks on the person's psychological resilience to emergency situations.

MCC specialists constantly upgrade their skills. This year they went to Calgary in Canada to study the new SCADA software to be installed in the framework of the CPC pipeline system throughput capacity expansion. Up ahead is a trip to Houston to get the knack of operating the Chevron Company's new MCC system.

MCC tanker loading dispatcher Sergey Guzarevich directing
loading operations

Looking ahead

Although marine operations have been worked out for a while and are performed on a routine basis there are still some things that could be done at the Marine Terminal in order to reach a higher level of operational reliability. Presently measures are being taken to step up to remote tanker clearance on the basis of modern information technologies which will cut down on tankers idling caused by foul weather, especially in the fall and winter. It will be a great advantage to gain on the eve of the pipeline system throughput capacity expansion.

Under the Expansion Project the installation of the third single point mooring is underway. "Right now the SPM-3 control equipment is being connected, so as to make it ready for oil loading before the yearend", says Roger Maddox, Control Group Coordinator for Expansion Project at the Marine Terminal. "By driving the smart pig through the subsea pipeline the inspection of the girth welding quality will be made in mid December. After the collected data has been studied to assess the safety of tanker loading at SPM-3 its operation may begin". The SPM-3 will make it possible to increase the amount of lifted oil in the period of annual shutdown of a mooring facility for the scheduled preventive maintenance. It is of an advanced design versus those in operation. Its multistep conceivable oil spill prevention system makes it easier to handle large capacity vessel cargo and mitigates accident risks at sea while the turret buoy design makes it maintenance safer.

There are also changes at the CPC MCC: another management console is being installed and a dispatcher job position is to open.

These innovations are especially timely in view of the forthcoming CPC pipeline system throughput capacity expansion and of the increase in oil movement volumes. The added equipment will ensure the pumping of oil injected into the system from the Kashagan field in Kazakhstan (which is expected to start production in the first half of 2013) and from the Filanovski field, now being developed by LUKOIL.



Tugboat mooring in the CPC MT Small Boat Shelter



SPM-3 installation in progress

CPC PRIDE: PEOPLE OF LABOR

WHAT EVERY COMPANY THAT ASPIRES TO BE A MARKET LEADER TREASURES MOST ARE THE PEOPLE THAT IT EMPLOYS, THEIR SKILL AND RELIABILITY, DEVOTION TO THEIR JOBS AND WARMHEARTEDNESS. IN THIS ISSUE WE CONTINUE OUR NARRATION ABOUT THOSE WHO HAVE FOR GOOD MANY YEARS BEEN COMMITTED TO WORKING AT CASPIAN PIPELINE CONSORTIUM.



Pavel Filchev, Astrakhan PS Shift Supervisor, CPC-R

On October 17, 2012 **PAVEL FILCHEV** turned 60.

Filchev graduated from the Astrakhan Technical Institute of Fishing Industry and Fishery in 1978 with a diploma of a cooling and compressor machines and units specialist. He passed the army service in the missile troop at Baikonur cosmodrome. For a long span of time he held the position of Chief Mechanical Engineer at Volzhski state farm in Astrakhan Oblast.

He started to work for oil transportation industry in 1988 during the Tengiz-Gurieva-Grozny pipeline construction by joining the Dengiz Water Treatment and Water Supply Administration as an Astrakhanskaya line operations control station engineer. Pavel held the positions of PS deputy chief, foreman, Astrakhanskaya PS chief at Chernomortransneft Company. In 2001 following

the station's upgrading he signed it off for Caspian Pipeline Consortium for operation. The very same year he was hired by CPC-R for the position of Astrakhanskaya PS shift foreman and was personally engaged in the Consortium's pipeline system safety enhancement.

Filchev constantly builds up his technical knowledge and passes his experience on to the younger generation. His associates appreciate his skills and humane qualities: decency, consideration of other people, readiness to help.

He has a wonderful family: two sons and three grandchildren. The sons followed in his footsteps: they hold jobs in the oil and gas industry with the elder one working for the CPC-R Central Region.

We congratulate him on his big birthday wishing him long life, health and wellbeing. May luck and successes follow him everywhere!



Igor Mischenko, Head Dispatcher, CPC-R Marine Terminal

On November 23 **IGOR MISCHENKO** turned 50.

Igor was born in Transbaikalia region to the family of a military man. In 1984 he graduated from Bogdan Khmelnitski Military Technical Academy's faculty of engineering at Uliyanovsk. He began his military service in the rank of battalion's fuel and lubricants office chief and finalized it as a unit commander.

For already over 11 years Mischenko has headed the CPC dispatcher service. Working for the Company since 2000 he was most energetically involved in its founding and in establishing safe managing of equipment at PS and at the Marine Terminal. Owing to the competent management's policies, gained experience and the personnel's high skills the dispatcher service headed by Mischenko ensures today efficient and safe oil acceptance, transportation and loading throughout the CPC

pipeline length from Tengiz PS to the single point mooring at the Marine Terminal.

The improvement of the pipeline's management and further promotion of the safe oil transportation and its loading into tankers goes on. For this purpose Igor mastered OASyS DNA 7.5 pipeline management program at Telvent Company's Training Center in Calgary (Canada).

Expertise, demanding attitude, care for the employees and eagerness to embrace all what is new gained Igor well deserved high standing among and respect from his associates.

Mischenko loves to pass his leisure time outdoors making trips to the woods and the mountains and going fishing. He has a close-knit family with two children and three wonderful grandchildren.

We congratulate him on his jubilee from the bottom of our hearts and we wish him sound health, wellbeing and achievement of all desired goals!



Tagir Altunbaev, Electrical Equipment Operations Engineer, Kropotkin PS, CPC-R

2012 is the year of double significance for **TAGIR ALTUNBAEV**. This year he celebrated his 55th anniversary and the 10th anniversary of his working career at CPC.

Tagir was born in the city of Buynaksk in Dagestan ASSR. In 1975 he graduated from Buynaksk's Vocational-Training School 1 as a motor vehicles mechanic. Following his service in the Armed Forces he worked as an electrical wireman. In 1983 he graduated from the Novocherkassk Polytechnic Institute with the degree for 'Electric Power Supply to Industrial Enterprises and to Cities' and in 1988 from the Kharkov Engineering and Economics Institute with the diploma of "Specialist in Industrial Production".

Having worked for about 10 years at the Kropotkin Chemical Plant rising in the ranks

from foreman to chief electrical engineer he gained vast field experience. At the chemical plant he supervised construction of energy and process facilities. He also held responsibility for gas supply facilities, the plant's steam boilers and turbo-generators. And he was personally involved in renovation and operation of the local sewage treatment facilities.

Since October 2012 Tagir has been working at Kropotkinskaya PS as an electrical engineer.

He lives now with his family in the city of Kropotkin. He has two wonderful daughters and a grandson.

We congratulate him from the bottom of our hearts and we wish him good health, long life, inexhaustible energy and optimism!



Rustem Islyamov, CP Engineer, Eastern Region, CPC-K

On December 1 **RUSTEM ISLYAMOV**, Caspian Pipeline Consortium's Cathodic Protection Engineer, turned 40.

Rustem was born in the city of Guriev (now Atyrau). Upon finishing his studies at School 12 in 1989 he began to work for Guriev's Electric Grid enterprise. In June of 1996 Rustem graduated from the Almaty Power Engineering Institute with a degree in "Electric Grids and Systems".

From 1997 till 1998 he worked as a 6th category electrician at Balykshinsky Pipeline Administration for Yuzhnefteprovod and also as an electric equipment repair foreman for KazTransOil Support base.

In May 2001 Rustem got an electrician's job at Atyrau PS. In December of the same year he was moved to the position of an engineer.

During his employment Rustem proved himself to be a competent, highly qualified and responsible specialist. He is a genial and an easy to get with man that enjoys respect from his team.

In 2006 on occasion of the Oil and Gas Industry Workers Day Islyamov was by order of the CPC General Director awarded a commendation for his high achievements at work.

We congratulate him and wish him robust health, happiness, further successes at work. May luck be with him in all his endeavors!

CPC DISPLAYS ITS POWER AND ENERGY

AT THE END OF AUGUST, 2012 BG ENERGY CHALLENGE 2012 – KAZAKHSTAN COMPETITIONS WERE HELD UNDER A SPORTS-AND-CHARITY PROJECT SPONSORED BY BG.

For the seventh time representatives of different oil & gas industry companies came together to this event to test their agility and to achieve the project's main goal: collecting funds for non-governmental organizations that help disabled children. Since 2006 when the project began a total of more than \$500k had been collected.

30 teams took part in the contest. Two of them became winners in two nominations. They were the CPC Power male team who won the "200+" nomination (the participants' age averaging over 40 years) and the CPC Energy female team who won the Best Networking Team nomination (for showing exemplary team spirit and mutual support). A long distance running race, a mountain bike race across steep slopes, swimming in a cold lake, terrain orientation in the woods at night – all that made the competition a true sporting event. Agility and gumption were also to be proved by building an "oil production platform" with things at hand on the lake's surface, staging oil "production" and its "sale", etc.

- What I personally did not expect was the terrain's ruggedness, says Alina Ulianova from the CPC Energy team, sharing her impressions. - The road leading to our building from the place where on the first day we were given uniforms and implements impressed me a lot with its lumps, rocks and hillocks. I don't know whether it was our administrators playing tricks or the peculiarities of the local rocks but in the course of the competition the navigators that we orientated ourselves by kept leading us to those hillocks. It was hard to walk there not to mention racing.



Victor Shevchuk (shown in the center),
a CPC Power team member

This time the emphasis was put on physical endurance. It was especially challenging for female teams. – Our burden was double, says a member of the female team Yulia Pastushenko. – I could not have even imagined that we could build a raft out of a few boards, tires and ropes and even make it float. Great efforts had to be made to drag our contraption to the launching site at the lake. In that matter the boys from Kazakhstan should be given their due. They joined us on the contest's terms to make up a Joint Venture (JV) and pulled us uphill to the launching site.

The girls encountered hardships even when they tried to create a JV. – Our rivals smiled at us nicely and showed us their affection but bunched up with other teams, more promising from the point of view of physical strength, says the CPC Energy captain Natalia Medvedeva. – We and one more female team "fell into the lap" of the boys from Kazakhstan on the principle of "all the leftover teams unite".

In the contest held on the water all the girls showed their truly combative spirit. One of the girls said that even those who at first refused to step into cold water, when they saw their friends were losing strength, plunged into the lake to take their places.

The night contest was abundant in amusing incidents. Stealing through the dark woods and trying to avoid "marshals" who on detecting a contestant took his picture "in the act" (for penalty points) the participants resorted to cunning: some of them decided to split up and later "happily" got lost, while others tried to resort to surprise tactics. For instance, some boys from the CPC Power stayed knee-high in the bog, waiting for the marshals to go away. – It's hard to see in the dark and impossible to make out whom you have ahead of you: a marshal or a member of another team and so we were hiding from everybody, says a CPC Power member Victor Shevchuk. - We did not give ourselves away but got penalty points for being late. Overstayed!

Although the participants met with many hardships in the games their major part would repeat the experience without a second thought. The males would do it for the drive and the chance to prove their strength. The girls had one more reason besides the drive.

-We all lost weight, explains one of them. –The girls would know what I mean.



CPC Men's Team building a raft



CPC Energy women's team members near the Friendship Bonfire



Our full winner team

CONSORTIUM IN SEARCH OF HUMAN RESOURCES

CPC HUMAN RESOURCES DEPARTMENT'S UNQUESTIONABLE PRIORITY FOR THE NEXT TWO YEARS IS TO FIND QUALIFIED PERSONNEL FOR THE EXPANSION PROJECT'S FACILITIES OF PHASE 2 AND PHASE 3.

ON THE GO

At certain stages of their development most companies have to face the need to select new employees and to build up their staff. This is the time for CPC to ponder on this matter too.

Phase 1 of the Expansion Project (upgrading existing Pump Stations, replacing an 88 km pipeline section in Kazakhstan, constructing new facilities at the Marine Terminal) did not call for any tangible changes in human resources. In the course of the implementation of Phases 2 and 3 the situation is to be fundamentally different. What is to be done is the construction of new facilities and, of course, new personnel will be needed to operate those. As of now it is estimated that the manning table will remain standard (for instance, a PS operation personnel complement will consist of 15 employees, the same as it is now at operating stations: three eight-hour shifts of 5 people each).

- CPC will start hiring people about half a year before the operation starts, because they must be trained and they should fully learn operation and environmental safety regulations, procedures to

work with special equipment, says HR Manager Alexei Surazhski. - The staff will grow considerably. In May, for instance, hiring of 67 workers for two new PS to be launched at the end of 2013 will begin. And in November we shall add 94 more people to work at three PS to be launched in 2014.

The number of trainees will also be increased, up to 23 persons for 10 specialties.

- In view of the personnel headcount increase the costs will naturally grow too, considerably, Alexei Surazhski went on. - It is Consortium's future that we are now in essence dealing with. That means that new social programs will have to be introduced; the future will tell which specifically. What is clear already now is that the next two years will be dynamic and intricate.

FOR THE FUTURE...

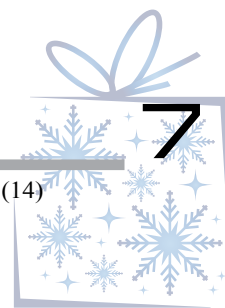
Average wages in the oil and gas industry have for several years been 24% higher than in the other industries. But the salary growth rate is lower than, let's say, in pharmaceuticals, IT-services,

construction or transportation. There are many driving forces for that, and our human resources service keeps an eye on each of them. In 2012 we shall focus primarily on amendments in the legislation. Suffice it to say that the State Duma deputies have now over 200 amendments to the Labor Code under consideration.

Our service is looking forward to completing its automation in the first six months of 2013 (primarily, the document workflow) that will make it possible to prepare promptly reports as requested and to obtain information.

On April 1, 2013 the payroll will be subject to a regular adjustment. The department's personnel will also have to appraise the performance of the Company itself and of its individual employees in 2012; that will make a direct impact on bonuses.

Incidentally, there was an obvious achievement reached in the outgoing year: Consortium instituted Oil & Gas Workers Day bonuses. This decision was made through the efforts of the human resources department and of the Company's management backed by the Shareholders.



SUPPORTING A SCHOOL IS BUILDING THE FUTURE

THE SCHOOL IN GLEBOVKA KEEPS ABREAST OF THE TIMES. IT IS A CULTURAL AND EDUCATIONAL STRONGHOLD FOR THE VILLAGE AND NEARBY AREAS.

A grand opening of a tartan turf sports grounds for indoor soccer was held this year on November 15. It was built for School 31 in the framework of the Expansion Project community-related programs. Caspian Pipeline Consortium had already for 15 years been playing an active role in the life of this school. Guided by its principal Alexander Nikitchuk, who has been its head for 33 years, the school is actively engaged in introducing the new federal educational standard and in implementing the main, as the principal believes, educational task of “bringing up human beings”.

The school’s highly qualified staff includes teachers of all age groups: old-timers work alongside young ones who have just begun their teaching career. It used to be that the hiring had to be done in Novorossiysk which entailed problems, the main of them being that the people had to be brought to school and then taken back home. Today the emphasis is on the local workforce. The school happily employs its own alumni. All the teachers spur themselves on professionally, taking

part in various target competitions. Last year Xenia Scherbakova, a young informatics teacher, made it to the final of the All-Russia Educational Contest.

The institution enjoys school governance that copies one-to-one the State’s structure. All who reach the age of 10 take part in the election of the President. The School’s Government is directly involved in the day-to-day life of the institution. For instance, the Minister of Education can make and sustain a proposal on the matter of school yearend examinations and choose the mode of their passing. The Minister of Labor has the authority to make an impact on the staging of the pupils’ annual practical training. The School’s Council can make a decision on holding disco dances and approve their scenario presented by the Minister of Culture.

The school’s pride is its own Team of the Cheerful and the Sharp-Witted. At the city’s contest held last September it ranked 6th among the 33 Novorossiysk teams. Besides, the school children constantly take part in such creativity competitions as “Inspiration”, “Novorossiysk Starlet”, “Bard

Song Contest” and others. “We also have our own sports teams, says Nikitchuk proudly. Two school buses, one of them donated by CPC, are to take our children tomorrow to the 6th All-Kuban Olympiad to compete in the indoor soccer games”.

Speaking on the role that Consortium plays in the development of the school in Glebovka Alexander Nikitchuk says; “CPC has done a lot for the kids that live and study here. In the Ministry’s offices in Moscow they were only writing up a program for compulsory window replacement at schools when Consortium presented us with this priceless gift. We have up-to-date interactive desks in each classroom, new furniture and split-system air conditioning in each study. There was the time when by mid April it was impossible even to stay in a classroom, let alone to study there: the temperature inside reached 40°. We also have the newest computer classes that the children enjoy so much. And to mention the tartan turf sports grounds! This is not only about keeping the children busy and keeping them away from backstreets; it is also about intermingling,



Left to right: Alexander Nikitchuk, School No 31 Principal, and Alexander Krichun, CPC-R Marine Terminal Regional Manager

building up close-knit teams. At the grounds we’ll hold competitions within the school and among villages. We are grateful to CPC!”



This year CPC supplied professional-quality tatamis for sambo and judo free of charge to village high schools in Bolshaia Dzharga, Yusup-Kulakski Aul, Krasochny and Liman in the Ipatovski District of the Stavropol Krai. The village soccer team in Ptichie in the Izobilnenski District got outfits and implements to play games. The gifts were handed out at the festivities held

in honor of the village’s 180th anniversary. In Izobilnenski District 15 pre-school institutions received electric stoves. The Stavropol Krai Energy, Industry and Communications Ministry acted as a coordinator for the CPC charity programs in the region.

Stavropolskie gubernskie vedomosti newspaper, Oct. 31, 2012



A long-awaited event took place in Temizhbeyski Rural Settlement’s School 18 (Krasnodar Krai). A new catering unit was put in operation. The funds allotted by CPC Expansion Project paid not only for the building itself but also to purchase some state-of-the-art appliances. From now on 540 pupils will daily eat hot meals.

According to Vitaly Ochkalasov, Kavkazski District Head, the District has singled out community-related facilities to be repaired with the help of CPC. In particular, an arrangement has been made to upgrade the boiler room in School 18 and the kindergarten’s building in Kavkazskaya village

Ogni Kubani newspaper, Oct. 20, 2012



Talking about exemplary social partnership to look up to Caspian Pipeline Consortium is the best of the best examples. The current year is no exemption. On November 15 an annex to the Clinic 4 in Balykshi, densely populated residential area in Atyrau city, which also gives medical services to residents of Algabas, Taskala and Zhumysker, was formally commissioned. The clinic’s

Chief Physician Clara Sultangalieva presented to CPC-K Deputy General Director Kanatbek Zhumin a letter of appreciation and said that the new building was of high quality.

Prikaspiyskaya kommuna newspaper, Nov. 20, 2012



With CPC’s help and with the support of the City Administration the Novorossiysk Interregional Urological Center this year has purchased some extracorporeal shock wave lithotripsy equipment (used for breaking up kidney stones).

- The Novorossiysk Center has at its disposal everything that any modern urological science presently has to offer, said Professor Vladimir Medvedev.

At the meeting with Novorossiysk Head Vladimir Sinyagovski, Professor Medvedev expressed his great gratitude on behalf of all Kuban MDs and the patients saved.

Novorossiyski rabochi newspaper, Nov. 9, 2012



The renovated Children’s Creativity Center opened its doors in Komsomolski settlement (Kalmykia). The building had since long been in need of a thorough overhaul. Now with the help of sponsors from CPC it has new bright studies and classrooms where children may practice theatrics, visual art or choral singing, play chess, sculpture, dance, design airplane models.

Leninets newspaper, Nov. 13, 2012



A thorough overhaul of the village high school in Enotayevka (Astrakhan Region) became an important clause in the CPC Expansion Project charity program. CPC had earmarked over RUR 30 mln for this purpose. The building’s roof and the heating system were replaced, new window glass panes and fireproof doors were installed, lightning and ventilation were installed in the gym. What is more, a new heating system manifold was installed under an addendum to the charity agreement.

CPC intends to continue with its support to this educational institution. Today CPC has responded to an appeal made jointly by the Regional Governor Alexander Zhilkin and the Enotayevski District Municipality who asked to erect a new packaged boiler room for the school. The project will be implemented within a few months.

Enotayevski vestnik newspaper, Nov. 9, 2012

100,000 m³ tank under construction for the Expansion Project, Tank Farm, Marine Terminal



Oil pipeline crossing under a motor road, 88 km pipeline replacement in Kazakhstan



PS-7 construction site, initial construction phase



SPM-3 installation offshore at the CPC-R Marine Terminal



Tie-in piping for new mainline pumps, Komsomolsk PS



Heat treatment of weld zone on subsea pipe to SPM-3

