

EDITED TRANSCRIPT

Novorossiysk Commercial Sea Port 1H 2012 Preliminary IFRS
Earnings Conference Call

EVENT DATE/TIME: 5 SEPTEMBER 2012 / 02:00PM GMT

CORPORATE PARTICIPANTS

Rado Antolovic *Novorossiysk Commercial Sea Port Group - CEO*

Anton Vishchanenko *Novorossiysk Commercial Sea Port Group - Chief Financial Officer*

Mikhail Borovikov *Novorossiysk Commercial Sea Port Group – Director of Investor Relations*

Mikhail Borovikov - *Novorossiysk Commercial Sea Port Group – Director of Investor Relations*

Good afternoon ladies and gentlemen and welcome to the NCSP conference call to discuss the Group's first half 2012 preliminary financial and operating results.

Before getting started, I would like to remind everyone that all statements in this presentation other than historical facts that address Company's business are forward-looking statements. Although NCSP believes that expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements should not in any way be construed as guarantees of future performance.

Factors that could cause developments to differ materially from those expressed include overall market conditions. The Company is subject to specific risks inherent in the stevedoring business and general economic and business conditions. Any statement or number in this presentation may be changed, depending on market conditions and other relevant developments.

At this time I'd like to turn the call to Rado Antolovic, our Chief Executive Officer. Rado, please go ahead.

Rado Antolovic - *Novorossiysk Commercial Seaport Group - CEO*

Ladies and gentlemen, good afternoon. Again, welcome to our preliminary first half 2012 results call and thank you very much for your presence. As you recall, you may know, we released the first half 2012 operational results on July 17 and today it is my pleasure to drive you through the first half 2012 preliminary financial results.

I'm repeating my words preliminary; I would like to highlight this as the preliminary results. So please let's open the slides, let's go to slide 3 of the presentation. This slide is covering all the key highlights of the Group performance in the first half 2012.

As you can see, overall we have demonstrated in the first half of 2012 substantial growth across all key metrics. In first half 2012, the Group outperformed the market in terms of cargo turnover. This was of course primarily due to a recovery in grain and increases in key cargoes such as crude oil and ferrous metals.

Going to financials, the Group showed highly attractive top and bottom line dynamics. Our revenue increased by almost 10%, and EBITDA by 31% in first half 2012 if we compare these to the same period of last year. Our EBITDA margin reached 59% which is 10 percentage points higher than a year ago. In the first half of 2012, the Group continued to deleverage its balance sheet on the back of strong OCF and healthy EBITDA.

The Group is on track with its investment program and in first half of 2012 we completed a few important projects and also continued to invest into renovation and very important equipment upgrades to further improve operational performance.

In summary these are the highlights.

Ladies and gentlemen, let's go through slide 4. I would like to take you through an overview of these key operational results for the first half of 2012. Again, we are keeping the leadership position in Russia and clear evidence -- which is clear evidence of our strength. This -- and also the result of our operational advantage and of course the strategic location.

To say that we are the largest stevedoring operator in Russia I would repeat myself, I would say we are the largest and we continue to grow and have a strong advantage over our competitors in this respect. And we are the country's largest exporter, enabling us to benefit from economies of scale while offering clients a very unique service mix.

We are also the leader in handling major Russian export cargoes, such as crude oil, oil products, grain, ferrous metals and non-ferrous metals and other cargoes. And I would like to say that we are picking up in containers also and you will hear about more details to my presentation.

I'm very proud that we have further strengthened our position in Russia. We are now handling over 30% of total Russian Sea Ports throughput versus last year the same time, 29%. Though this is only 1% increase, it's a very important increase.

I would like now to go to slide 5 and provide you more details in how we outperformed the market. In the first half 2012, our total increase in throughput vis-a-vis first half of 2011 was 6.2%, which is better than all Russian ports. They posted around 5.4% increase. Again, most of this growth was attributed to the recovery in grain due to a release of grain export ban in July 2011 and good growth in other key segments, our key cargo areas.

And important to state that we had severe winter this year, an unprecedented winter situation and even with those severe weather conditions, we had -- we have continued to outperform.

It is also important to mention that our operational improvement program is continuing and is showing further results, in particular in the cost reduction in technologies, improvement of technologies processes, which reflects in the yard management, key management and storage space of the yard.

In respect to our investment, to give more details, we completed the construction of a joint venture fuel oil terminal and the construction of the pier 4 in the port of Novorossiysk, as well as continuous renovation and equipment upgrades. And we also successfully launched the bunkering complex in PTP Primorsk; that was done last year December and is now delivering a positive impact on financial performance in first quarter -- in first half 2012.

It is important to highlight that our diversified and flexible cargo handling capacities, as well as improved service offering, allowed us to strengthen our client base with new clients. As you recall, I always mention that we are actively involved with existing clients, we have 1,300 contracts, but we are always searching, looking for new clients and we had a very positive constructive dialog on commercial basis with Sibuglemet, Cimsa, CHEMK and other clients, which are going to bring us and are already bringing us new type of cargoes.

Ladies and gentlemen, let's move on to the next slide, to highlight results across all these key types of cargo. You can see on this slide clearly the changes and I'm referring here to the following. Our liquid cargo throughput increased by 2.9% (sic -- see slide 6, "2.8%") in the first half 2012 despite the fact that crude oil handling in all Russian Sea Ports dropped by 1.2% over the same period.

Crude oil posted 2.5% growth, and oil products are up 2.3% increase versus 2011. During the first half of the year, our Group is continuing to invest into improvement and expansion of oil handling operations.

Next, bulk cargos' throughput in first half 2012 increased by, increased to 6.4 million tonnes, which is 42%, and of course is mostly due to the release of the grain export ban in July 2011.

Moving forward to ferrous metals, we are outperforming the sector with 27% growth versus 10% for the industry on average. Ferrous metals were affected by the global economy and renewed ferrous metals export demand.

The container segment showed 1.6% increase, which might be a small increase but I wish to state that our container facilities are running basically to capacity and with improvement of our operation processes and level of productivity, we were able to increase, basically, nominal capacity and utilize them better.

And regarding the impact from bad weather, which had impacted on containers, in January and February of this year, it is important to say that we also have now launched the official planning of additional 630,000 TEUs capacity, which should be by 2014, both in Novorossiysk port, and our Baltiysk Stevedoring Company, but this [is to be] discussed with stevedoring company. We see in the long term significant demand for this cargo.

I have commented on my operating report. I would like to pass the floor to Anton, our Chief Financial Officer.

Anton Vishchanenko - Novorossiysk Commercial Sea Port Group - Chief Financial Officer

Good day, ladies and gentlemen, if you could turn to the page 7, and I will go -- and I will walk you through the financials.

The Group has shown highly attractive top and bottom line dynamics, and we saw revenue of \$541 million, up by 10%, versus the same period of the previous year.

As a result of further cost optimization in the first half of 2012, our EBITDA margin increased by 59%, as compared to 49% in the same period of a year ago.

5 SEPTEMBER 2012 / 02:00PM GMT, Novorossiysk Commercial Sea Port 1H 2012 Preliminary IFRS Earnings Conference Call

We saw in the first half 2012, EBITDA of \$319 million, representing a 31% increase versus the first half of 2011.

Our operating cash flow in the first half of this year of \$238 million showed an astonishing more than 100% growth rate, compared with the first half of the last year.

We also achieved a further decrease in leverage, due to our healthy EBITDA and strong cash flow generation, as well as repayment of our debt on schedule.

The Group managed to decrease net debt to long-term EBITDA from 4.3 at the end of the last year to 3.4 at the end of six months of this year.

On the next slide you will see breakdown of our revenue by key cargo. This is a new slide, and it reflects what some of you ask us to do. That's why we are presenting breakdown of our revenue by major cargo types.

Here you can see that the key revenue drivers were growth in grain, which we already discussed, as well as ferrous metals and crude oil. This more than compensated for the declines in bunkering, which saw lower revenue, but high profitability in the first half of this year; and also decline in iron ore concentrate and chemical fertilizers, which is sitting in the other cargo category.

Overall, we are pleased with this result, as we have been able to improve profitability of our operations, with higher margin cargoes, and have also demonstrated our ability to quickly adapt to demand, by switching our facilities to handle different cargoes; and here I mean ferrous metals.

On the cost side, we achieved good results, with cost of services down by 12%, more than 12% year on year. This was primarily due to the decline in volume of bunkering operations, which is reflected in the fuel line.

The increase in repair and maintenance costs was mainly driven by repairs of trans-shipment machinery at Novoroslesexport, our container terminal facility.

SG&A costs were flat year on year, which is a satisfactory result given inflation in Russia during the same period. Next slide please.

We continue to successfully decrease leverage. Thanks to healthy EBITDA and strong cash flow generation, our Group [debt] declined to \$2.1 billion at the end of the first half of this year. Though our balance sheet is still very leveraged, we have been successful in meeting our debt service obligations, and loan covenants.

At the bottom part of the slide, we show you history, what was Company leverage at the end of 2006, and how it decreased till the end of 2010. So we have a proven track record of decreasing our debt exposure.

In first half of this year, we managed to successfully refinance our \$300 million short-term liabilities, which allowed us to eliminate any short-term liquidity risks.

We intend to continue to take a disciplined approach to using our operating cash flow to further deleverage the balance sheet, in order to reach a level of net debt to EBITDA below 2.5 by the end of 2014 and beyond, in accordance with our loan covenants with Sberbank.

On the next slide, I want to briefly touch upon our key investment projects. Our approach to the selection of capex projects, is focused and disciplined, and aimed at achieving a positive, NPV positive ratio, and payback, discounted payback period, of at least 3.5 years.

Since 2010, we have spent about \$107 million, to develop and turn around our asset base, according to the development program accepted by the previous management.

In the first half of 2012, we spent \$21 million on capex, including investments on completed and approved projects, as well as maintenance capex.

I'm glad to say that Group is on track with development capex, and in the first half of 2012 we completed several projects, which the Group started earlier under the previous management team.

These completed projects include construction of a long-awaited fuel oil terminal in Novorossiysk. Also, successful launch of the bunkering complex at Primorsk cargo port, which also had a positive impact on financials in the first half of this year.

Now we are focused on delivering an approved project that we plan to put in operation by 2014, with the goal of increasing container handling capacity by 630,000 TEUs, as well as additional oil capacity of 20 million tonnes, and 1 million tonnes of bulk goods capacity.

5 SEPTEMBER 2012 / 02:00PM GMT, Novorossiysk Commercial Sea Port 1H 2012 Preliminary IFRS Earnings Conference Call

In the next year, the Group will focus on two types of capex projects, based on those approved by the Board, and prospective blue sky projects at pre-feasibility stage, which will be launched on selective basis, depending on the market demand.

Our prospective projects will be focused on expansion of our high priority cargo facilities, in accordance with our master plan strategy, which was released at the beginning of this year; namely, grain, iron ore, iron ore concentrate, coal containers and other bulk cargoes.

The summary of our projects is presented on slide 11, at the middle of the page. With that, we're closing our formal presentation, and we're opening Q&A session.

QUESTION AND ANSWER

Operator

(Operator Instructions) Irina Stupachenko, Otkritie.

Irina Stupachenko - Otkritie Capital - Analyst

First, thank you for your presentation. I've got a couple of questions. First, do you have some focus, or what volumes do you expect for grain at Novorossiysk, and for crude oil in Primorsk, for this year 2012?

You know that these two cargoes are the key, just points of concern for the investment community, given the projections for poor grain harvest for this year in Russia; and also the growing competition in terms of crude oil handling.

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

Yes, hi, good afternoon to you, or good evening to you again. Are you referring -- I didn't quite understand you, are you referring to oil, iron ore products, or just oil products?

Irina Stupachenko - Otkritie Capital - Analyst

I just want to get some, -- so how many tonnes of grain are you going to handle at Novorossiysk by the end of the year? So this is the first question.

And the second one. How much tonnes of crude oil are you going to handle in Primorsk this year?

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

Well I can give you some indicative figures; I cannot give you fixed figures, because things might change with the market, as you know. At the moment we are basically slightly in -- we are in line with our forecast.

So, to talk about the grain in Novorossiysk, it's around 10 million. To talk about the crude oil in Primorsk, it's about around 70 million. So this will be our plus and minus.

Irina Stupachenko - Otkritie Capital - Analyst

Okay.

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

5 SEPTEMBER 2012 / 02:00PM GMT, Novorossiysk Commercial Sea Port 1H 2012 Preliminary IFRS Earnings Conference Call

You heard my statement when I said that we are -- for the first half we are outperforming the market. And of course in respect to grain, everybody is looking what's going to happen next year, but I'm not here to speculate. We are working according to the plan.

Irina Stupachenko - Otkritie Capital - Analyst

Okay. And one more question, what was the volume of bunkering in the first half 2012? In tonnes I mean.

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

Just one second. Approximately 173,000 tonnes.

Irina Stupachenko - Otkritie Capital - Analyst

173,000. Okay. Thank you very much.

Operator

Elena Sakhnova, VTB Capital.

Elena Sakhnova - VTB Capital - Analyst

My first question is could you please remind me what's going on with your bunkering services? They are up and down from period to period.

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

Well bunkering services are very, very -- let's call it fragile. It all depends on the vessel demand. Vessels sometimes come to the port when they are fully laden, or they are going to be fully laden. Because most of our vessels are to be loaded, and obviously this increases certain cargo base like grain and like ferrous metals.

Vessels are trying to be fully laden, and for that they are taking very little bunker; they are taking bunker just to get them from point A to B, or a trans-shipment port like Singapore, Hong Kong, wherever they go. So this affects the market. And this is the only explanation why the volumes go up and down.

Elena Sakhnova - VTB Capital - Analyst

So basically it's a quite difficult forecast from one quarter to another quarter. Even annual forecast is not that easy, but from quarter to quarter it would be indeed difficult to give an exact figure. Is that true?

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

It's very, very difficult, to be honest to you. It all depends. But we are working on that in the long term to see if we could perhaps do something more stable, and attract shipping lines to have long-term agreements. But the shipping lines are always looking also -- especially now shipping lines when they are bleeding to death, mostly container shipping lines which are taking a lot of bunker -- they are looking for every cent.

Of course Russia is very competitive, but they are looking everywhere, and how not to take overstock, to take just enough to again to take them from point A to B, because they don't know what is going to happen tomorrow.

Elena Sakhnova - VTB Capital - Analyst

5 SEPTEMBER 2012 / 02:00PM GMT, Novorossiysk Commercial Sea Port 1H 2012 Preliminary IFRS Earnings Conference Call

Okay. Thank you. And my second question is just about your view with regards to privatization of the State-owned stake. Do you think it might happen until the end of this year, or do you think it will be postponed? So just your view. I understand that you cannot comment for the Government --

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

I really cannot comment to date. I'm sure you read the papers, I'm sure the papers are saying enough. The commitment for Government is for privatization. When and how it's going to happen, I really am not in a position to comment.

Elena Sakhnova - VTB Capital - Analyst

Okay. Thank you.

Operator

Irina Stupachenko, Otkritie Capital.

Irina Stupachenko - Otkritie Capital - Analyst

A follow-up question regarding bunkering. From this amount which you just said, 173,000 tonnes, how much comes from Primorsk and how much from Novorossiysk?

Anton Vishchanenko - Novorossiysk Commercial Sea Port Group - Chief Financial Officer

I understand the bunkering is somewhat confusing to you. I understand. But there are two sources of revenue from bunkering. One source of revenue is when we buy and we sell fuel. It's called bunkering fuel. The other source of revenue, where we simply pump the bunkering vessel, that's what we do in Primorsk.

That's why what we do in Novorossiysk, we buy and we sell physically fuel. That's why we call it bunkering. In Primorsk we have our bunkering facility, but we do not buy and sell fuel. So we simply -- you can call it trans-ship, or we load the bunkering vessel with the fuel, but we do not buy and sell. And we store. We have tanks.

That's why 173,000 which Rado mentioned earlier, it means for bunkering fuel which we bought and which we sold at Novorossiysk. In Primorsk we do not buy and sell fuel; we just fill bunkering vessels for somebody else.

Irina Stupachenko - Otkritie Capital - Analyst

Okay. And these volumes in Primorsk are included in the -- just trans-shipment into the, the volumes you report --

Anton Vishchanenko - Novorossiysk Commercial Sea Port Group - Chief Financial Officer

Liquid cargo, correct.

Irina Stupachenko - Otkritie Capital - Analyst

Liquid cargo, yes?

Anton Vishchanenko - Novorossiysk Commercial Sea Port Group - Chief Financial Officer

5 SEPTEMBER 2012 / 02:00PM GMT, Novorossiysk Commercial Sea Port 1H 2012 Preliminary IFRS Earnings Conference Call

Correct.

Irina Stupachenko - Otkritie Capital - Analyst

Okay.

Anton Vishchanenko - Novorossiysk Commercial Sea Port Group - Chief Financial Officer

Once again, we did it in order to facilitate your understanding of the bunkering, because if we call everything bunkering it will be quite confusing.

Irina Stupachenko - Otkritie Capital - Analyst

Yes, I know, about different accounting, but I just do not have the split for what you show when you speak about bunkering volumes, and now it's clear. Thank you very much.

Operator

Alexandra Serova, Renaissance Capital.

Alexandra Serova - Renaissance Capital - Analyst

I have two questions. First regarding your tariffs. Do you plan any changes in tariffs? What will be the timing and the cargo, and can you please elaborate more on the impact from tariff deregulations and your view on this?

And the second question regarding your previous guidance for 2012. Do you reiterate your guidance on turnover? Do you see any threats in the second half of the year in terms of volumes for different cargos, and as well for revenue and EBITDA? Thanks a lot.

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

Well first about deregulation. As I told you before, we continue to lobby for this to happen fast; not just for us, but most of the ports -- I explain you many reasons for that. It's not only about increasing the tariffs; it's being more flexible to adapt to the factors or changes in the economy and changes in competition.

But in respect to increasing the tariffs, the time to increase tariffs, to review the tariffs, is subject to the contractual agreement, and it's happening in November/December for the following years. So that's what I can say about tariffs.

But again, going back, we are lobbying very hard to deregulate these tariffs fully or partially. So we have delivered all kinds of documentation requesting that, and we are now waiting for official things to happen.

Alexandra Serova - Renaissance Capital - Analyst

Do you expect any progress in the short term, because there was some speculation in the press that there will be very soon, and then that was again, what's your view?

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

They are signed; nothing is changed there. The documents are sitting in the offices of decision makers, be that FST be that FAS and be that minister which is responsible for that. So we are awaiting a reply for that.

5 SEPTEMBER 2012 / 02:00PM GMT, Novorossiysk Commercial Sea Port 1H 2012 Preliminary IFRS Earnings Conference Call

Alexandra Serova - Renaissance Capital - Analyst

Okay, thanks.

Operator

(Operator Instructions) Mikhail Ganelin, Troika.

Mikhail Ganelin - Troika Dialog - Analyst

Thank you for the results. My question is is there any progress with the construction of railway line in Primorsk? Thank you.

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

I don't know how well you know -- maybe you have been present to our master plan presentation. And I'm not sure if you know how well what has happened there, and where this -- this section of the line.

Basically, I can tell you that there is a progress, quite substantial. There has been electrification of 64 kilometres, and upgrading of the lines from -- and also, Kaminogorsk. So that is simply more the first section up to the main rail line.

Then we have reconstruction of the rail line, which is about in a similar area, but further up from Losevo to Vyborg -- Luchi Losevo to Vyborg, which is around 130 kilometres. So that has been also done.

And Vyborg-Ermilovo is also under reconstruction; that's all physical. We checked on that physically just a week ago with our people, 53 kilometres.

The -- if you call it "propusknaya sposobnost" so we call it the capacity of the railway, which is the magistralnaya railway at that area is around 120 million, just for your information. And the [Popov]-Ermilovo is around 20 million tonnes.

Now the last part, which is between Ermilovo and Primorsk is under discussion with the railways about the technical specifications. We are pushing for the highest volumes. They are having different opinions. But this is not delaying the total process.

We, as a company, always look -- are also looking and are progressing in preparing conceptual and business plan on our development there, but that's the second story of that. So that is the progress, and it's a physically seen progress.

Mikhail Ganelin - Troika Dialog - Analyst

Okay. So when do you expect the construction will be completed, roughly?

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

Well, if I would construct that, very fast, but I'm not a constructor. We're pushing on a daily, weekly -- we have set up an office there, just to push them, to monitor this progress.

If anything, in around a year or maybe earlier or maybe later. So whatever I say could be wrong, so I don't want to speculate there.

Mikhail Ganelin - Troika Dialog - Analyst

Okay. Thank you. No more questions.

Rado Antolovic - *Novorossiysk Commercial Sea Port Group - CEO*

But it's progress.

Operator

Irina Stupachenko, Otkritie.

Irina Stupachenko - *Otkritie Capital - Analyst*

I have one more question related to Novorossiysk fuel terminal. Could you please elaborate on its current status, so have you received all the necessary licenses?

And am I correct to assume that the results for the first half of 2012 reflected in the loss from associates line is a gain of forex losses, just for further evaluation there?

Rado Antolovic - *Novorossiysk Commercial Sea Port Group - CEO*

Let me reply to the first part, technical part. The NMT, Novorossiysk Mazutniy Terminal is fully in line, has all the licenses, everything is done; it's working according to the plan.

In respect to the financial part, I pass to Anton to answer to you.

Anton Vishchanenko - *Novorossiysk Commercial Sea Port Group - Chief Financial Officer*

Yes, you're correct. The figures which we have shown to you after first quarter press release, they're still relevant for six months. Even though facility technically is capable of handling oil fuel, it's still under this launching process. That's why we see -- we hope and we see that technically it will be capable working at full capacity starting from September.

Irina Stupachenko - *Otkritie Capital - Analyst*

Thank you.

Operator

Nikita Melnikov, ATON.

Nikita Melnikov - *ATON - Analyst*

I just have a follow-up question, as the line wasn't very good, so I missed the part about guidance just for 2012. So are you reiterating them or just -- will you repeat this part please?

Rado Antolovic - *Novorossiysk Commercial Sea Port Group - CEO*

Well, as you know, we had a severe weather impact in the beginning of the year, where over 30 days, in some way or form, we were not operational. There have been also some things, but this is after the second half but, as everybody knows, the terrible flooding which affected the rail line in July.

5 SEPTEMBER 2012 / 02:00PM GMT, Novorossiysk Commercial Sea Port 1H 2012 Preliminary IFRS Earnings Conference Call

Saying exactly how much volume would be less or more, or rather, say less, is difficult to say at this stage. But I would say around 2 million [tonnes] in total, that is possible. We are working very hard to recover that, but at this stage, I'd say around 2 million [tonnes].

Nikita Melnikov - ATON - Analyst

What about financial guidance, because you have some financial guidances previously? Are they intact?

Anton Vishchanenko - Novorossiysk Commercial Sea Port Group - Chief Financial Officer

Well, you can calculate yourself in terms of just what Rado said. With average, average stevedoring rates around \$4.5 per tonne, it means that 2 million times \$4.5, you will get in \$10 million of revenue, times EBITDA margin at high 50s, \$6 million. So that's what you can get from numerical values. But we're working with respect to compensation of freight in terms of cost of goods sold.

As you have seen, our S&G expenses were virtually -- not virtually, but almost the same as they were one year ago. This also reflects our focus, not simply on the revenue side, as Rado was mentioning, with respect to compensating this lost cargo volumes. But also, on the cost side, especially with repairs maintenance and what depends on us.

We are looking at our current equipment and we'll be acquiring cranes, mobile cranes and portable cranes, which are new cranes. And having this in mind, we're cancelling a significant part of our major repairs which were budgeted for current cranes. That's why it will benefit us on the cost side.

And on the other side, it will be capitalized as part of fixed assets, our new cranes; and will benefit also on the revenue, with six months delay, six to nine months delay, when these new cranes will arrive.

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

Actually, this is not to be reported today, because this really happened after second half. But as Anton rightly says, we are very focused basically to replace all the old equipment, many, many units of old equipment with less but much better; and energy, I would like to say, energy-efficient equipment, which is also -- has a multi-purpose mode. Which means you can load containers, discharge, you can do general cargo, you can do metals, you can do bulk cargo with this equipment.

So we are -- the equipment is going to be flexible, and, at the same time, it's going to be unified; which means we will have less cost for spare parts. We don't have to hold so many spare parts, because we don't need spare parts for different types of equipment.

And at the same time, also the operators will be much easier to learn on this equipment, and you can switch operators from one, which will reflect on our long-term trade union agreement in respect to the operational cost.

So this is all in plan, but more of that when we have our third quarter announcement, I'll provide you more details on that.

Nikita Melnikov - ATON - Analyst

Okay. Thank you.

Operator

We currently have no questions coming through. (Operator Instructions). [Dennis Vortig, UralSib Capital].

Dennis Vortig - UralSib Capital - Analyst

Thank you for the presentation. Going back to fuel oil terminal recently commissioned in Novorossiysk. Please advise what capacity utilization do you expect for this terminal in the second half of this year. Thanks.

Rado Antolovic - Novorossiysk Commercial Sea Port Group - CEO

Well, let me talk about a more technical aspect. When you have a new facility coming on line, and you do all the testing in the first few months, you need to make sure that everything is functioning well. And then, in addition to that, you need to make sure the logistic is functioning well. And you need to also put yourself on the market.

So it's very hard that in the first year of operation, you can assume anything more than 80%. Of course, we are aiming for that, but probably, we will have slightly less than that utilization in the second half of the year.

Again, we are working very hard also on the client base which is existing, but the client base, because this cargo is actually consolidated, is a Russian export cargo, which is moved presently through Ukraine and is moving back to Russia. So this is also an element which is there. But I would say around 70%, to be balanced. Thank you.

Operator

We've got no further questions coming through, so I'll hand you back to speakers for closing remarks.

Unidentified Company Representative

So thank you very much for your interest in our Company. If you have any additional questions, you can go ahead and contact the Investor Relations department of our Company and we'll be happy to help you with your requests. So thank you one more time, and goodbye.