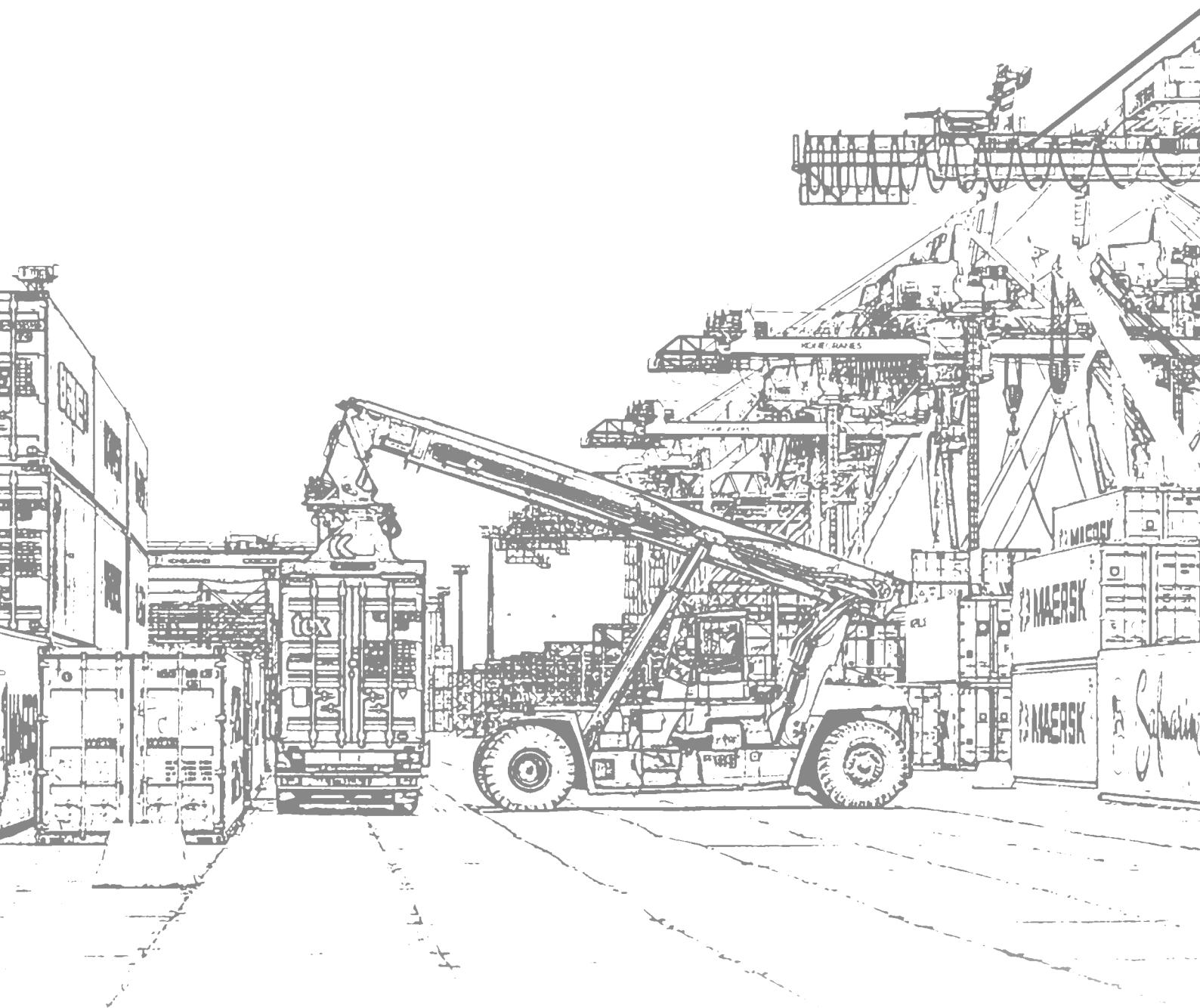


globalports™



STEADY PROGRESS

Global Ports Investments PLC Annual Report 2017

GLOBAL PORTS

RUSSIA'S LEADING

CONTAINER TERMINAL

OPERATOR BASED ON

THROUGHPUT AND

CAPACITY

IN THIS REPORT

Overview

1-5

Key Strengths 1

About Us 2

Strategic Report

6-27

Chairman's Statement 8

Chief Executive Officer's Statement 10

Market Overview 12

Strategy 14

Business Review 16

Corporate Social Responsibility 25

Corporate Governance

28-45

Corporate Governance 30

Board of Directors 32

Executive Management 38

Terminal Directors 40

Risk Management 42

Consolidated Financial Statements

1-69

Directors' Report and Consolidated
Financial Statements 1

Parent Company Financial Statements

1-43

Directors' Report and Parent Company
Financial Statements 1

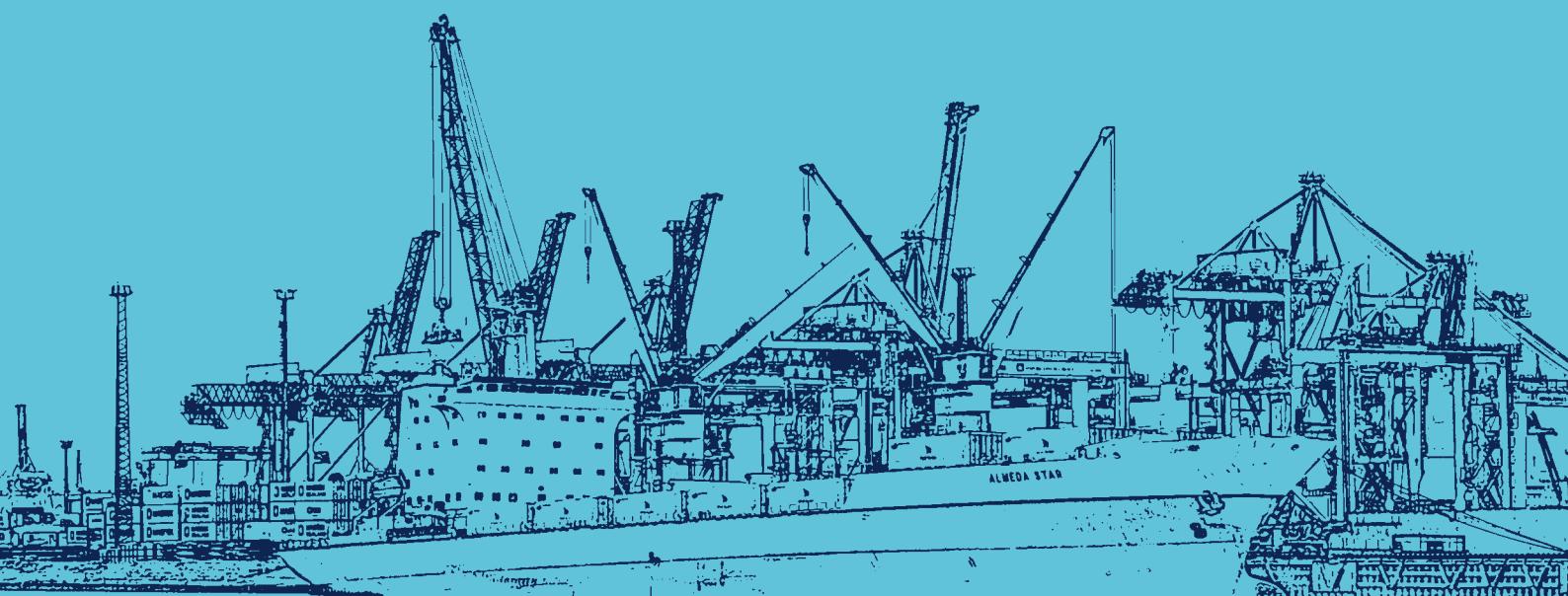
Additional Information

1-4

Directors' Responsibility Statement 1

Definitions 2

Shareholder Information
and Key Contacts 4



KEY STRENGTHS

7

marine container terminals
in Russia and Finland¹

Limited CAPEX requirements due to well invested terminals and available container capacity.

No.1

container terminal
operator in Russia²

Undisputed industry leader in Russia in terms of throughput and capacity covering 2 major sea basins.

1.2m

TEU – consolidated marine container throughput in 2017

Handling almost one in three containers entering and coming in and out of the country.

2.7m

tonnes of consolidated marine bulk throughput

A record result for the Group as 2017 share of non-container revenues increased to 23%.

HIGHLIGHTS OF THE YEAR

27%
reduction in LTIFR

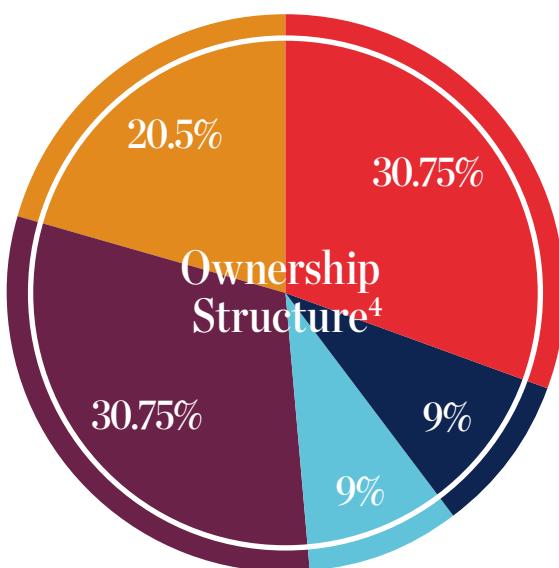
USD 146m
Free Cash Flow generated
by the Group

7%
increase in consolidated
container throughput

22%
increase in Group's
consolidated bulk cargo
throughput

USD 81m
reduction in Group
Net Debt

USD 484m
reduction in Group Net Debt
over last five years (2013-2017)



- Delo Group³
- Ilibrinio Establishment Ltd
- Polozio Enterprises Ltd

- APM Terminals
- Free-float (LSE listing)

APM Terminals operates a global terminal network of 22,000 professionals with 74 operating port facilities and 117 Inland Services operations in 58 countries around the globe.

APM Terminals is a part of A.P. Moller-Maersk, the world's largest integrator of container and ports logistics.

Delo Group is one of the largest private transportation and logistics holding companies in Russia. The Group offers a full range of services in the port of Novorossiysk, including stevedoring, tug boats and vessel bunkering ("DeloPorts"). Delo Group also offers multimodal freight forwarding services using own inland terminals, warehouses, flatcars ("RUSCON"). Delo Group operates two port terminals and five inland terminals and employs a workforce of 2,600 people.

Delo Group has made over USD 300 million of investment into the development of terminals and port infrastructure since 2004. Currently its stevedore assets offer over 3.5MT of throughput capacity at its KSK grain terminal and over 350,000 TEUs of capacity at its NUTEP container terminal.

1. Eurogate currently has a 20% effective ownership interest in ULCT; Container Finance currently has a 25% effective ownership interest in Finnish ports.
2. Based on 2017 overall container throughput in the Russian Federation ports (Source: ASOP) and public sources on capacity.
3. On 12 April 2018 Delo Group has acceded to the shareholder agreement with APM Terminals B.V. and TIHL has been released from its obligations under such agreement.
4. As of April 2018.

FOCUS ON OPERATIONAL EFFICIENCY AND FREE CASH FLOW

The recovery in the Russian container market continued through the second half of 2017, and total market recorded volumes grew by 16% for the full year. Growing consumer demand stimulated imports that, when combined with increased containerisation of exports, drove the resulting market growth.

Against this backdrop, the Group continued to implement its strategy of capitalising on the recovery of the container market, developing additional revenue streams, improving operational efficiency, maximising free cash flow generation and deleveraging.

Global Ports' Consolidated Marine Container Throughput volumes grew by 6.8% as a whole in 2017, having accelerated by 11.8% in the

second half of the year. The Group also delivered a record performance in Consolidated Marine Bulk Cargo Throughput, posting a 21.9% year-on-year increase in 2017 to reach an all-time high of 2.7 million tonnes. Looking forward, the Group is strategically well positioned to benefit from the continued expansion of Russia's underdeveloped container market, supported by real wage growth and recovery in consumer sentiment.

Performance

As a result Global Ports generated Revenue of USD 330.5 million, Adjusted EBITDA of USD 201.6 million and Free Cash Flow of USD 145.9 million in 2017. The Group's Net Debt reduced by a further USD 81.4 million over the period.

Consolidated Financial and Operating Data

Selected IFRS Financial Information	2017 USD million	2016 USD million	Change USD million	Change %
Revenue	330.5	331.5	-1.0	-0.3%
Cost of sales and administrative, selling and marketing expenses	-191.2	-222.7	31.5	-14.1%
Operating profit/(loss)	-5.4	-0.5	-4.9	1086.3%
Net profit/(loss)	-53.0	61.3	-114.2	-186.5%

BALANCE SHEET AND CASH FLOW STATEMENT	2017 USD million	2016 USD million	Change USD million	Change %
Total assets	1,655.6	1,643.0	12.6	0.8%
Cash and cash equivalents	130.4	119.3	11.2	9.4%
Net cash from operating activities	173.9	195.8	-21.9	-11.2%
CAPEX on cash basis	28.0	18.0	10.0	55.8%

SELECTED NON-IFRS FINANCIAL INFORMATION	2017 USD million	2016 USD million	Change USD million	Change %
Total operating cash costs	128.9	107.1	21.8	20.3%
Adjusted EBITDA	201.6	224.3	-22.7	-10.1%
Adjusted EBITDA margin	61.0%	67.7%		
Net debt	865.9	947.3	-81.4	-8.6%
Net debt to Adjusted EBITDA	4.3	4.2	0.1	1.7%
Free Cash Flow	145.9	177.8	-31.9	-17.9%

Key Milestones

**January-December: Generating new revenue streams**

The Group reached an all-time high of 2.7 million tonnes in consolidated marine bulk handling (+22% y-o-y) driven by coal handling at VSC and bulk cargo handling at PLP. High and heavy Ro-Ro handling grew by 59%.

November: Headquarters relocated to St. Petersburg

The Group relocated its Russian HQ to Saint Petersburg, and consolidated multiple locations in St. Petersburg into one central office building allowing further centralisation, improvement of governance structure and savings on rent costs, travelling and other running expenses.

December: Delo Group agreed to become co-controlling shareholder in Global Ports

TIHL entered into an agreement to sell its 30.75% stake in Global Ports to Delo Group, one of the largest private transportation and integrated logistics holding companies in Russia, which through its subsidiary DeloPorts, provides stevedoring, tugboat and bunkering services in the port of Novorossiysk in the Black Sea Basin, alongside operating container and grain shipment terminals*.

December 2017: FAS Settlement agreed

The Moscow Arbitrage Court approved the terms of a settlement agreements between the Russian Federal Antimonopoly Service (FAS) and the Group's VSC, PLP and FCT terminals with respect to the antimonopoly laws findings of FAS in April 2017 in relation to the pricing of stevedoring services in Russian ports. The terms of the settlement will not have any material impact on the Group's financial position or cash flow and will not negatively affect operating activities in any significant way.

Global Ports Segment Data

RUSSIAN PORTS SEGMENT

	2017	2016	Change	Change %
Gross marine container throughput, 000s TEU	1,372.5	1,283.9	88.6	6.9%
Gross container throughput of inland terminals, 000s TEU	287.9	288.9	-1.0	-0.3%
Ro-Ro (thousand units)	23.9	15.0	8.9	59.0%
Cars (thousand units)	95.4	96.4	-1.0	-1.0%
Bulk cargo marine (thousand tonnes)	2,731.2	2,236.0	495.2	22.1%
Bulk cargo inland (thousand tonnes)	822.7	658.4	147.5	21.8%
Revenue, USDm	360.5	359.7	0.8	0.2%
Adjusted EBITDA, USDm	242.0	264.3	-22.4	-8.5%
Adjusted EBITDA margin, %	67.1%	73.5%		

OIL PRODUCTS TERMINAL SEGMENT

	2017	2016	Change	Change %
Oil products gross throughput (million tonnes)	2.1	2.6	-0.5	-17.7%
Revenue, USDm	51.4	59.0	-7.6	-12.9%
Adjusted EBITDA, USDm	7.6	18.6	-11.0	-59.1%
Adjusted EBITDA margin, %	14.9%	31.6%		

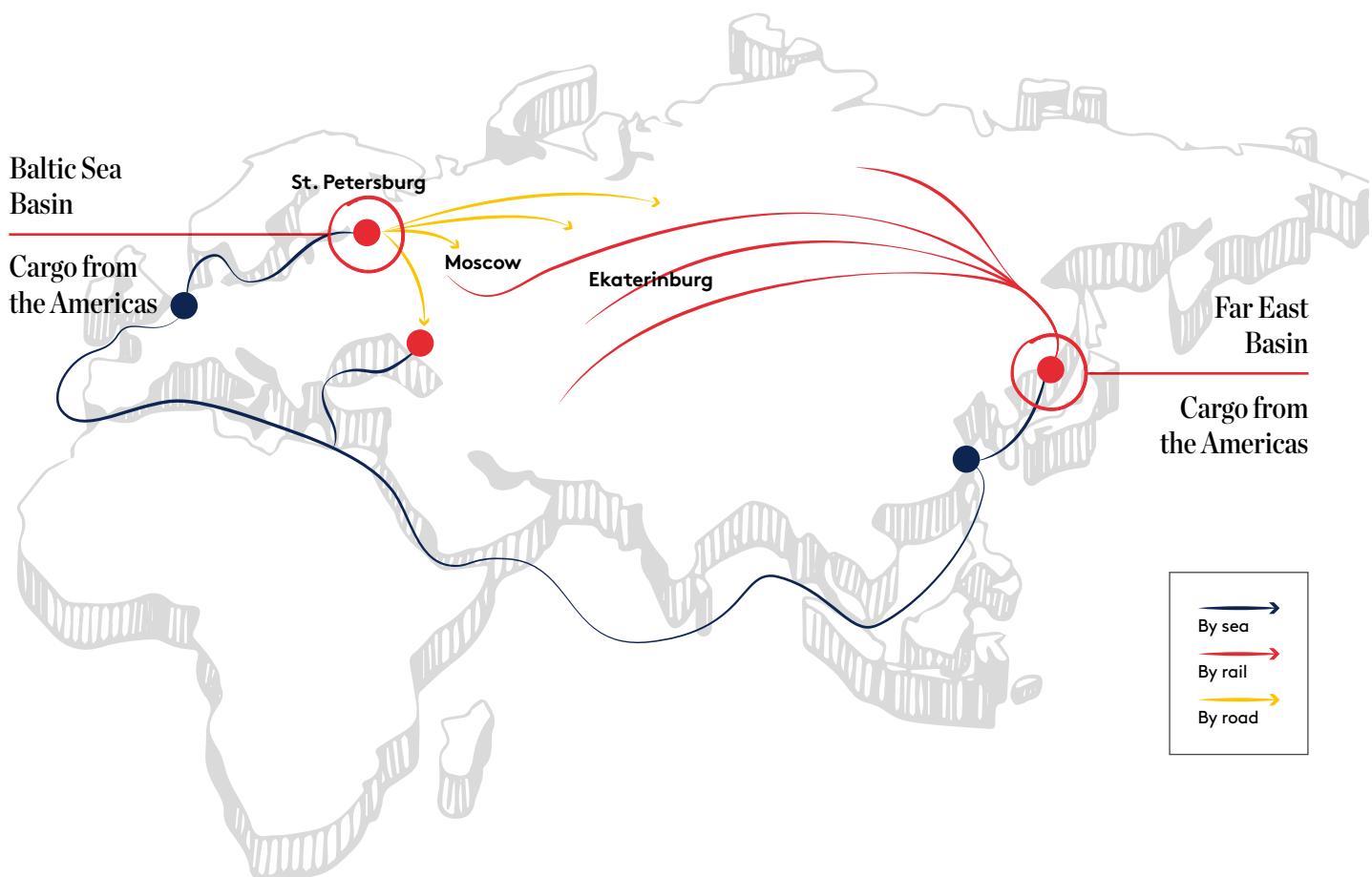
FINNISH PORTS SEGMENT

	2017	2016	Change	Change %
Gross container throughput, 000s	115.6	187.5	-71.9	-38.4%
Revenue, USDm	10.9	12.9	-2.0	-15.4%
Adjusted EBITDA, USDm	1.8	1.5	0.3	19.4%
Adjusted EBITDA margin, %	16.3%	11.6%		

* Transaction closed on 12 April 2018.

STRONG PRESENCE IN RUSSIA'S KEY CONTAINER GATEWAYS

Global Ports is one of the leading container operators in Russia's two main sea cargo basins. Our efficient, well-invested terminals provide for low CAPEX requirements and high cash flow generation.



By Sea

The Baltic Sea Basin's container terminals are close to key transhipment hubs for Russia's inbound and outbound containers, such as Hamburg and Rotterdam. The basin has a strong customer base due to its economic development, access to Russia's most populous regions and cost-effective transportation of containers to major Russian cities.

By Rail

The Far East Basin is the fastest route for transporting containers from Asia to the European part of Russia and many CIS countries and transit to EU. The shorter transit time is a key advantage for customers shipping high-value and time-sensitive cargo.



Baltic Sea Basin

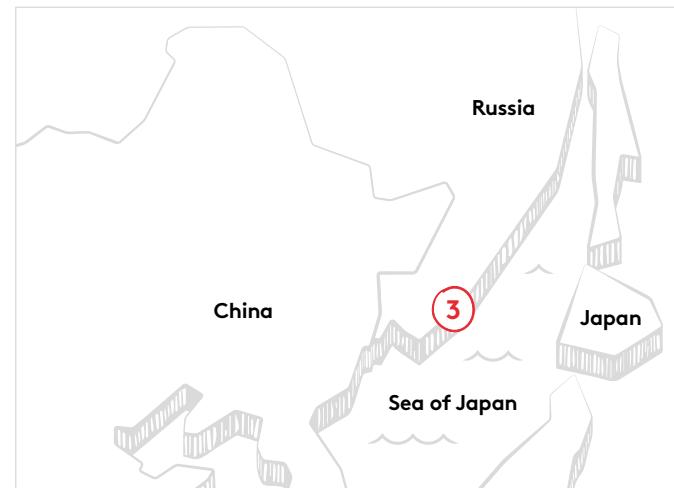
The Group's container terminals in the Baltic Sea Basin offer direct access to the most populous and economically developed regions of the European part of Russia, including Moscow and St. Petersburg.

50%

Share of Baltic Basin terminals in the overall container throughput of Russian terminals.

3.0MTEU

Global Ports marine terminal capacity⁵.



Far East Basin

The Group's container terminal in the Far East Basin is in an ice-free harbour with deep-water access and a direct link to the Trans-Siberian railway.

29%

Share of Far East Basin terminals in the overall container throughput of Russian terminals.

0.7MTEU

Global Ports marine terminal capacity.

Terminal overview

1	First Container Terminal (FCT)
Location:	St. Petersburg
Cargo handled:	Containers
Container throughput capacity ⁵ :	1.25m TEU per year
Ownership:	100%

2	Petrolesport (PLP)
Location:	St. Petersburg
Cargo handled:	Containers, Ro-Ro, bulk and general cargo
Container throughput capacity ⁵ :	1m TEU per year
Ownership:	100%

3	Vostochnaya Stevedoring Company (VSC)
Location:	Nakhodka
Cargo handled:	Containers, Ro-Ro, bulk cargo (coal)
Container throughput capacity ⁵ :	650,000 TEU per year
Ownership:	100%

4	UST-LUGA Container Terminal (ULCT)
Location:	Ust-Luga port cluster
Cargo handled:	Containers, bulk cargo
Container throughput capacity ⁵ :	440,000 TEU per year
Ownership:	80%

5	Moby Dik (MD)
Location:	Kronstadt (St. Petersburg)
Cargo handled:	Containers, Ro-Ro, bulk and general cargo
Container throughput capacity ⁵ :	400,000 TEU per year
Ownership:	75%

6	Yanino (YLP)
Location:	St. Petersburg
Cargo handled:	Containers, bulk cargo
Container throughput capacity ⁵ :	200,000 TEU per year
Ownership:	75%

7	Logistika Terminal (LT)
Location:	Inland, near St. Petersburg
Cargo handled:	Containers, bulk cargo
Container throughput capacity ⁵ :	200,000 TEU per year
Ownership:	100%

8	MLT Kotka and MLT Helsinki
Location:	Helsinki and Kotka, Finland
Cargo handled:	Containers, Ro-Ro, bulk cargo
Container throughput capacity ⁵ :	420,000 TEU per year
Ownership:	75%

9	Vopak E.O.S.
Location:	Tallinn, Estonia
Cargo handled:	Oil products
Storage capacity:	1,026,000 cbm
Ownership:	50%

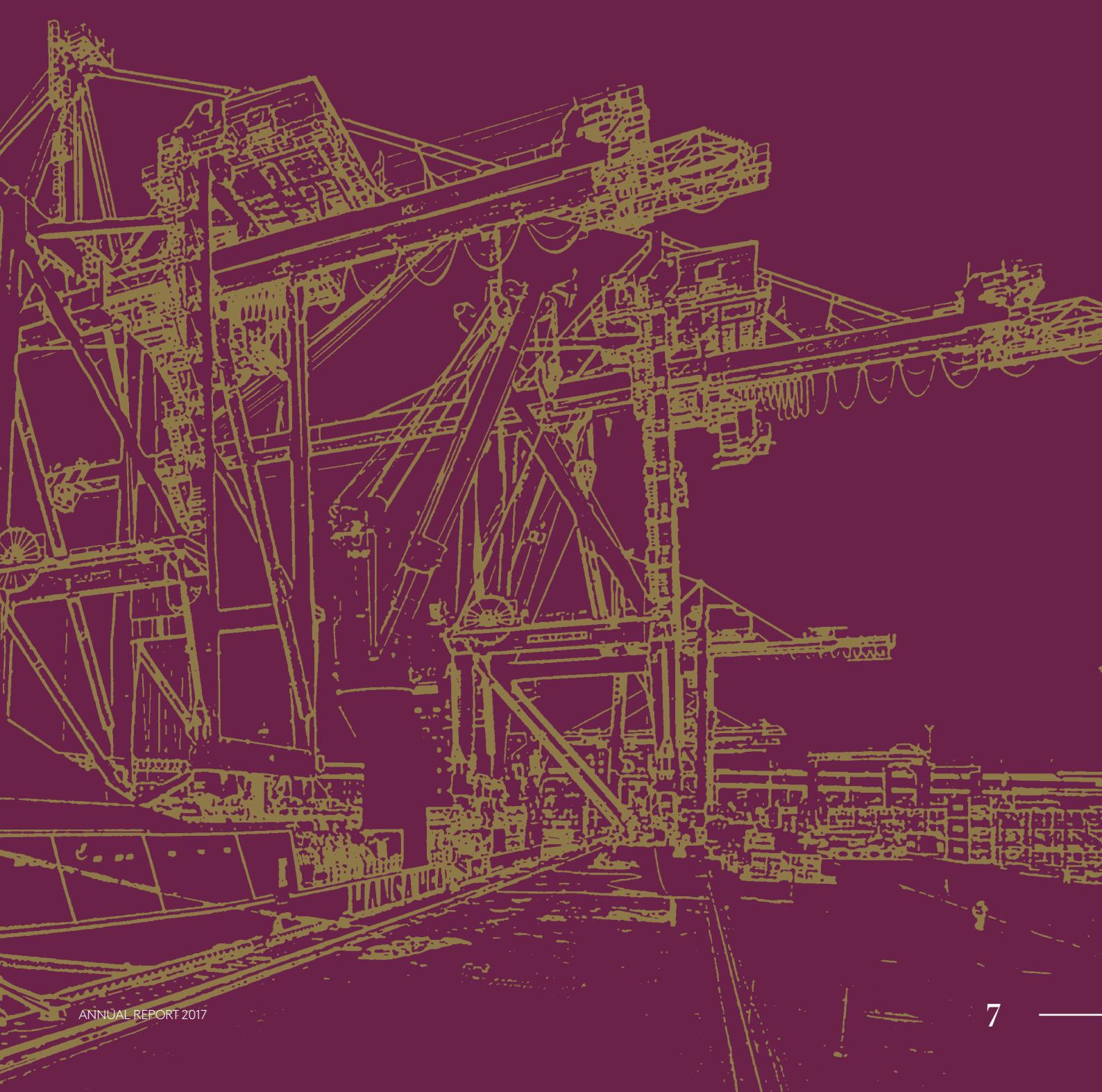
10	Our Partners:
Entity:	Vopak E.O.S.
Partner:	Royal Vopak
Share:	50%
Entity:	Moby Dik, Finnish Ports, Yanino
Partner:	Container Finance Ltd Oy
Share:	25% in each
Entity:	UCLT
Partner:	Europgate
Share:	20%

5. Company estimates based on annual potential berth and yard throughput capacity. To maximise the efficiency of its operations, the Group may choose to flex headcount, working hours and used equipment at its terminals. As a result, current actual capacity may differ from the published numbers based on annual potential berth and yard throughput capacity.

STRATEGIC REPORT

In 2017, Global Ports continued to focus on developing additional revenue streams, improving operational efficiency, free cash flow generation and deleveraging. As a result of these actions, the Group achieved Adjusted EBITDA of USD 202 million with a healthy Adjusted EBITDA margin of 61% and strong Free Cash Flow of USD 146 million. The Group also decreased its Net Debt by a further USD 81.4 million over the period.





MANAGEMENT IN A CHALLENGING ENVIRONMENT



Morten Engelstoft
Chairman

Our 2017 results demonstrate that Global Ports has successfully navigated what has been a very turbulent period for our markets. We experienced a perfect storm in 2015 and 2016: an economic recession in Russia, rouble depreciation, weak import demand and consumer confidence, the introduction of new capacity in the market, low utilisation levels and intense competition. So, if the true measure of a successful business is its ability to deliver through economic turbulence, however difficult the circumstances, then our performance in 2017 is positive proof of the strength of Global Ports. We have emerged as a stronger, more focused company and in the process strengthened our reputation as the leading player in the ports sector in Russia.

2017 was a transitional year for the global economy. For the first time since the 2008 crisis, global growth exceeded expectations and forecasts were revised upward. Russia's economy grew on the back of synchronised growth in Asia, the US and Europe. The Russian container market too staged a strong recovery, fuelled by a revival in imports and increased containerisation of exports. Our own operational performance was equally solid; Global Ports more than held its own in what remained a highly competitive environment. If I were to identify specific items from our results, I would highlight the acceleration in our container volumes, up 7% for the year, our record-breaking volumes in marine bulk cargo, the expansion in our profit margin in the second half of the year, our continued excellent cash generation, our cost control result, and, finally, our improved safety performance. Aside from our operations, the other major news item was that Global Ports reached a conclusive settlement with the Russian Federal Antimonopoly Service (FAS), having appealed its findings on breaches of antimonopoly laws relating to the pricing of stevedoring services.

Consistent delivery of our strategy

Global Ports is a core infrastructure business; our ports form an integral part of supply chains that stretch around the globe, providing Russia with access to international markets. Given the long-term nature of the infrastructure sector, our strategy for growth has to be similarly long term. We are totally focused on creating sustainable long term value for our shareholders. Our network of modern, well-invested terminals provides an unparalleled presence where it matters, in the key Baltic and Far East regions. We also own two-thirds of the real estate at our terminals and have invested heavily in our facilities. All told, Global Ports owns a world-class set of infrastructure assets which gives the Group an enduring competitive advantage that is hard to replicate.

Throughout the challenging macroeconomic climate of the last few years, management has resolutely stuck to its long-term strategy, while taking the tough short-term action needed in challenging markets. In 2017, this took the form of prioritising operational efficiency and control cost, debt repayment, cash flow maximisation and health and safety. In each of these critical areas, management delivered tangible results in line with our long-term objectives. Moreover, these were achieved without affecting our day-to-day operational performance or compromising service levels. This is a great achievement and highlights the strength of our business model and the quality of both our executive management and our workforce.

Governance and the Board

The Board understands the importance of good governance for the successful running of the company. One of the most important governance tasks the Board focuses on is succession planning. The Board regularly reviews its requirements to ensure that we retain the skills on the Board and within the business needed to be effective and ensure stability and continuity.

“2018 has started on a promising note as the positive market trends observed in the latter half of 2017 have continued.”

There were a number of changes in the management team in 2017. In March, Mikhail Loganov was appointed as Chief Executive Officer of Global Ports Management, having previously been CFO of the Group. Mikhail has worked for the company for almost ten years, has a deep understanding of our business and has settled into his new role seamlessly. In September, Alexander Roslavlsev joined as our new CFO of Global Ports Management, filling the role vacated by Mikhail Loganov. Alexander is an experienced finance director and was previously CFO of Rusagro, one of Russia's largest agricultural companies. He also has a wealth of international experience having worked for a number of international blue-chip companies.

In addition, there were several changes to composition of the Board and in the responsibilities of Directors in 2017 and at the beginning of 2018.

I was honoured to be elected as Chairman of Global Ports, after having been a member of the Board since 2016. I am grateful to my fellow Board members and to my predecessor, Peder Sondergaard, for ensuring a smooth handover. I look forward to working together with the management team to build on the strong legacy that I have inherited at Global Ports.

I want to express my thanks for two long-serving Independent Non-Executive Directors, Siobhan Walker, who left us in 2017, and Captain Bryan Smith, who will retire from the Board at the 2018 AGM. They have both provided valuable service and wise counsel to the Board over many years. We are especially grateful to Bryan for his superb work as our Senior Independent Director and to Siobhan for her thoughtful leadership of the Audit and Risk Committee. I also extend a warm welcome to our three new Independent Non-Executive Directors who joined in 2017 and at the beginning of 2018, Britta Dalunde, Inna Kuznetsova and Lambros Papadopoulos, and I look forward to working with them.

The role of the Board is to act as custodians of shareholder value for the long term. I am confident that Global Ports will continue to function effectively under the direction of a talented, well-balanced Board comprised of experienced Executive Directors and independent Non-Executives.

Global Ports has also benefitted from the stability provided by its two co-controlling shareholders, TIHL and APM Terminals, each of which held a 30.75% shareholding. In December, TIHL announced that it had agreed to sell its stake to Delo Group, a leading Russian ports logistics group. Delo's decision to acquire TIHL's shareholding is further proof of the long-term attractions of our industry. With Delo, a prominent local player, and APM Terminals, a leading global operator of container terminals, as co-controlling shareholders, we will continue to benefit from the insight from two long-term investors who share our vision for the industry.

A sustainable and safe business

The Board believes that the success of Global Ports goes beyond its financial or operating performance. We recognise that the company also creates added value by promoting a clean environment, providing employment opportunities and supporting local communities. We believe in being a responsible business and doing the right thing, for the good of our business and our stakeholders. This includes ensuring a safe workplace, developing our employees and acting in a way that upholds social and environmental standards. We have a clear agenda of initiatives to achieve this based around safety, environmental stewardship, employee engagement, community involvement and running a business responsibly. We believe that this approach creates value for us and our stakeholders.

Safety is one of our top priorities. We will not compromise the integrity and safety of our people and our operations. As a Board, we are absolutely committed to building a sustainable safety culture across the company and we are striving to ensure that every Global Ports employee understands and complies with safe and secure working practices.

It is therefore gratifying to report that there was a further improvement in our safety performance in 2017. Our Lost Time Injury Rate fell by a further 27%, and our recent safety audit of terminals revealed 95% compliance with our strict global minimum safety requirements.

The leadership team remains determined to transform the safety culture, leading by example, and further initiatives are planned for 2018.

Outlook

In 2017, we made progress in safety performance, with serious incidents and injury rates falling. We delivered strong cash flow, reduced debt and controlled our capital spending and costs. In the coming year, we expect to do more of the same, and we will continue to implement our strategy, seeking to exploit our asset base as the container market recovers, develop additional revenue streams, improve efficiency and productivity, maximise cash flow and continue to deleverage.

Finally, I want to thank everyone in the company for their hard work and dedication over the last year.

Morten Engelstoft

Chairman

26 April 2018

FINANCIAL PRUDENCE YIELDS RESULTS



Mikhail Loganov
Chief Executive Officer

I have now completed my first full year as CEO of Global Ports Management and I am pleased to be able to report that 2017 was a year of substantial progress. The Group turned in a strong operating performance, growing container volumes, increasing bulk cargo throughput and maintaining its number one position in the Russian container market. We also posted a solid financial result, characterised by healthy levels of cash flow and a further decrease in net debt.

However, safety remains one of our top priorities so it is particularly pleasing to be able to report that we made good progress in our safety performance in 2017. I am also very pleased with the strong backing we received for the safety programme from our employees across the Group. We generated a 27% reduction in lost time injuries and recorded injuries during the year. This improvement is a genuinely impressive result and demonstrates the commitment of all our employees and contractors to working safely.

Market Overview

The improving macroeconomic climate in Russia provided the cue for a strong recovery in the container market in Russia in 2017. Overall marine container throughput by Russian terminals reached 4.4 million TEU in 2017, an increase of 16% year-on-year. Imports led the way, as strong consumer demand sparked a sustained revival in demand for imported goods. To illustrate this point, there was a 20% increase in the handling of laden import containers at Russian ports in 2017. On the export side, throughput of laden containers also grew well, up 12% year-on-year, as better global growth spurred exports and containerisation made greater inroads into export supply chains, part of a sustained trend that we expect to continue, given that Russia lags well behind its peers in containerisation levels.

Strong volume dynamics also drove an improvement in overall market capacity utilisation which, as a result, averaged 60% at the end of 2017. This was a welcome development, given that utilisation rates had previously remained stubbornly low, averaging below 50% in recent years, and have been a contributing factor to the weak pricing environment the industry has endured in the last couple of years.

The Baltic Basin, where six out of Global Ports' seven marine terminals are located, remained the key container gateway to Russia, handling just over 50% of total Russian container shipments in 2017. While the Baltic Basin grew at a respectable 11% per annum, it was eclipsed by the Far East and South of Russia basins, which grew at 27% and 20% respectively, benefitting from a shortage of shipping capacity on the main Asia to Europe route that is principally handled via the Baltic.

Operating performance

The management team set itself a clear set of goals for 2017 and I am pleased that we have largely achieved what we had set out to do. Operationally the priorities were: to improve safety; strengthen our market position and further diversify our revenues.

In some ways, the challenges we encountered in 2015 and 2016 proved instructive as they forced us to review our management methods. As a result, we took a series of initiatives aimed at remaining competitive, creating new revenue streams, and improving productivity and efficiency. These decisions laid the groundwork for the solid operational performance we delivered in 2017.

The Group's Consolidated Marine Container Throughput increased 6.8% to 1.2 million TEUs in 2017. At the start of the year, we realigned our pricing and introduced commercial incentives to bring us more in line with our competitors. These incentives helped deliver strong growth in our container volumes. Container traffic in the first half grew by 2% and accelerated in the second half to just over 11.8% year-on-year.

“2018 has started well as container volumes have continued to grow and our own performance year-to-date confirms this.”

Alongside growing our container volumes, we also successfully increased throughput in our non-container segment. This formed part of our drive to create additional revenue streams and improve asset utilisation at our ports. Consolidated Marine Bulk Throughput increased by 22% as we handled a record 2.7 million tonnes of cargo, up from 2.2 million tonnes in 2016. This was driven principally by growth in export coal handling and an increase in scrap metal and fertiliser exports. In response to greater demand for coal handling we expanded our coal handling capacity at VSC. At the same time, VSC also signed an agreement to invest in various environmental protection measures to lessen the potential environmental impact of this increased activity. The measures included additional water treatment facilities and coal dust suspension systems in the surrounding region. Elsewhere, there was a strong performance from traditional Ro-Ro handling with 59% more volume on the back of strong export demand in Asia for heavy duty vehicles.

In relation to the Federal Antimonopoly Service (FAS) charge in April 2017 alleging a breach of antimonopoly laws in relation to the pricing of stevedoring services in Russia, we challenged the findings in court. The outcome was that in December 2017, the Moscow Arbitrage Court approved the terms of a settlement between the Group’s terminals (VSC, PLP and FCT) and the FAS. We maintained that the Group had not acted improperly in relation to competition regulation, and so we were pleased to be able to draw a line under the matter, the terms of which did not materially affect the Group’s financial position or its operating activities.

Financial results

Our financial priorities for 2017 were threefold: to focus on costs; maximise free cash flow; and continue to deleverage. We have delivered well against these goals.

Revenue performance was broadly flat year on year at USD 330.5 million, as a 5.5% decline in container revenues was largely offset by very strong growth in our non-container revenue, itself a core operational priority. Continued disciplined cost management ensured that, despite strong cargo volume growth, our adjusted Total Operating Cash Cost, after stripping out any foreign exchange impact, grew by only 5% which was also pleasing. We restricted CAPEX spend to planned maintenance and some targeted expansion of coal handling capacity at VSC. The USD 28 million CAPEX figure for 2017 was in line with our mid-year guidance.

Despite a decrease in Adjusted EBITDA to USD 202 million due to lower revenue per TEU and the negative FX impact on our costs, our Adjusted EBITDA margin improved in the second half over the first half from 59.9% to 62%. Our ability to generate strong cash flows from the business was also a feature of our results, with the Group producing USD 146 million of free cash flow in 2017. We also continued to deleverage and strengthen the balance sheet, reducing Net Debt by a further USD 81 million. Total debt stood at USD 996 million at the year end, which is down some

USD 467 million since the acquisition of NCC in 2013. Improving our balance sheet strength remains a critical priority for Global Ports, and we continue to focus on further deleveraging.

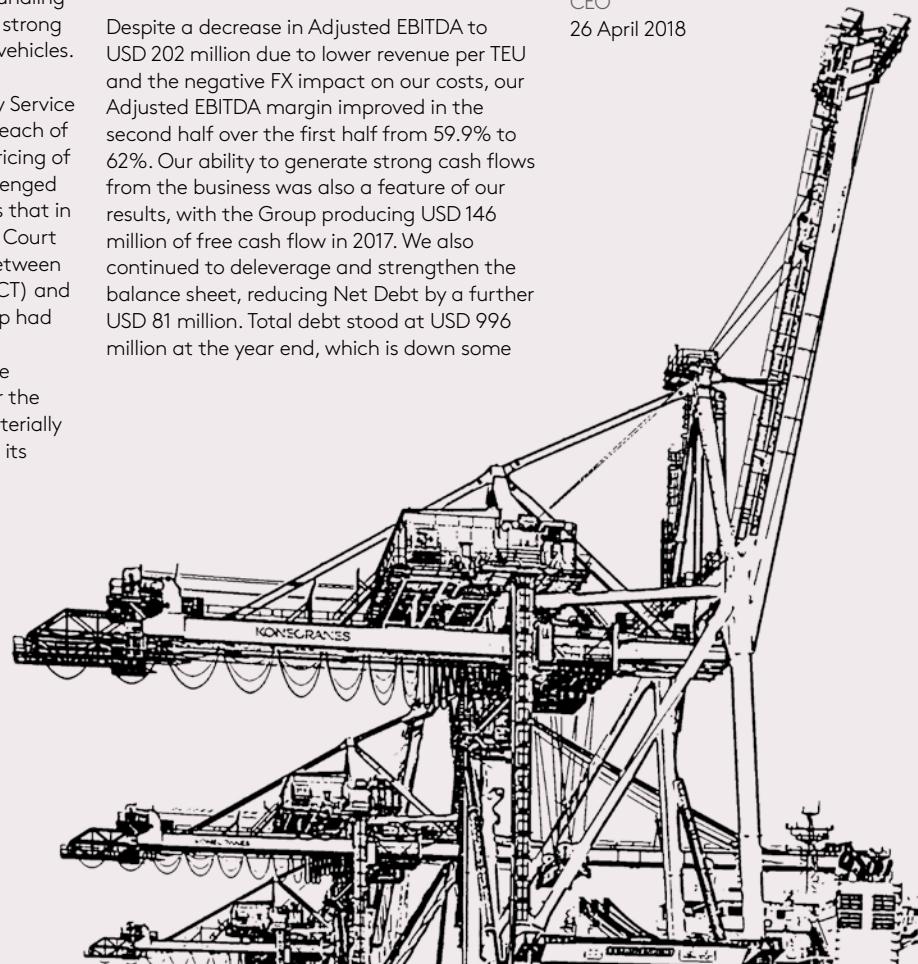
Outlook

There is a greater degree of optimism on the prospects for the Russian container market than has been evident in a long time. Whilst further geopolitically inspired disruption cannot be ruled out, and is a risk factor that we closely monitor, 2018 has started well as container volumes have continued to grow and our own performance year-to-date confirms this. As the market leader, we are well placed to benefit from the continued expansion of Russia’s under-containerised market, supported by real wages growth and the continued recovery in consumer sentiment.

Mikhail Loganov

CEO

26 April 2018



STEADY GROWTH IN BOTH IMPORTS AND CONTAINERISED EXPORTS

There has been a continuing and active volume recovery in the Russian container market since Q4 2016, as a result of which the Russian market grew by 16% over the course of 2017 to 4.4 million TEU.

According to data from Drewry, growth in the Russian container market was one of the highest growing worldwide, significantly exceeded the global average growth rate in 2017 of 6.3%.

Laden imports were the primary engine of growth. Volumes in this market segment grew by 19% from 1.57 million TEU in 2016 to 1.87 million TEU in 2017. The recent growth of consumer confidence as a result of a stable rouble, lower inflation rates and the growth of real incomes spurred a greater demand for imported goods over the year, which in turn became the principal driver of laden imports.

These positive trends also continued in exports. The growth in exports of goods from Russia, together with the continuing containerisation of Russian export channels resulted in a 12% growth in laden containerised exports over the course of 2017. The sustained nature of this trend is evidenced by the fact that laden containerised exports has grown by

more than 50% in only four years: from 0.76 million TEU in 2013 to 1.2 million TEU in 2017. Accordingly, the share of laden containerised exports across Russia exceeded 60% in 2017, approaching 80% in the North West of the country, while the comparative share was as low as a third only as recently as 2013. Taking into account the continued growth in exports and the continued low level of containerisation in Russia, we foresee considerable potential for further increasing containerised exports going forward.

The Russian Far East continued to be the highest growing basin, expanding by 27% over the course of 2017. Likewise, the total volume of transit containers via Far Eastern terminals stood at 1.3 million TEU, representing 29% of the total Russian market. The container turnover of the Black Sea region also grew, albeit at a lower rate of 20% to 0.8 million TEU.

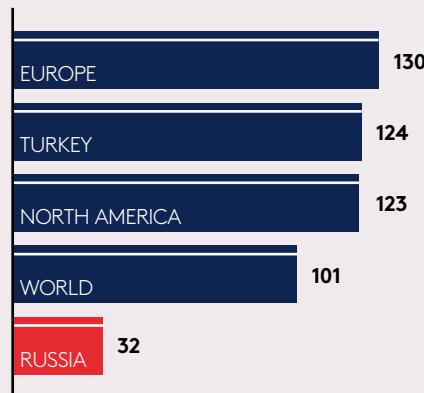
The Baltic region continues to lead the Russian container market – with nearly half of all containers in the country transited through the terminals in Russia's North West. However, growth rates in cargo turnover in the Baltic regions were lower than the national average, at 10.7% in 2017, generating a total of 2.2 million TEU.

Despite the high recovery rates of 2017, Russian container market activity remains below its pre-crisis level, which, combined with the favourable macroeconomic situation in Russia and continued low containerisation levels, gives us cause for cautious optimism, for the market outlook in 2018.

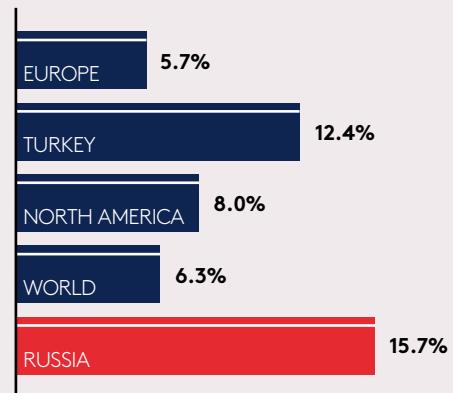
RUSSIAN CONTAINER MARKET VOLUMES (MILLION TEU)



CONTAINER/THOUSAND CAPITA IN 2017 (TEU/K PEOPLE)



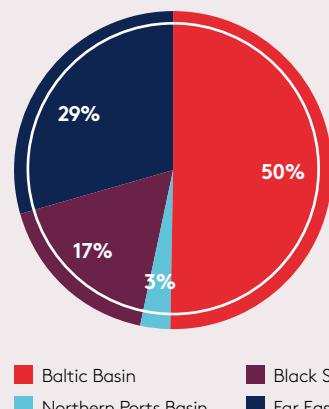
WORLD MARKETS GROWTH IN 2017 (%)



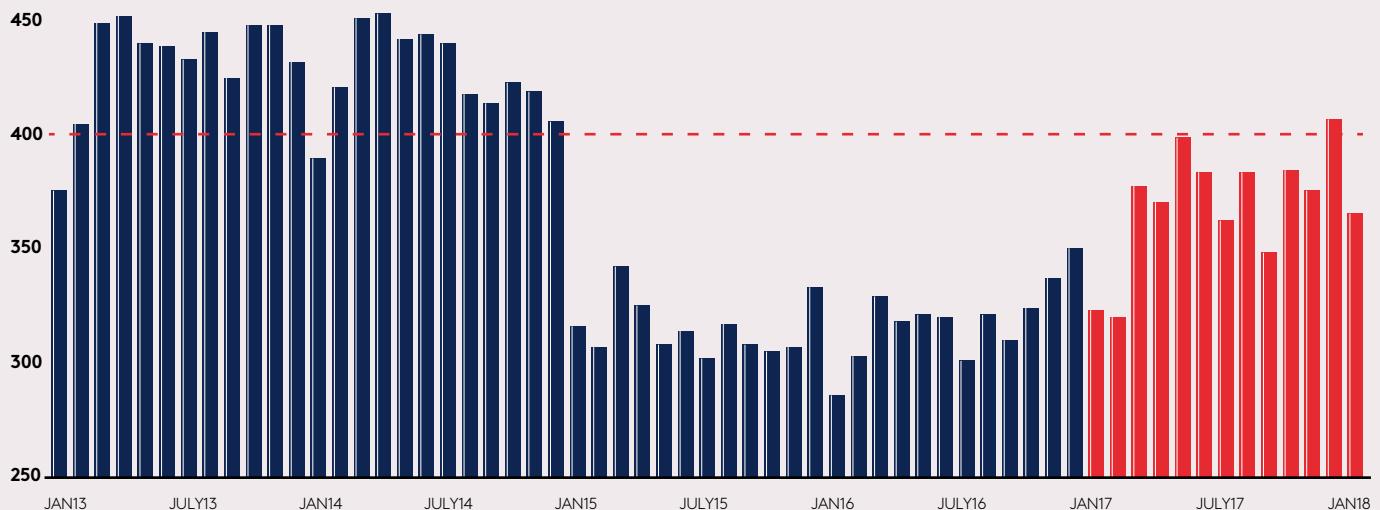
RUSSIAN CONTAINER MARKET (QUARTERLY DYNAMICS)



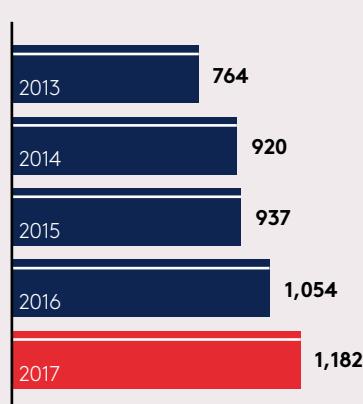
RUSSIAN CONTAINER MARKET VOLUMES (BY BASIN, 2017)



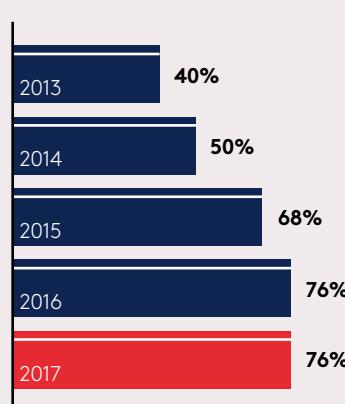
VOLUMES OF RUSSIAN CONTAINER MARKET (MONTHLY DYNAMICS, K TEU)



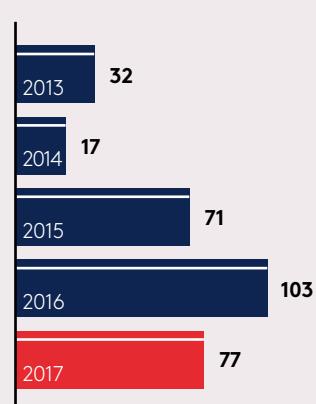
LADEN EXPORT CONTAINER THROUGHPUT (K TEU)



SHARE OF LADEN EXPORT CONTAINER THROUGHPUT IN ST. PETERSBURG (AND AREA)



IMPORTS OF EMPTY CONTAINERS (K TEU)

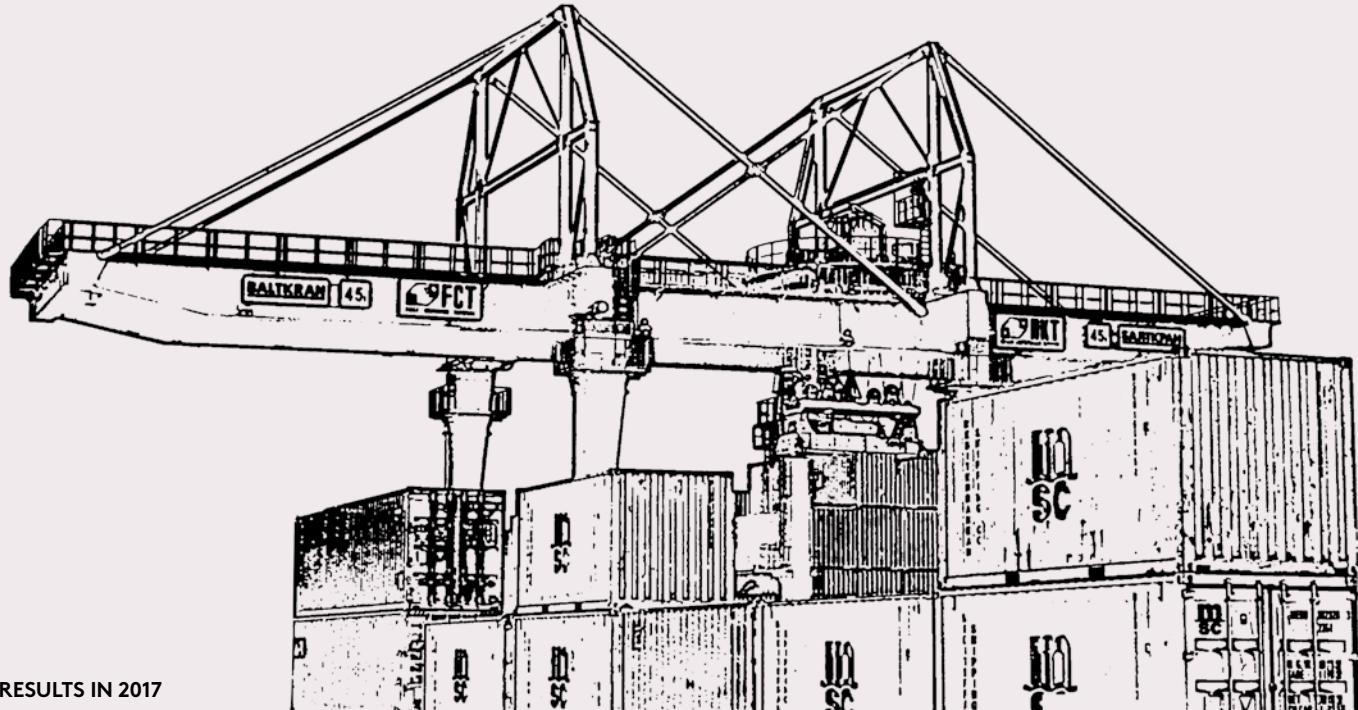


FOCUS ON STRATEGIC PRIORITIES

Following a period of rapid growth and investment that made Global Ports number one in Russia¹, the Group is now focused on its core strategy of extracting value from existing infrastructure, deleveraging and improving efficiency and cost control.

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	ACTIONS IN 2017
FULLY UTILISE CORE ASSETS AND EXISTING INFRASTRUCTURE	<ul style="list-style-type: none"> – Prioritise safety operations – Focus on core (maritime) activity – Maximise value from assets – Generate new revenue streams 	<ul style="list-style-type: none"> – Conducted design reviews and two safety audits at all terminals – Continued focus on bulk cargos to better utilise terminal space – Expanded VSC coal handling capacity – Strengthened communication channels with clients
MAXIMISE EFFICIENCY AND COST CONTROL	<ul style="list-style-type: none"> – Scrutinise all expenses and processes – Focus on greater productivity 	<ul style="list-style-type: none"> – Strong, continued focus on cost control – HQ relocated to one principal site in St. Petersburg, transferring staff from Moscow and alternative locations in St. Petersburg – Optimised workforce scheduling – Implemented additional operating efficiency initiatives
FOCUS ON CASH FLOW AND DEBT REPAYMENT	<ul style="list-style-type: none"> – Optimise CAPEX, supported by well invested terminals – Preserve cash where possible – Use Free Cash Flow to repay debt 	<ul style="list-style-type: none"> – Well invested terminals enabled scale down of CAPEX requirements – Capital expenditure was focused on planned maintenance and an increase in annual capacity for coal handling at VSC – Generated significant positive cash flow – Repaid additional debt to reduce net debt levels further

1. Based on 2017 overall container throughput in the Russian Federation ports (Source: ASOP) and public sources on capacity.



RESULTS IN 2017

- Lost-time incident frequency rate reduced to 1.10 from 1.51 in 2016 and 2.3 in 2015
- Further roll-out of additional safety improvements and standards, such as contractor safety and Lock-Out Tag-Out
- Increased our Global Minimum Requirements compliance to 95% across all terminals
- Handled 2.7 million tonnes of bulk cargo, up 22% year-on-year to Group record levels
- Heavy Ro-Ro throughput increased 59% year-on-year
- Share of non-container revenue increased to 23% compared to 19% in 2016

+22%
Increase in bulk cargo throughput

61%
Adjusted EBITDA margin

- Total Operating Cash Costs grew by only 5% in rouble terms despite 7% increase in container throughput, 22% increase in bulk cargo throughput and 2.5% labour inflation
- Adjusted EBITDA margin maintained at 61%
- Decreased operating peaks, optimised maintenance, centralised procurement and reduced transport outsourcing

- Generated strong free cash flow of USD 146 million
- Decreased Net Debt by an additional USD 81.4 million
- Limited CAPEX of USD 28 million, in line with guidance
- Continued to target annual CAPEX of USD 25-35 million, providing opportunistic approach to attractive new projects of smaller scale

USD 146m
Free Cash flow generated

BUSINESS REVIEW

Recovery in the Russian container market continued in the second half of 2017, posting 16% growth in volumes for the full year. This growth was principally driven by a revival in imports, due to improved consumer demand, along with increased containerisation of exports.

Summary

Against this backdrop, the Group continued to implement its strategy of harnessing the recovery of the container market, developing additional revenue streams, improving operational efficiency, maximising free cash flow generation and deleveraging.

The growth of Global Ports' Consolidated Marine Container Throughput accelerated to 11.8% in the second half of 2017, resulting in 6.8% growth for 2017 as a whole.

The Group also delivered a record 21.9% year-on-year increase in Consolidated Marine Bulk Cargo Throughput in 2017, which reached an all-time high of 2.7 million tonnes.

As a result of these operational achievements, Global Ports generated Revenue of USD 330.5 million, Gross profit of USD 182.0 million, Adjusted EBITDA of USD 201.6 million* and Free Cash Flow of USD 145.9 million* in 2017. The Group's Net Debt¹ reduced by a further USD 81.4 million* over the period.

Group financial and operational highlights for Full Year 2017

- The Russian container market sustained its recovery in the second half of 2017, resulting in 16% volume growth for 2017 as a whole. Total container throughput in the Russian container market reached 4.4 million TEU.
- The Group's Consolidated Marine Container Throughput increased 6.8% to 1,205 thousand TEU in 2017 compared to 1,128 thousand TEU in 2016. Throughput growth accelerated to 11.8% for the second half of 2017 over the comparable period last year.
- The Group focused on increasing bulk cargo volumes to improve the utilisation rates at its terminals. As a result, Consolidated Marine Bulk Throughput increased by 21.9% to 2.7 million tonnes in 2017, a record level in

the Group's history, driven by growth in coal handling at VSC and bulk cargoes at PLP.

- Revenue in 2017 remained broadly flat at USD 330.5 million USD (0.3% decline compared to 2016) compared to USD 331.5 million in 2016. A 5.5% decrease in container revenue was largely offset by 22.7% growth in non-container revenue. The reduction in container revenue was driven by the 11.5% decline in Revenue per TEU as a result of pricing initiatives introduced at the beginning of the year.
- Total Operating Cash Costs increased 20.3% during 2017 primarily due to the appreciation of the Rouble against the US dollar. FX adjusted Total Operating Cash Costs² increased by just 4.9% despite strong growth in container and bulk cargo volumes.
- Gross Profit in 2017 increased 25.2% to USD 182.0 million*.
- Adjusted EBITDA in 2017 decreased 10.1% to USD 201.6 million* mainly due to the decline in Revenue per TEU and the negative impact of the Russian rouble appreciation³ on the Group's largely RUB-denominated cost base when translated into US dollars.
- In the second half of 2017, adjusted EBITDA grew 7.2% to USD 104.3 million* compared to the first half of 2017 and the Adjusted EBITDA Margin improved to 62.1% versus 59.9% in 1H17 driven by the Group's volume recovery and strict cost control.
- The operating loss in 2017 amounted to USD 5.3 million as the Gross profit achieved of USD 182 million was absorbed by one-off non-monetary items such as Impairment, Loss from the Group's share of the result in joint ventures and Recycling of derivative losses previously recognised through other comprehensive income.
- The Group's capital expenditure on a cash basis was USD 28.0 million in 2017, in line with the Group's mid-term guidance of USD 25-35 million. Capital expenditure was focused on planned maintenance and an increase in annual capacity for coal handling at VSC from 1 million tonnes to 2.5 million tonnes.
- Net cash from operating activities decreased by USD 21.9 million, or 11.2%, from USD 195.8 million in 2016, to USD 173.9 million in 2017.
- Free Cash Flow remained strong at USD 145.9 million*, although this was 17.9% below the level generated in 2016. This decline was primarily due to a decrease in cash generated from operations from USD 218.7 million to USD 196.7 million. In the second half of 2017 the Group generated USD 75.6 million* of Free Cash Flow, 7.4% more than in the first half of 2017.
- The Group continued to deleverage and reduced Net Debt⁴ by a further USD 81.4 million* compared to 2016. The Group decreased its Total Debt⁴ by USD 70.2 million* during 2017 with Total Debt⁴ down more than USD 467 million* since the NCC Group acquisition at the end of 2013.
- In December 2017, the Moscow Arbitrage Court approved the terms of a settlement agreement between the Russian Federal Antimonopoly Service (FAS) and the Group's VSC, PLP and FCT terminals with respect to the findings of FAS in April 2017 that these terminals (as well as a number of other Russian terminal operators) were in breach of antimonopoly laws in relation to the pricing of stevedoring services in Russian ports. The terms of the settlement did not have any material impact on the Group's financial position or cash flow and did not negatively affect operating activities in any significant way.
- In line with previously disclosed statements made in March 2015, the Group continues to prioritise deleveraging over dividend distribution.

1. Including derivative financial instruments used for economic hedging of the Group's borrowings.
2. Management estimate, calculated as if effective USD/RUB exchange rate in 2017 was the same as in 2016.
3. The average exchange rate of the Russian rouble appreciated against the US dollar by 14.6% in 2017 compared to 2016.
4. Including derivative financial instruments used for economic hedging of the Group's borrowings.



“The combination of acceleration in our container volumes, strong growth in bulk cargo throughput, and strict cost control resulted in increased Adjusted EBITDA and an expansion of Adjusted EBITDA Margin for the Group in the second half of the year.”

Mikhail Loganov
Chief Executive Officer
Global Ports Management LLC

Results of operations for Global Ports for the twelve months ended 31 December 2017

The financial information presented in this review is extracted from the consolidated financial statements of Global Ports for the twelve-month period ended 31 December 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). This review also includes certain non-IFRS financial information, identified using capitalised terms below. For further information on the calculation of such non-IFRS financial information, see Additional Information section of this report and the section entitled “Non-IFRS Measures: Adjusted EBITDA and Adjusted EBITDA Margin” below. Readers of this review should read the entire announcement together with the Global Ports Group Condensed Consolidated Financial Information (unaudited) also released on the date hereof, and not just rely on the summary information set out below.

Certain financial information which is derived from the management accounts is marked in this announcement with an asterisk [*].

Rounding adjustments have been made in calculating some of the financial and operational information included in this presentation. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Operating Information

The table below sets out the container and bulk cargo throughput of the Group’s terminals for the periods indicated. Gross throughput is shown on a 100% basis for each terminal, including terminals held through joint ventures and accounted for using the equity method.

	FY 2017	FY 2016	Change Abs	%
Marine Terminals				
Containerised cargo (thousand TEUs)				
PLP	206.3	264.6	(58.3)	(22.0%)
VSC	370.8	301.3	69.5	23.1%
Moby Dik	167.6	155.4	12.2	7.8%
FCT	553.8	480.4	73.4	15.3%
ULCT	74.1	82.2	(8.1)	(9.8%)
Finnish Ports	115.6	187.5	(71.9)	(38.4%)
Non-containerised cargo				
Ro-Ro (thousand units)	23.9	15.0	8.9	59.2%
Cars (thousand units)	95.4	96.4	(0.9)	(1.0%)
Other bulk cargo (thousand tonnes)	2,731	2,236	495	22.2%
Inland Terminals				
Yanino				
Containerised cargo (thousand TEUs)	116.2	114.8	1.4	1.2%
Bulk cargo throughput (thousand tonnes)	498.6	354.7	143.9	40.6%
LT				
Containerised cargo (thousand TEUs)	171.8	174.2	(2.4)	(1.4%)
Bulk cargo throughput (thousand tonnes)	324.1	303.7	20.4	6.7%
VEOS (million tonnes)				
Total Marine Container Throughput in Russia (thousand TEUs)	1,372.5	1,283.9	88.6	6.9%
Consolidated Marine Container Throughput	1,205.0	1,128.5	76.5	6.8%
Consolidated Inland Container Throughput	171.8	174.2	(2.4)	(1.4%)
Consolidated Marine Bulk Throughput	2,694.9	2,209.9	485.1	21.9%
Consolidated Inland Bulk Throughput	324.1	303.7	20.4	6.7%

CONSOLIDATED MARINE CONTAINER THROUGHPUT (THOUSAND TEUS)	RO-RO (THOUSAND UNITS)								
+6.8%	+59.2%								
<table border="1"> <tr> <td>2016</td> <td>1,128</td> </tr> <tr> <td>2017</td> <td>1,205</td> </tr> </table>	2016	1,128	2017	1,205	<table border="1"> <tr> <td>2016</td> <td>15.0</td> </tr> <tr> <td>2017</td> <td>23.9</td> </tr> </table>	2016	15.0	2017	23.9
2016	1,128								
2017	1,205								
2016	15.0								
2017	23.9								
CONSOLIDATED MARINE BULK THROUGHPUT (THOUSAND TONNES)	CARS (THOUSAND UNITS)								
+21.9%	-1.0%								
<table border="1"> <tr> <td>2016</td> <td>2,209</td> </tr> <tr> <td>2017</td> <td>2,694</td> </tr> </table>	2016	2,209	2017	2,694	<table border="1"> <tr> <td>2016</td> <td>96.4</td> </tr> <tr> <td>2017</td> <td>95.4</td> </tr> </table>	2016	96.4	2017	95.4
2016	2,209								
2017	2,694								
2016	96.4								
2017	95.4								

BUSINESS REVIEW (CONTINUED)



Brian Bitsch
Chief Commercial Officer
Global Ports Management LLC

“The Russian container market continued its strong recovery in the second half of 2017 which resulted in 16.0% growth for full year 2017 versus 2016. The main driver of this growth was a 20.0% increase in the handling of laden import containers. Throughput of laden export containers at Russian terminals also continued to grow strongly (+12.2% y-o-y), principally due to increased exports and the wider use of containers in Russia.”

Overall marine container throughput by Russian terminals reached 4.43 million TEU in 2017 compared to 3.82 million TEU for 2016. As a result of market growth, average container handling capacity utilisation⁵ for the market improved to approximately 60% in December 2017 compared to 47% in 2016.

Container throughput in the Far East and South of Russia demonstrated higher growth rates of 26.8% y-o-y and 19.7% y-o-y respectively, underpinned by the shortage of shipping

capacity on the Asia-Europe route that is handled through the Baltic Basin. The Russian Baltic Basin, where six of the Group's seven marine terminals are located, remains the key container gateway to Russia handling 50.3% of the total containers in Russia in 2017, although with a slower growth rate of 10.7% y-o-y. The Group's Consolidated Marine Container Throughput increased 6.8% to 1,205 thousand TEU in the reporting period compared to 1,128 thousand TEU in 2016. Following the introduction of pricing initiatives at the

beginning of 2017, the Group delivered 2% growth in container volumes in the first half of 2017, with growth accelerating to 11.8% y-o-y in the second half of 2017 and 23% in January-February 2018.

Traditional Ro-Ro handling increased 59.2% to 23.9 thousand units in the 2017, from 15.0 thousand units in 2016. The key driver of such growth was the export of Kamaz vehicles to Asia.

Results of operations of Global Ports for the twelve-month period ended 31 December 2017 and 2016

The following table sets out the principal components of the Group's consolidated income statement and certain additional non-IFRS data of the Group for the twelve months ended 31 December 2017 and 2016:

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
Selected consolidated financial information				
Revenue	330.5	331.5	(1.0)	(0.3%)
Cost of sales	(148.5)	(186.1)	37.6	(20.2%)
incl. impairment of property, plant and equipment and intangible assets	(11.4)	(67.5)	56.1	-
Gross profit	182.0	145.4	36.6	25.2%
Administrative, selling and marketing expenses	(42.7)	(36.7)	(6.1)	16.5%
Share of (loss)/profit of joint ventures accounted for using the equity method	(73.3)	(40.4)	(32.9)	81.3%
Other gains/(losses) – net	(71.3)	(68.8)	(2.6)	3.7%
Operating (loss)/profit	(5.4)	(0.5)	(4.9)	1086.3%
Finance income	2.0	1.4	0.7	49.7%
Finance costs	(90.9)	(98.1)	7.2	(7.3%)
Change in fair value of derivative	42.1	64.4	(22.3)	(34.7%)
Net foreign exchange gains/(losses) on financial activities	27.9	142.6	(114.6)	(80.4%)
Finance income/(costs) – net	(18.8)	110.3	(129.1)	(117.0%)
Profit before income tax	(24.2)	109.9	(134.0)	(122.0%)
Income tax expense	(28.8)	(48.6)	19.8	(40.7%)
Profit/(loss) for the period	(53.0)	61.3	(114.2)	(186.5%)
Attributable to:				
Owners of the Company	(53.0)	61.0	(114.0)	(186.8%)
Non-controlling interest	0.0	0.2	(0.2)	(88.3%)
Key Non-IFRS financial information				
Adjusted EBITDA	201.6*	224.3*	(22.7)	(10.1%)
Adjusted EBITDA Margin	61.0%*	67.7%*	-	-
Cash Cost of Sales	(87.1)*	(71.0)*	(16.1)	22.7%
Total Operating Cash Costs	(128.9)*	(107.1)*	(21.7)	20.3%
Free Cash Flow	145.9*	177.8*	(31.9)	(17.9%)

5. Company estimates based on publicly available information and ASOP data.

The following table sets forth the components of the consolidated Revenue for the twelve months of 2017 and 2016:

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
Container handling	254.8*	269.8*	(15.0)	(5.5%)
Other	75.7*	61.7*	14.0	22.7%
Total revenue	330.5	331.5	(1.0)	(0.3%)

The Group's car handling volumes were broadly flat y-o-y, decreasing by 1.0% to 95 thousand cars. The Group's volumes were impacted by Toyota's decision to start local production of one of their models which had previously been imported as well as PLP's continued focus on the premium car segment.

The Group continued to focus on increasing bulk cargo volumes in 2017 to improve the utilisation rates at its terminals. As a result, Consolidated Marine Bulk Throughput increased by 21.9% (485 thousand tonnes) to 2,695 thousand tonnes. The growth in Consolidated Marine Bulk Throughput was primarily driven by growth in export coal handling at VSC and an increase in scrap metal and other export bulk cargo handling at PLP.

In response to high demand for coal handling services the Group increased its coal handling capacity at VSC in 2017 which has already reached its planned high utilisation levels. The Group have no plans to increase coal capacity at VSC further given the strong recovery of the container market.

Revenue

In 2017 revenue was broadly flat, decreasing by USD 1.0 million or 0.3% y-o-y to USD 330.5 million⁶. The decline in container handling revenue was offset by an increase in other revenue.

Revenue from container handling declined 5.5%, or USD 15.0 million to USD 254.8 million*. This decline was driven by a 11.5% fall in consolidated Revenue per TEU due to pricing initiatives introduced at the beginning of the year, which was partially offset by the Group's 6.8% growth in consolidated container throughput.

Other revenue increased by 22.7%, or USD 14.0 million, to USD 75.7 million*, driven by coal and other cargo handling. Revenue from other services, primarily related to Russian rouble-priced railway services at VSC⁷, grew along with higher volumes of services provided by VSC due to increased container throughput. Ro-Ro cargo handling volumes also grew by 59.2% in the period.

The share of non-container revenue in consolidated revenue of the Group increased from 18.6%* in the 2016 to 22.9%* in 2017.

In order to increase the attractiveness of its ports, in 2017 Global Ports introduced Russian rouble-based pricing for services offered to Russian freight-forwarders and cargo owners.

Cost of sales

Cost of sales decreased by USD 37.6 million, or 20.2%, from USD 186.1 million in 2016 to USD 148.5 million in 2017. The decrease was primarily driven by a significant reduction in the non-cash property, plant and equipment impairment charge of USD 11.4 million (versus USD 67.5 million in 2016). Cash Cost of Sales increased by 22.7% from USD 71.0 million* in 2016 to 87.1 million* in 2017. Property, plant and equipment depreciation increased by 8.0% from USD 34.3 million in 2016 to USD 37.0 million in 2017, primarily driven by the appreciation of the Russian rouble mentioned below.

The increase in the Cash Cost of Sales was largely driven by the 14.6% appreciation of the average exchange rate of the Russian rouble against the US dollar in 2017. As the significant majority of the Group's Cash Cost of Sales items are Rouble-denominated, the volatility of the exchange rate has a significant impact on costs presented in US dollars. Cash Cost of Sales adjusted for foreign exchange rate change grew 6.9%*⁸ on the back of 6.8% growth in container throughput and 21.9% growth in Consolidated Marine Bulk Throughput.

Cost of sales

The following table sets out a breakdown by expense of the Cost of sales for 2017 and 2016:

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
Depreciation of property, plant and equipment	37.0	34.3	2.8	8.0%
Amortisation of intangible assets	12.9	13.2	(0.3)	(2.0%)
Impairment of property, plant and equipment and intangible assets	11.4	67.5	(56.1)	(83.1%)
Staff costs	41.9	34.2	7.7	22.4%
Transportation expenses	8.3	6.6	1.7	25.7%
Fuel, electricity and gas	7.6	5.7	1.8	32.1%
Repair and maintenance of property, plant and equipment	7.1	6.2	0.9	13.7%
Purchased services	6.8	5.3	1.5	29.0%
Taxes other than on income	5.2	4.3	0.8	19.5%
Other operating expenses	10.2	8.6	1.7	19.4%
Total cost of sales	148.5	186.1	(37.6)	(20.2%)
Cash cost of Sales	87.1*	71.0*	16.1	22.7%

- On a 100% basis total revenue of the Russian Ports segment amounted to USD 360.5 million, of which USD 277.0 million* accounted for container handling and USD 83.4 million* for other services.
- The average exchange rate of the Russian rouble appreciated against the US dollar by 14.6% in 2017 compared to 2016.
- Management estimate, calculated as if effective USD/RUB exchange rate in 2017 was the same as in 2016.

BUSINESS REVIEW (CONTINUED)

Impairment of property, plant and equipment and intangible assets

The Group follows its accounting policies to test goodwill and other non-financial assets for possible impairment or reversal of impairment. For LT, the inland terminal near St. Petersburg, the fair value of property, plant and equipment has been assessed using comparative market method taking into account the agreement for its sale signed in August 2017. Based on the procedure above impairment charges of USD 11.4 million for LT were recognised. This impairment charge was fully allocated to property, plant and equipment.

Gross profit

Gross profit increased by USD 36.6 million, or 25.2%, from USD 145.4 million in 2016 to USD 182.0 million in 2017. This decrease was due to the factors described above.

Administrative, selling and marketing expenses

Administrative, selling and marketing expenses increased by USD 6.1 million, or 16.5%, from USD 36.7 million in 2016 to USD 42.7 million in 2017. This was primarily due to an increase of USD 3.9 million in Staff costs, a USD 0.7 million increase in Operating lease costs as well as an increase of USD 1.3 million in Other expenses which were partially offset by a USD 0.5 million decrease in Taxes. As a substantial part of the Group's Administrative, selling and marketing expenses are Russian rouble-denominated, the volatility of the exchange rate has a significant impact on costs presented in US dollars. The average exchange rate of the Russian rouble appreciated against the US dollar by 14.6% in the 2017 compared to 2016. Administrative, selling and marketing expenses adjusted for foreign exchange rate change increased by 0.9%*⁹ in 2017.

Share of profit/(loss) of joint ventures accounted for using the equity method

The Group's share of loss from joint ventures increased from USD 40.4 million in 2016 to USD 73.3 million in 2017. This result was principally due to unfavourable results from

Vopak E.O.S (Estonia), which were caused primarily by a structural deterioration of the business environment in which the terminal operates, which is heavily dependent on the flows of Russian oil products. As a result, the Group has taken an impairment charge of USD 71.6 million on its investment. The investment in Vopak E.O.S has been impaired to the carrying amount of USD 7.3 million.

Other gains/(losses) – net

Other gains/(losses) amounted to a net loss of USD 71.3 million in 2017, compared to a loss of USD 68.8 million in 2016. This was primarily due to an increase in the recycling of derivative losses previously recognised through other comprehensive income from USD 63.2 million in 2016 to USD 69.6 in 2017. The nature of this loss is the following: upon acquisition of NCC at the end of 2013 the Group designated an acquired derivative as a cash flow hedge instrument on one of NCC's loans. At the end of 2015 the Group partly restructured its debt portfolio. In the course of this restructuring the loan has been terminated. This resulted in the termination of the cross-currency interest rate swap arrangement explained above. The termination of the cross-currency interest rate swap arrangement together with the settlement of the related loan led to the cancellation of the related cash flow hedge and non-cash loss recycling in the Group's consolidated income statement during the contractual maturity of the settled loan. As of 31 December 2017 the loss was recycled in full.

Operating profit/(loss)

The Group's operating loss increased by USD 4.9 million from USD 0.5 million in 2016 to USD 5.4 million in 2017 due to the factors described above.

Finance income/(costs) – net

Finance income/(costs) – net changed from income of USD 110.3 million in 2016 to a cost of USD 18.8 million in 2017. This move was primarily due to the decrease in foreign exchange gains on financing activities from USD 142.6 million in 2016 to USD 27.9 million in 2017. This was a result of a lower appreciation of the Russian rouble, which in turn led to reduced gains from the translation of US

Share of profit/(loss) of joint ventures accounted for using the equity method

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
VEOS	(77.5)	(46.4)	(31.1)	67.0%
MLT	5.2	6.6	(1.4)	(21.7%)
CD Holding	(1.0)	(0.7)	(0.3)	50.3%
Total share of profit/(loss) of joint ventures	(73.3)	(40.4)	(32.9)	81.3%

9. The average exchange rate of Russian rouble appreciated against the US dollar by 14.6% in 2017 compared to 2016.

10. Management estimate, calculated as if effective USD/RUB exchange rate in 2017 was the same as in 2017.

TOTAL OPERATING CASH COSTS ADJUSTED FOR FX (USD MILLION)¹⁰

+5%

2016	107.1
2017	112.4

TOTAL OPERATING CASH COSTS (USD MILLION)

+20.3%

2016	107.1
2017	128.9

CASH CAPEX (USD MILLION)

2014	24
2015	12
2016	18
2017	28

dollar-denominated borrowings in the Group's subsidiaries. Further, a lower positive change in the fair value of derivative instruments¹¹ of USD 42.1 million in 2017 compared to a positive change of USD 64.4 million in 2016 contributed to the movement in finance income/(costs) – net.

Profit/(loss) before income tax

Profit/(loss) before income tax decreased from a profit of USD 109.9 million in 2016 to a loss of USD 24.1 million due to the factors described above.

Income tax expense

In 2017, the income tax expense was USD 28.8 million, compared to USD 48.6 million in 2016. The difference in the effective tax rate from the normally applicable Russian statutory tax rate of 20% was largely driven by the effect of expenses and losses not deductible for tax purposes, withholding tax on undistributed profits and non taxable results of joint ventures.

Profit/(loss) for the period

The company reported a loss of USD 53.0 million in 2017 compared to a profit of USD 61.3 million in 2016 due to the factors described above.

Cash flows

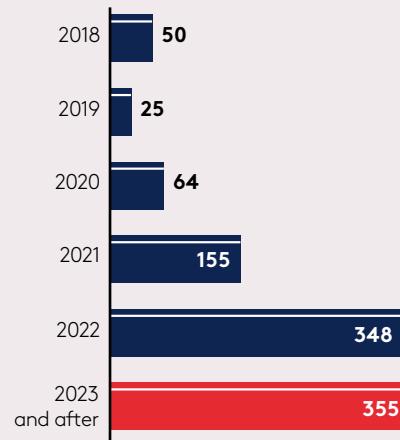
The following table sets out the principal components of the Group's consolidated cash flow statement for 2017 and 2016:

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
Cash generated from operations	196.7	218.7	(22.0)	(10.0%)
Tax paid	(33.5)	(28.1)	(5.4)	19.2%
Net cash from operating activities before dividends received from joint ventures and adjusted for income tax	163.2	190.6	(27.4)	(14.4%)
Dividends received from joint ventures	10.8	5.3	5.5	103.8%
Net cash from operating activities	173.9	195.8	(21.9)	(11.2%)
Net cash used in investing activities	(34.6)	(25.6)	(9.0)	35.2%
Purchases of intangible assets	(1.8)	(0.1)	(1.7)	1464.4%
Purchases of property, plant and equipment	(28.0)	(18.0)	(10.0)	55.4%
Proceeds from sale of property, plant and equipment	0.3	1.0	(0.7)	(71.6%)
Loans granted to related parties	(7.5)	(9.9)	2.4	(24.2%)
Loan repayments received from related parties	1.2	0.4	0.7	166.4%
Interest received	1.3	1.0	0.3	29.6%
Net cash used in financing activities	(129.1)	(175.9)	46.7	(26.6%)
Proceeds from borrowings	–	829.3	(829.3)	–
Repayments of borrowings	(57.5)	(943.0)	885.5	(93.9%)
Interest paid	(89.1)	(70.3)	(18.8)	26.8%
Proceeds from derivative financial instruments	20.3	11.4	8.9	78.1%
Other	–	(0.7)	0.7	–
Free Cash Flow (Net cash from operating activities – Purchase of PPE)	145.9*	177.8*	(31.9)	(17.9%)

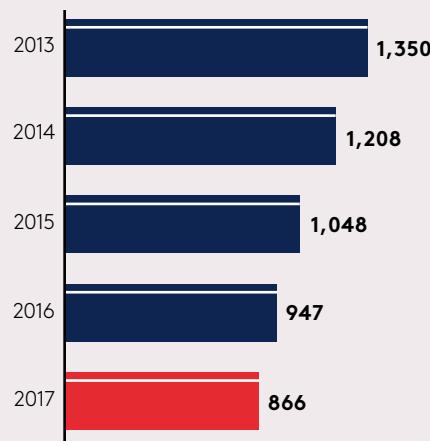
11. During 2015 and 2016 the Group entered into three cross-currency swap arrangements to exchange its RUR-denominated liabilities related to the newly issued bonds (three issues of RUR 5,000 million each) with fixed interest rate of approximately 13% in the amount RUR 15,000 million to USD-denominated debt with the lower fixed interest rate.

12. Including derivative financial instruments.

DEBT MATURITY PROFILE AS OF 31 DECEMBER 2017 (USD MILLION)



CONSISTENT NET DEBT REDUCTION (USD MILLION)





Alexander Roslavytsev
Chief Financial Officer
Global Ports Management LLC

non-current borrowings. As at 31 December 2017, the Group had no undrawn borrowing facilities. See also "Capital resources".

Net cash from operating activities

Net cash from operating activities decreased by USD 21.9 million, or 11.2%, from USD 195.8 million in 2016, to USD 173.9 million in 2017. The decrease in net cash from operating activities was primarily due to a USD 22.0 million, or 10%, decline in the cash generated from operations in 2017 compared to 2016, which was partially offset by the USD 5.5 million or 103.8% increase in Dividends received from joint ventures. This growth was driven by a dividend payment declared by VEOS previously and paid in 2017.

Net cash used in investing activities

Net cash used in investing activities increased by USD 9.0 million, or 35.2%, from USD 25.6 million in 2016 to USD 34.6 million in 2017. This increase was primarily driven by a USD 10.0 million or 55.4% increase in Purchases of property, plant and equipment from USD 18.0 million in 2016 to USD 28.0 million in 2017. Purchases of property, plant and equipment were in line with the previously announced mid-term CAPEX guidance of USD 25-35 million. The Group's modern and already well-invested terminals allow for lower capital investments without compromising the efficiency and safety of the operations. Capital expenditure was focused on planned maintenance and an increase in capacity for coal handling at VSC from 1 million tonnes to 2.5 million tonnes. Purchases of intangible assets increased from USD 0.1 million in 2016 to USD 1.8 million in 2017. The primary use of these investments were: (a) an upgrade of the IT platform for the terminal operation system at PLP; and (b) advance payments for a new ERP platform.

"Balance sheet discipline continues to be critical for Global Ports and we remain highly focused on deleveraging. We reduced our net debt by another USD 81.4 million in 2017 and since the NCC acquisition, the Group's total debt position has been reduced by almost half a billion US dollars."

Net cash used in financing activities

Net cash used in financing activities decreased by USD 46.7 million, or 26.6%, from USD 175.9 million in 2016 to USD 129.1 million in 2017. The decrease in net cash used in financing activities was primarily due to the decrease in net proceeds and repayment of borrowings and finance lease principal payments by USD 56.0 million or 48.1% from USD 116.2 million in 2016 to USD 60.3 million in 2017. This decrease is in line with the Group's debt repayment schedule.

Capital resources

The Group's financial indebtedness consists of bank borrowings, bonds, loans from third parties, finance leases liabilities and net derivative financial instruments and reached USD 996.4 million as at 31 December 2017.

As of that date, all of the Group's borrowings were secured by equity interests in certain Group members or by guarantees and suretyships granted by certain Group members. Certain of these borrowings contain covenants requiring the Group and the borrower to maintain specific indebtedness to Adjusted EBITDA and other ratios, as well as covenants having the effect of restricting the ability of the borrower to transfer assets, make loans and pay dividends to other members of the Group.

The weighted average interest rate of the Group's debt portfolio is 6.8%, including the effects of swap arrangements.

As at 31 December 2017, the Group had leverage of Net debt to Adjusted EBITDA ratio of 4.3* (compared to a ratio of 4.2* as at 31 December 2016 and 4.4* as at 30 June 2017). The following table sets out the maturity profile of the Group's total borrowings (including finance leases) and net derivative financial instruments as at 31 December 2017.

	USD million
1H 2018	37.7
2H 2018	11.9
2019	24.9
2020	63.9
2021	155.2
2022 and after	702.8
Total	996.4

As at 31 December 2017, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	USD million
Rouble	277.7
US dollar	797.0
Total	1,074.8

As at 31 December 2017, the carrying amounts of a majority of the Group's borrowings denominated in Russian roubles, in the amount of USD 267.8 million, were swapped into US dollars.

**Reconciliation of Additional data (Non-IFRS) to the Consolidated Financial Information
for the twelve-month period ended 31 December 2017**

Reconciliation of Adjusted EBITDA to Profit for the period

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
Profit/(loss) for the year	(53.0)	61.3	(114.2)	(186.5%)
<i>Adjusted for</i>				
Income tax expense	28.8	48.6	(19.8)	(40.7%)
Finance (income)/costs – net	18.8	(110.3)	129.1	(117.0%)
Amortisation of intangible assets	13.0	13.2	(0.3)	(2.0%)
Depreciation of property, plant and equipment	38.0	34.8	3.2	9.1%
Impairment of goodwill and property, plant and equipment	11.4	67.5	(56.1)	(83.1%)
Other losses – net	71.3	68.8	2.6	3.7%
Share of loss of joint ventures accounted for using the equity method	73.3	40.4	32.9	81.3%
Adjusted EBITDA*	201.6*	224.3*	(22.7)	(10.1%)

Reconciliation of Adjusted EBITDA Margin

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
Revenue	330.5	331.5	(1.0)	(0.3%)
Adjusted EBITDA*	201.6*	224.3*	(22.7)	(10.1%)
Adjusted EBITDA Margin*	61.0%	67.7%		

Reconciliation of Total Operating Cash Costs to Cost of sales and administrative, selling and marketing expenses

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
Cost of sales	148.5	186.1	(37.6)	(20.2%)
Administrative, selling and marketing expenses	42.7	36.7	6.1	16.5%
Total	191.2	222.7	(31.5)	(14.1%)
<i>Adjusted for</i>				
Impairment of goodwill and property, plant and equipment	(11.4)	(67.5)	56.1	(83.1%)
Depreciation of property, plant and equipment	(38.0)	(34.9)	(3.2)	9.1%
Amortisation of intangible assets	(13.0)	(13.2)	0.2	(1.8%)
Total Operating Cash Costs*	128.9*	107.2*	21.7	20.3%

Reconciliation of Cash Costs of Sales to Cost of sales

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
Cost of sales	148.5	186.1	(37.6)	(20.2%)
<i>Adjusted for</i>				
Impairment of goodwill and property, plant and equipment	(11.4)	(67.5)	56.1	(83.1%)
Depreciation of property, plant and equipment	(37.0)	(34.3)	(2.8)	8.0%
Amortisation of intangible assets	(12.9)	(13.2)	0.3	(2.0%)
Cash Cost of Sales*	87.1*	71.0*	16.1	22.7%



BUSINESS REVIEW (CONTINUED)



Reconciliation of Cash Administrative, Selling and Marketing Expenses to Administrative, selling and marketing expenses

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
Administrative, selling and marketing expenses	42.7	36.7	6.1	16.5%
<i>Adjusted for</i>				
Depreciation of property, plant and equipment	(1.0)	(0.6)	(0.4)	72.7%
Amortisation of intangible assets	(0.0)	(0.0)	(0.0)	40.3%
Cash Administrative, Selling and Marketing expenses*	41.7	36.1	5.6	15.6%

Reconciliation of Net Debt and Total Debt to Borrowings

	As at 31.12.2017 USD million	As at 31.12.2016 USD million	Change USD million	Change %
Non-current borrowings	1,005.7	1,040.9	(35.2)	(3.4%)
Current borrowings	69.1	78.7	(9.6)	(12.2%)
<i>Adjusted for</i>				
Derivative financial instruments (non-current assets)	(58.8)	(35.5)	(23.3)	65.6%
Derivative financial instruments (current assets)	(19.5)	(17.4)	(2.1)	12.2%
Total Debt*	996.4*	1,066.6*	(70.2)	(6.6%)
<i>Adjusted for</i>				
Cash and cash equivalents	(130.4)	(119.3)	(11.2)	9.4%
Net Debt*	865.9*	947.3*	(81.4)	(8.6%)

Reconciliation of Free Cash Flow to Net cash from operating activities

	FY 2017 USD million	FY 2016 USD million	Change USD million	Change %
Net cash from operating activities	173.9	195.8	(21.9)	(11.2%)
<i>Adjusted for</i>				
Purchases of property, plant and equipment	(28.0)	(18.0)	(10.0)	55.4%
Free Cash Flow	145.9	177.8	(31.9)	(17.9%)



CORPORATE SOCIAL RESPONSIBILITY

INVESTING IN PEOPLE, COMMUNITIES, SOCIETY AND THE ENVIRONMENT

Introduction

At Global Ports, our corporate social responsibility (CSR) strategy is an integral part of realising our core strategic priorities. The objectives for our business and CSR strategies are the same – to generate sustainable shareholder value over the long term.

Our CSR strategy embraces five key objectives that support delivery of the Group's overall commercial strategy. As a sustainable and responsible organisation, our objectives are to:

- Operate with integrity;
- Deliver economic and social benefit to the communities we serve;
- Build employee advocacy for the Group and its role in the community;
- Manage the environmental impacts of our business operations; and
- Communicate our commitment to corporate responsibility openly and transparently.

Safety

Safety is a top priority for Global Ports. We are always mindful that the nature of our industry means our people are regularly exposed to activities that put them at risk. Therefore our ultimate safety goal is zero-harm, with all our people returning home safely every day.

Strong leadership and management involvement is critical to building a responsible safety culture. At Global Ports, our Board and Senior Executives understand that the tone is set from the top and are fully committed to driving forward our safety agenda.

As a company, our goal is to build and embed a sustainable safety culture that changes the way our people think about health and safety, that is easy for our people to understand and that is simple to implement, based on three core principles:

- Providing a safe working environment;
- Providing comprehensive implementation plans built around best practice safety and compliance standards; and
- Offering comprehensive training programmes focused on risk awareness and reduction.

Ensuring a safe working environment

We expect, and require, our people to put safety first in everything they do. To achieve this, we invest in Safety, providing suitable resources, training and time with priority given to addressing behavioural and cultural attitudes.

At the same time, we recognise that the work place is a dynamic environment so we constantly review our working processes to ensure they are the safest they can be. The Group has put in place a focused safety management framework that covers all aspects of performance monitoring, benchmarking, target-setting and training and development.

We ensure a safe working environment in a number of ways:

- By establishing critical minimum safety standards in line with industry best practice (Global Minimum Requirements).
- Through regular safety audits that benchmark our facilities' compliance in implementing our GMRs.
- Through regular safety and risk awareness training for our staff and contractors.

Health & Safety forms part of the induction process for new employees and for any visitors visiting our production areas. We conduct regular safety-training exercises for staff covering general safety issues including: fire drills; first aid; electrical safety; traffic rules around facilities; and safe working at height.

- In addition, the Group runs regular specialised training programmes for its employees that need more specialised training for example in the safe operation of hazardous production facilities or handling of hazardous materials.
- Through involvement in the Annual Safety Day held jointly with APM Terminals which aims to highlight the central importance of safety and increase individual commitment to ensuring a safe work place.
- Through regular monitoring of the health and wellbeing of our employees aimed at improving and maintaining their wellbeing and reducing the incidence of occupational illnesses.

Governance Framework

The Board is responsible for setting the Group's health and safety strategy, and for creating the overarching policies and safety standards that set the guidelines for safety throughout all of Global Ports' operations.

The Senior Executives of the Group and its companies oversee implementation of policy, strategy and initiatives across all our businesses. They regularly review Business Unit commentary and performance reports in order to monitor the safety performance of individual business units.

“At Global Ports we believe that promoting a culture of responsible business is fundamental to our long-term success and to being acknowledged as a world-class operator of ports.”

Britta Dalunde

Chairman of the Audit and Risk Committee
Independent Non-Executive Director

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

The Senior Executives supply the Board with quarterly performance reports for discussion. The Board conducts an annual review of the Group's safety performance and agrees with the Senior Executives a plan of action and targets for the next twelve months.

How We Performed in 2017

The Group has delegated to the Chief Operational Officer the monitoring and measurement of health and safety performance through a number of metrics.

Our performance in 2017 showed clear signs of improvement with our main safety metrics continuing the positive trend of recent years.

We are pleased that the 2017 safety audit at our seven terminals produced an overall average score of 95% compliance with our Global Minimum Requirements.

We also made further progress in reducing the frequency rate of injuries suffered at our facilities (LTIFR), which has continued to steadily decline. It is also very pleasing to report that there were no fatalities recorded at the Group's terminals in 2017, maintaining Global Ports level of zero fatalities since becoming a listed company.

Where incidents do occur, all are fully investigated and examined at the highest level as required under our safety rules and corrective actions and preventative measures are put in place to ensure that the incident does not reoccur and future risks are mitigated.

Our priorities in 2018

As part of our ongoing strategy to transform the safety ethos of our company, in 2018 our priorities will be to focus on:

- improving our monitoring, reporting and reviewing of safety, including adopting a more rigorous approach to incident reporting and follow-up.
- Implementing a comprehensive behavioural-change package of measures, including increasing the leadership's involvement in safety initiatives like the annual Safety Day.
- Implementing our External Contractor safety programme to align contractor selection more closely to our internal safety policies.

Employee Engagement

We employ over 2,400 people and our success depends on our ability to attract, develop and retain the best talent at every level across our business. We aim to provide a safe, stimulating and enjoyable working environment that inspires our people to do their best.

Training & Development

Employee development and training is a significant part of what we offer our people.

We want to provide a dynamic and exciting workplace that is attractive to both existing employees and new recruits.

We offer a variety of professional training and development courses to all our people at whatever level. We provided career opportunities across the Group for our high potential employees. And we place a strong emphasis on identifying and nurturing the next generation of leaders in the business.

Recognising and rewarding our employees in a fair and transparent way ensures that our people feel incentivised to succeed, that outstanding performance is recognised, and that individuals are differentiated based on abilities and results. The Group has performance management systems in place throughout its operations to ensure that corporate and individual goals are clearly aligned.

Human Rights & Diversity

We believe all people are entitled to fundamental rights and freedoms and creating an equal fair and diverse workplace is a priority for the Group. Therefore we are committed to upholding the rights of everyone who works for the Group and those who have dealings with it. Our approach to human rights and diversity is based on our Code of Conduct and underpinned by our values.

We support the standards of fair treatment and non-discrimination, and we work to prevent and mitigate adverse human rights impacts in our operations. We implement our employees' human rights protections through our Code of Conduct. Through our CSR and HR teams we monitor and work to address any alleged human rights complaints or concerns, whether from our employees or third-parties. Equally, we recognise the importance of gender diversity within the Group and the benefits it brings to the business. Across the Group females represent 36% of the employees, including 32% of production staff and 65% of administrative staff. At a senior leadership level, 30% of the Board are female and 24% of the senior executive, as of 31 December 2017.

Engaging with our people

We believe that open and transparent communication is vital to a successful workplace. We recognise that regular engagement with our workforce helps to motivate them to do their best.

We provide updates on our strategic priorities and business performance through a variety of communication channels including management briefings and internal emails. We are taking steps to further improve communications with our staff, with the construction of a dedicated company intranet which will be launched in the near future.

We also seek regular feedback from our employees to measure engagement and gather important insights about our business. We conduct regular staff surveys and all feedback is reviewed, and any important issues identified for further review.

Environment

Global Ports is committed to protecting the environment and improving the quality of life of the local communities wherever it operates. Being good neighbours to the communities where we operate also means continuing to reduce our impact on the environment. The Group aims to comply strictly with all applicable requirements of environmental laws in the regions where it operates. Responsibility towards the environment is embedded in all of Global Ports' investment programmes.

Across our port terminals, we continue to prioritise schemes that reduce our energy and water usage and improve our waste management performance. The Group regularly invests in energy efficiency and environmental protection related projects. These projects include: construction and upgrading of waste water treatment facilities; installation of energy efficient lighting; renovation and renewal of storm water drainage systems; construction of new coal dust protection facilities; and the installation of energy-efficient heating systems.

Waste Management

Global Ports aims to reduce the amount of waste that its port terminals produce, re-use resources where possible and dispose of waste in a way that minimises the environmental impact while maximising operational and financial efficiency.

Generally the activities of the Group do not lead to the formation of any solid or dangerous waste products. However, the Group does monitor and analyse its waste management activities, and each facility regularly reviews opportunities for waste recycling and reuse of materials. Global Ports is also working hard with its industry partners to reduce the impact of shipping and port operations on water quality at its port terminals.

We are concentrating hard on reducing our environmental footprint. Specifically, we are looking at ways to increase our energy efficiency and also reduce air emissions. For instance, we are working with our customers to try to find ways to reduce the impact that visiting vessels have on the ports' air quality. All non-recyclable waste such as waste oil is carefully stored in ways designed to prevent any harmful substances escaping into the environment.

Global Ports also makes strenuous efforts to manage water resources effectively and minimise the impact of negative water quality

Energy Usage

	Unit	2015	2016	2017
Electricity consumption per 1 tonne of cargo handled by Russian Ports' marine terminals	kWh	2.38	2.38	2.15
Fuel consumption per 1 tonne of cargo handled by Russian Ports' marine terminals	l/t	0.47	0.46	0.44

on the environment. Recycling waste water is a top priority for Global Ports.

VSC signed an agreement with both administrations: city of Nakhodka and Primorsk Territory. According to the terms of the agreement around, 670 million RUR will be invested in 2018–2021 into various environmental protection measures including additional water treatment facilities, coal dust suspension systems and other initiatives.

Governance and Ethics

The Group recognises that its reputation and good name are amongst its most valuable assets, which could easily be lost by actual or suspected corrupt or unethical behaviour.

We maintain a strict stance against bribery and corruption and operate a zero tolerance regime to all forms of corruption. Global Ports's Anti-Corruption Policy sets out the goals and objectives, the defining principles and the role of the Board and executive management in executing the Group's zero tolerance approach to these matters.

The Group has an established anti-corruption compliance framework in place as part of its risk management arrangements. It is based on the Group's Code of Conduct which sets out how we should conduct our business.

Employees are encouraged to approach management and legal department whenever they have questions about what to do in difficult situations and Internal audit and Independent Board Members when they want to voice concerns about known violations of the Group's policy.

The Group's whistleblowing service, enables employees, contractors, suppliers and members of the public to report any significant concerns about the business, or behaviour of individuals. The new system was established in 2017. The Group aims to provide anti-corruption training to all line managers, including those working in central office functions.

Supply Chain Management

The Group enjoys good relations with its suppliers and is working closely with our key suppliers to establish high operating standards and ensure accountability through the supply chain. The Group operates to a strict set of guidelines that are covered by its Procurement policy. As a matter of policy, all procurement for

the largest port terminals is centralised and actioned at Group level by the corporate centre.

All tenders are conducted via publication of RFQ on open website, creating transparency and equal rights for all potential suppliers. The process is conducted in accordance with the Procurement Standard issued by the organisation. Our procurement team is also able to access information and advice on global best practice through its involvement with the APM Terminals global networks.

Our Communities

The Group believes that good community relations are important to the long-term development and sustainability of its operations. Global Ports is committed to supporting the local communities where it operates and improving the quality of life for its employees and their communities through supporting community-driven social investment. This is the philosophy that underpins the Group's approach to social investment.

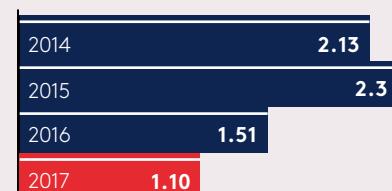
Global Ports funds a variety of social and charitable projects. These are focused around the themes of Health, Education, Culture and Welfare. Under the Health banner, the Group supports a variety of sports programmes in its communities. The Group also backs various educational programmes and funds welfare projects, principally those dealing with vulnerable adults and children.

The Group also prioritises support for social infrastructure, sponsoring socially important projects in the regions where it operates, for instance funding heritage restoration projects. As a matter of policy, entities and representatives of legislative, executive or judiciary authorities, political parties, commercial entities and individuals or legal entities associated with them are not eligible for the Group's charity and sponsor support.

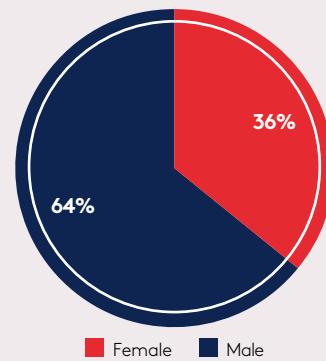
In 2017, the Group continued its commitment to key social programmes, providing support to a number of projects, including:

- VSC, FCT, ULCT and PLP support of the Life Line Foundation;
- VSC support for the repairs and purchase of medicine for the baby orphanage at Nakhodka Children's Hospital; and
- FCT, PLP and ULCT donations to the St. Petersburg Public Organisation, "Interrupted Flight", in order to provide financial aid to the St. Petersburg metro bomb victims.

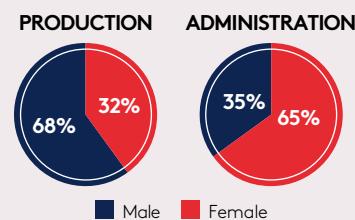
LTIFR



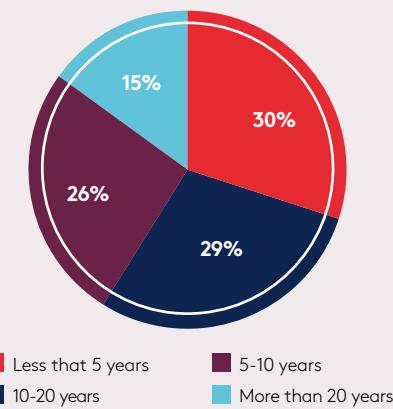
DIVERSITY: FEMALES AS A PERCENTAGE OF TOTAL STAFF



DIVERSITY: FEMALES AS A PERCENTAGE OF DEPARTMENT STAFF



DIVERSITY: LENGTH OF SERVICE (YEARS)





CORPORATE GOVERNANCE

Effective governance is central to Global Ports' long-term success. The Group has assembled a skilled, diverse Board of Directors to help deliver high standards.



STRONG INSTITUTIONS, RIGOROUS OVERSIGHT

Global Ports has a diverse set of stakeholders, from international institutions holding our shares and bonds, to our customers, employees, regulators and communities. Made up of seasoned industry professionals, the Board of Directors is committed to acting in the best interest of all stakeholders.

Though the Group is not subject to the provisions of UK Corporate Governance Code, it seeks to maintain the highest global standards of corporate governance and adopt best practices from international peers. Strong corporate governance institutions and transparency make the Group more efficient and ensure Global Ports remains a standard bearer for the Russian port sector.

Role of the Board of Directors

Global Ports is governed by its Board of Directors ("the Board"), which is collectively responsible under the Group's corporate governance framework to the shareholders for the Group's successful performance. Its goal is to promote adherence to best-in-class corporate governance.

The Board's role is to provide entrepreneurial leadership to the Group by setting the corporate strategic objectives, ensuring that the necessary financial and human resources are in place to meet those objectives and reviewing management performance. The Group seeks directors who bring strong track records and a deep understanding of the industry. The Board sets the Group's values and standards as well as ensuring that employees understand and meet all obligations to shareholders. The Board maintains a sound system of internal control and enterprise risk management to safeguard the Group's assets and shareholders' and bondholders' investments.

The latest version of the Terms of Reference of the Board of Directors was approved by the shareholders on 16 October 2012 and came into force on 28 November 2012. It is available on the Global Ports' website.

Code of ethics and conduct

Global Ports' code of ethics and conduct outlines the general business ethics and acceptable standards of professional behaviour that we expect of all our Directors, employees and contractors. This code, given to all new staff as part of their induction, means that everyone at Global Ports is accountable for their own decisions and

conduct. As well as general standards of behaviour, the code covers fraud and corruption (including approaches on acceptance of gifts and benefits), ethics and conflicts of interest. Employees and external parties are encouraged to report any suspected breaches, via various channels including the dedicated hotline.

The code is available to all staff on Global Ports' website (in the Corporate Governance section) and in the HR department at every operating facility. There are also other more detailed rules concerning our anti-fraud and whistleblowing policies.

The Board is updated on a regular basis on any breaches of various policies, with a specific focus on fraud incidents and resulting actions. Significant breaches are reported to the Board immediately.

For other corporate governance policies, please see the Group's website.

Members of the Board of Directors

The Board of Directors leads the process of making new Board member appointments and recommends new members to shareholders. For further details, please refer to the Management Report included in this Annual Report.

On 14 February 2017 Mr. Tiemen Meester resigned from the Board and Mr. Peder Sondergaard replaced him. On 12 May 2017 Dr. Alexander Nazarchuk and Mrs. Siobhan Walker resigned from the Board and Mrs. Britta Dalunde and Mrs. Elia Nicolaou replaced them. On 01 January 2018 Mrs. Inna Kuznetsova and Mr. Lambros Papadopoulos joined the Board of Directors. On 29 January 2018 Mr. Gerard Jan Van Spall resigned from the Board and Mrs. Iana Boyd replaced him on the same day. On 01 February 2018 Mr. Peder Sondergaard resigned from the Board and Mr. Soren Jakobsen replaced him on 02 March 2018.

On 12 April 2018 Mr. Mikhail Loganov, Mr. Nikita Mishin, Ms. Elia Nicolaou and Mr. Konstantin Shirokov resigned from the Board.

For details on the changes in the composition of the committees of the Board, please refer to the Management Report included in this Annual Report.

Mr. Tiemen Meester was the Chairman of the Board until 14 February 2017. Mr. Peder Sondergaard was the Chairman of the Board from 10 April 2017 until 01 February 2018. Mr. Morten Henrick Engelstoft was elected the Chairman of the Board of Directors on 26 February 2018.

There were no other significant changes in the responsibilities of the Directors during 2017.

The Board reviews the size of the Board, which currently has twelve members, on an annual basis and considers the present Board size as appropriate for the current scope and nature of the Group's operations.

Chairman of the Board of Directors

Mr. Morten Engelstoft was appointed Chairman of the Board in February 2018, after the end of reporting period.

The role of the Chairman of the Board of Directors is to ensure that Board meetings are held as and when necessary, lead the Directors, ensure their effectiveness and review the agenda of Board meetings. The Chairman together with the Secretary of the Board review Board materials before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. The members of the management team who have prepared the papers, or who can provide additional insights into the issues being discussed, are invited to present papers or attend the Board meeting at the relevant time. Board members regularly hold meetings with the Group's management to discuss their work and evaluate their performance.

The Chairman monitors communications and relations between the Group and its shareholders, the Board and management, and Independent and Non-Independent

Directors, with a view to encouraging dialogue and constructive relations.

The Group separates the positions of the Chairman and CEO to ensure an appropriate segregation of roles and duties.

Board committees

In December 2008, the Board of Directors established three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee.

For further details on the Board committees, please refer to the Management Report in the Financial Statements.

Non-executive and Independent Directors

There are eleven Non-Executive Directors (including the chairman).

Captain Bryan Smith (Senior Independent Director), Ms. Britta Dalunde, Mrs. Inna Kuznetsova and Mr. Lambros Papadopoulos are Independent Directors, and have no relationship with the Group, its related companies or their officers. This means they can exercise objective judgment on corporate affairs independently from management.

The number of Independent Non-Executive Directors increased in 2017 as a part of further improvement of Corporate Governance.

Although all Directors have an equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in ensuring that the management's strategies are constructively challenged. As well as ensuring the Group's strategies are fully discussed and examined. They must take into account the long-term interests, not only of the major shareholders, but also of bondholders, employees, customers, suppliers and the communities in which the Group conducts its business.

Managing Director

Alexander Iodchin occupies the position of Managing Director and the Board granted him the powers to carry out all business related to the Group's business up to a total value per transaction of USD 500,000. It has also granted him powers to discharge other managerial duties related to the ordinary course of business of the Group, including representing the Group before any government or government-backed authority.

The decisions for all other matters are reserved for the Board. The terms of reference of the Board of Directors contains the list of such reserved matters.

In addition, Mr. Iodchin has been acting as the Board Secretary since December 2008.

Board remuneration

Directors serve on the Board pursuant to letters of appointment, which specify the terms of their appointment and remuneration.

Levels of remuneration for Non-Executive Directors reflect the time commitment,

responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties. Non-Executive Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Group.

The shareholders of the Group approved the remuneration of the members of the Board on 29 April 2013, 12 May 2017, 11 December 2017, 29 January 2018 and 02 March 2018.

The total remuneration of the members of the Board of Directors paid by the Group and its subsidiaries in 2017 amounted to USD 1,085 thousand (2016: USD 721 thousand).

Company Secretary

The Group maintains a Company Secretary, who is responsible for safeguarding the rights and interests of shareholders, including the establishment of effective and transparent arrangements for securing the rights of shareholders.

Team Nominees Limited has been acting as the Company Secretary since the Group's incorporation in February 2008.

The Company Secretary's responsibilities include ensuring compliance by the Group, its management bodies and officers with the law and the Group's charter and internal documents. The Company Secretary organises the communication process between the parties to corporate relations, including the preparation and holding of general meetings; storage, maintenance and dissemination of information about the Group; and review of communications from shareholders.

Internal audit

The internal audit function is carried out by Group's Internal Audit Service (IAS). It is responsible for analysing the systems of risk management, internal control procedures and the corporate governance process for the Group with a view to obtaining a reasonable assurance that:

- Risks are appropriately identified, assessed, responded to and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial and operating information is accurate, reliable and timely;
- Employee's actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programmes, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the Group's control process; and
- Significant legislative or regulatory issues impacting the Group are recognised and addressed properly.

The Head of the IAS, Mr. Kirill Gavrilov, reports directly to the Audit and Risk Committee.

External auditors

At the Global Ports AGM, an external auditor is appointed on an annual basis to review the Group's financial and operating performance.

This follows proposals drafted by the Audit and Risk Committee for the Board of Directors regarding the nomination of the external auditor of the Group, selected from a list of recognised independent auditors of high professional repute. While drafting its proposals, the Audit and Risk Committee is guided by the following principles:

- Qualifications of the external auditor and its professional reputation;
- Quality of services; and
- Compliance with requirements for external auditor independence.

In 2017, the shareholders of Global Ports re-appointed PricewaterhouseCoopers as the external auditor for the purposes of auditing the Group's IFRS financial statements for 2017. PricewaterhouseCoopers Limited is proposed for re-election as the auditor for 2018 at the Annual General Meeting on 14 May 2018.

Investor relations/disclosures

The Group's external relations are guided by its information and disclosure policy and rules, which is consistent with best international practices applicable to shareholder relations. Given that the Group became public in June 2011 upon placing 25% of its shares on the London Stock Exchange (LSE) in the form of Global Depository Receipts (GDRs), all of its companies must meet information disclosure standards set forth by the LSE, the UK Financial Conduct Authorities and applicable legislation.

The main principles of the Group's information policy are regularity, efficiency, availability, reliability, completeness, balance, equality and safety of information resources.

The investor relations (IR) department interacts with the investor community on a regular basis, reporting on the most important matters to the Group's senior management. The IR team maintains a continuous dialogue with the investor and analyst community by arranging teleconferences to discuss the Group's financial performance, one-on-one meetings and participation in international investor conferences. The Group also organises regular visits to its facilities, thus providing investors with the opportunity to see the assets first-hand and meet senior management. Members of the Board of Directors and senior management participate in regular meetings with current and potential investors. During these meetings, the Group's representatives discuss with them strategic areas of development and take into account shareholders' opinions on key strategic matters when making important decisions.

For further information on Corporate Governance at the Group, please refer to the Management Report included in this Annual Report.

BOARD OF DIRECTORS



MR. MORTEN ENGELSTOFT

Chairman of the Board of Directors,
Non-Executive Director



MRS. IANA BOYD

Member of the Board of Directors,
Non-Executive Director



MR. MICHALAKIS CHRISTOFIDES

Member of the Board of Directors,
Non-Executive Director

YEAR OF APPOINTMENT

Mr. Engelstoft was appointed as a non-executive member of the Board of Directors of Global Ports in October 2016.

Mrs. Boyd was appointed as a non-executive member of the Board of Directors of the Company in January 2018.

Mr. Christofides was appointed as a non-executive member of the Board of Directors of the Company in July 2014.

SKILLS AND EXPERIENCE

Mr. Engelstoft was appointed APM Terminals CEO effective 01 November 2016 and to the Executive Board of A.P. Moller-Maersk A/S on 01 December 2017. Prior to that he was CEO of APM Shipping Services since 2014 which included the responsibilities as CEO of Maersk Tankers, Chairman of DAMCO, Svitzer and Maersk Supply Services.

From 2007 until 2015, he was Chief Operating Officer of Maersk Line, where he was responsible for global operations, procurement, fleet, technical vessel management and the sustainability strategy.

He joined Maersk in 1986 and has three decades of experience in the container shipping industry. He has held various senior executive positions at Maersk in Singapore, Italy, Taiwan and Vietnam.

Mr. Engelstoft holds an Executive MBA from IMD in Lausanne, Switzerland.

Mrs. Boyd is an experienced professional with diverse executive and boardroom experience. For the past five years, she has served as the Portfolio Manager for Russia and the Baltics at APM Terminals. In this role, she has represented APM Terminals on the boards of several operating entities of Global Ports.

Mrs. Boyd joined APM Terminals in 2006 as M&A and Business Development Manager and later held the positions of Global Head of HR Operations, Head of M&A and BDV for Europe and Asia and Chief Operating Officer for Europe and North Africa. Prior to joining APM Terminals, Mrs. Boyd worked for Maersk Line and Sea-Land Service in several functions, including country management, line management and strategic marketing.

Mrs. Boyd has a Master's degree in International Business Studies from the University of South Carolina, United States. She grew up in Sofia, Bulgaria and has lived and worked in the United States and the Netherlands.

Mr. Christofides has extensive Banking experience starting in 1969. As the Senior Manager in International Business Services, he was responsible for the development and growth of activities of International Business Units of Bank of Cyprus in Cyprus and its Representative Offices in Russia, Ukraine, the USA, Canada, South Africa and Romania. Between January 2012 and January 2013, he was a member of the Supervisory Board of Kreditprombank-Kiev.

Mr. Christofides holds an Advanced Diploma in Business Administration (Cyprus Institute of Marketing). He also attended the Senior Manager Course at Manchester Business School of the University of Manchester.

EXTERNAL APPOINTMENTS

Chief Executive Officer of APM Terminals, The Hague, the Netherlands.

Currently does not hold positions in other companies.

Does not hold positions in other companies.

Executive Board member of A.P. Moller-Maersk A/S, Copenhagen, Denmark.

COMMITTEE MEMBERSHIP

Member of the Nomination and Remuneration Committees.

Does not serve on any Board committees.

Does not serve on any Board committees.



MRS. BRITTA DALUNDE

Member of the Board of Directors,
Independent Non-Executive Director

Mrs. Dalunde was appointed as a member of the Board of Directors of the Company in May 2017 and is an independent Non-Executive Director.



MR. ALEXANDER IODCHIN

Member of the Board of Directors,
Executive Director

Mr. Iodchin was appointed as an executive member of the Board of Directors of the Company with the functions of the Secretary of the Board of Directors in 2008. Mr Iodchin served as internal auditor of Global Ports from 2008 until 2011.



MR. S. SJOSTRAND JAKOBSEN

Member of the Board of Directors,
Non-Executive Director

Mr. Jakobsen was appointed as a non-executive member of the Board of Directors of Global Ports in March 2018.

Mrs. Dalunde has over 25 years of experience as an executive and a board member of various companies. Ms. Dalunde was CFO at SJ AB, the Swedish national rail operator, from 2009 until 2013. She has almost 20 years of experience working as a CFO while working in different industries including transportation, engineering and IT. Mrs. Dalunde graduated from the University of Uppsala with a Bachelor's degree in Business Administration and International Business. She has also earned an Executive MBA degree with a specialism in Strategic Planning from the Edinburgh Business School at Herriot Watt University.

Mrs. Dalunde owns 21,000 ordinary shares of Global Ports Investments PLC (7,000 GDRs).

Mr. Iodchin currently also serves as a Secretary of the Boards of Directors of various Group Companies and as a member of the Boards of Vostochnaya Stevedoring Limited Liability Company, First Container Terminal Inc, Global Ports (Finance) Plc and other companies of the Group. Mr. Iodchin is the Chairman of the Boards of Directors of Petrolesport Inc and OJSC Ust-Luga Container Terminal. Mr. Iodchin is responsible for corporate governance matters within the Group and supervises the activities of holding and finance companies within the Group.

Mr. Iodchin graduated from the Lomonosov Moscow State University where he obtained a Master's degree in Economics. He also completed a post-graduate programme at the Moscow Institute for Economics and Linguistics and the Lomonosov Moscow State University, where he obtained a Ph.D. in Economics. Mr. Iodchin was a teaching assistant in the Economics Faculty of the Lomonosov Moscow State University from 2004 until June 2008. He has a diploma in international finance, reporting standards and corporate finance.

Mr. Jakobsen brings extensive international experience in the maritime industry and port development through his 37-year career in A.P. Moller – Maersk Group, which includes the last 13 years with APM Terminals. Since 2013, he has been APM Terminals Portfolio Manager for Africa, Middle East and South Asia, based in Dubai, United Arab Emirates, responsible for eight ports and several logistics entities in the region. Mr. Jakobsen also serves on the board of various APM Terminals companies.

His APM Terminals career has included Regional Manager for Latin America, based in Panama and as Global Head of Project Implementation, based in The Hague, the Netherlands.

Prior to joining APM Terminals, Mr. Jakobsen worked in Maersk Line and Svitzer.

Mr. Jakobsen is a graduate of the A.P. Moller – Maersk International Shipping Education and executive education courses at IMD in Lausanne, Switzerland and INSEAD Business School in Fontainebleau, France.

Mrs. Dalunde currently also serves as Independent Non-executive director and Chairman of the audit-committee of HH Ferries Group and Projektengagemang Sweden AB in addition to holding several other non-executive board appointments.

Currently does not hold positions in other companies.

Portfolio Manager, APM Terminals, Africa, Middle East & South Asia region.

Mr. Jakobsen holds a number of other Board positions including: Sogester S.A., Angola; Douala International Terminal S.A., Cameroon; Cai Mep International Terminal Co. Ltd., Vietnam; Aqaba Container Terminal Company Ltd., Jordan; Salalah Port Services Company SOAG, Oman; APM Terminals Bahrain B.S.C.; LCB Container Terminal 1 Ltd, Thailand; Poti Sea Port Corporation, Georgia; South East Asia Gateway Terminal Pvt. Ltd, Sri Lanka; and Meridian Port Services, Ghana.

Chairman of the Audit and Risk Committee.

Currently does not serve on any Board committees.

Member of The Audit and Risk, the Nomination and Remuneration Committees.

BOARD OF DIRECTORS (CONTINUED)



MR. VADIM KRYUKOV*

Member of the Board of Directors, Non-Executive Director



MRS. INNA KUZNETSOVA

Member of the Board of Directors, Independent Non-Executive Director



MRS. LAURA MICHAEL

Member of the Board of Directors, Non-Executive Director

YEAR OF APPOINTMENT

Mr. Kryukov was appointed as a non-executive member of the Board of Directors of the Company in July 2014.

Mrs. Kuznetsova was appointed as Independent Non-Executive Director of Global Ports in December 2017 effective January 2018.

Mrs. Michael was appointed as a non-executive member of the Board of Directors of the Company in January 2013.

SKILLS AND EXPERIENCE

Mr. Kryukov graduated from the Admiral Makarov State Maritime Academy and has extensive experience in transportation and logistics and in the areas of financial planning and budgeting. He was a member of the Board of Directors of NCC Group Limited and held that position from 2006 to 2013. Mr. Kryukov was responsible for development and support of several significant logistic projects in St. Petersburg.

Mrs. Kuznetsova is the President and Chief Operating Officer of INTTRA, a SaaS portal for ocean shipping, processing over a quarter of all containers in global trade. Before joining INTTRA she was the Chief Commercial Officer and member of the Executive Board at CEVA Logistics. Prior to that Mrs. Kuznetsova spent 19 years at IBM in a variety of global roles, primarily focused on fast growth opportunities or turnaround situations. In her last role she was the global VP, Marketing & Sales, IBM Systems Software. Her prior board engagements include Sage Plc (LSE: SGE) (UK, 2014-2017), a FTSE100 software company where she served as Independent Non-Executive Director.

Mrs. Kuznetsova completed her Masters and Ph. D. study at the Moscow State University and later earned an Executive MBA from Columbia Business School.

Mrs. Michael is a member of the Institute of Chartered Accountants of Scotland (ICAS) and the Certified Public Accountants of Cyprus (ICPAC). She is the Finance Manager of Vistra (Cyprus) Ltd. Before joining Vistra (Cyprus) Ltd, she previously worked at Deloitte Ltd (Cyprus) between 2009-2011 and started her career at Ernst & Young (London) between 2006-2009. Mrs. Michael has a B.Sc. Accounting and Management degree from the University of Bristol, England.

EXTERNAL APPOINTMENTS

A Member of the Board of Directors of Ilbrinio Establishment Limited.

Mrs. Kuznetsova serves on the board of Avantida (Belgium), a privately owned company, providing in-land container management services.

Finance Manager of Vistra (Cyprus) Ltd.

Mrs. Kuznetsova is the President and Chief Operating Officer of INTTRA.

COMMITTEE MEMBERSHIP

Does not serve on any Board committees.

Member of The Audit and Risk, the Nomination and Remuneration Committees.

Does not serve on any Board committees.

* AGM scheduled for 14 May 2018 is proposed to approve resignation of Mr. Vadim Kryukov and Captain Bryan Smith.



MR. LAMBROS PAPADOPOULOS

Member of the Board of Directors,
Independent Non-Executive Director

Mr. Papadopoulos was appointed as a non-executive member of the Board of Directors of Global Ports in December 2017 effective January 2018.

Mr. Papadopoulos has over 24 years of experience as an executive and a board member of various companies. In 2013, Mr. Papadopoulos founded PenteP Advisors Ltd. Prior to that he was with Citigroup (London), where he was Head of Greece/Cyprus Equity Research and Head of Continental European Small and Mid Cap Companies. He started his career with Ernst & Young in London.

Mr. Papadopoulos studied Accounting with Computing (B.A.(Hons)) at the University of Kent at Canterbury in the United Kingdom. He is a Member of the Institute of Chartered Accountants in England and Wales.



CAPTAIN BRYAN SMITH*

Member of the Board of Directors, Senior Independent Non-Executive Director

Capt. Smith was appointed as a member of the Board of Directors of the Company in 2008 and is the Senior Independent Non-Executive Director. It was announced on 30 August 2017 that Capt. Smith would be stepping down from the Board in 2018.

Capt. Smith served as vice president and managing director for South East Asia at DP World until his retirement from this position in July 2008. He also served as a member of the Board of Directors of VSC and VICS from 1999 until 2008, Railfleet Holdings Limited from 2005 until 2008 and as deputy chairman of the Board of Directors of LCIT (Laem Chabang, Thailand) from 1999 until 2008 and as Chairman of the Board of Directors of SPCT (Saigon, Vietnam) from 2006 until 2008. Capt. Smith was a Director and Chairman of Sydney Ports Corporation from 2009 to 2013.

He received his Master Mariner qualification at the University of Technology, Sydney, Australia and is a graduate of the Advanced Management Program, Macquarie Graduate School of Management, Macquarie University, Sydney, Australia.



MR. NICHOLAS CHARLES TERRY

Member of the Board of Directors,
Non-Executive Director

Mr. Terry was appointed as a non-executive member of the Board of Directors of the Company in October 2016.

Mr. Terry is a member of The Institute of Chartered Accountants in England and Wales (ICAEW). He is currently Director of Operations at Vistra (Cyprus) Ltd., having led the client accounting department since 2011. In 2015, he was also appointed Managing Director of Orangefield (Cyprus) Ltd. for the interim period of the merger of the two companies.

He has extensive experience in Finance and Audit at a range of companies, including land, air and sea security service provider Hart Security Ltd. and Global Management Ltd., which offers marine insurance brokerage and crew management services to the shipping industry.

Mr. Terry holds a B.Sc. in Mathematics from the University of Hull, England.

Mr. Papadopoulos currently also serves as Non-Executive Director and Chairman of the Audit Committees of Hellenic Bank Public Company Ltd (Cyprus) and Trastor Real Estate Investment Company SA (Greece), which are listed on the Cyprus and the Greek Stock Exchanges respectively.

Currently does not hold any positions in other companies.

Director of Operations at Vistra (Cyprus) Ltd.

Member of the Audit and Risk Committee.

Chairman of the Nomination and Remuneration Committees.

Does not serve on any Board committees.

BOARD OF DIRECTORS (CONTINUED)

Following the completion of the sale of 30.75% stake in Global Ports to LLC Management Company Delo ("Delo Group") by TIHL on 12 April 2018, these members resigned from the Board with immediate effect.



MR. MIKHAIL LOGANOV

Ex-Member of the Board of Directors, Executive Director



MR. NIKITA MISHIN

Ex-Vice-Chairman of the Board of Directors, Non-Executive Director



MS ELIA NICOLAOU

Ex-Member of the Board of Directors, Non-Executive Director

YEAR OF APPOINTMENT

Mr. Loganov was appointed as the Chief Executive Officer of Global Ports Management LLC in March 2017. He was the Chief Financial Officer of Global Ports from October 2013 until September 2017. Mr. Loganov has served as a member of the Board of Directors of the Company since December 2008 and was a member of its Audit and Risk and Remuneration Committees from December 2008 until October 2013 until he took up the position of CFO.

Mr. Mishin was appointed as a non-executive member of the Board of Directors of Global Ports and served as its Chairman from 2008 till 2014.

Ms. Nicolaou was appointed as a Non-Executive member of the Board of Directors in May 2017.

SKILLS AND EXPERIENCE

Mr. Loganov has extensive experience in corporate finance, risk management and business administration acquired during a career primarily across the transportation and logistics industry in Russia. Mr. Loganov has served as a Managing Director and Executive member of the Board of Directors of Globaltrans Investment PLC since April 2008 until October 2013. In that role, he was responsible for financial and reporting activities of Globaltrans as well as having oversight of capital markets and M&A transactions in addition to other responsibilities. Prior to that he held other senior finance positions within Globaltrans Group.

Mr. Loganov started his career with American Express (Europe) Ltd in the UK as a financial analyst in 2001. Mr. Loganov graduated with honours from the University of Brighton in the UK with a degree in Business Studies with Finance.

In addition, Mr. Mishin has served as the Chairman of the Board of Directors of Petrolesport since 2007 and the Chairman of the Board of Directors of VSC since October 2005. Mr. Mishin is one of the controlling shareholders of TIHL. He graduated from the Lomonosov Moscow State University where he studied philosophy.

Ms. Nicolaou has extensive experience in commercial and corporate law. She is currently the Managing Director of Amicorp (Cyprus) Ltd. She was previously Head of the Corporate Legal Department at Polakis Sarris LLC and worked at C. Patsalides LLC. Ms. Nicolaou sits on various Boards of the Cyprus Chamber of Commerce.

She gained an LLB degree in Law from the University of Nottingham before gaining a Master of Laws degree in Commercial and Corporate Law from University College London. She also has a Diploma in Business Administration from the Cyprus International Institute of Management.

EXTERNAL APPOINTMENTS

Does not hold positions in other companies.

Does not hold positions in other companies.

Since 2008, she has also served as a Non-Executive Director and the Company Secretary of Globaltrans Investments PLC.

Ms Elia Nicolaou is Managing Director of Amicorp.

COMMITTEE MEMBERSHIP

Does not serve on any Board committees.

Ex-member of the Nomination and Remuneration Committees.

Ex-member of the Nomination and Remuneration Committees.

Mr. Peder Sondergaard and Mr. Gerard Jan Van Spall served as members of the Board as of 31 December 2017 but resigned on 01 February 2018 and 29 January 2018, respectively.



MR. KONSTANTIN SHIROKOV

Ex-Member of the Board of Directors,
Non-Executive Director

Mr. Shirokov was appointed as a Non-Executive member of the Board of Directors of the Company in 2008.



MR. PEDER SONDERGAARD

Ex-Chairman of the Board of Directors,
Non-Executive Director

YEAR OF APPOINTMENT

Mr. Sondergaard was appointed as a non-executive member of the Board of Directors of Global Ports in February 2017 and was elected Chairman in April 2017.



MR. GERARD JAN VAN SPALL

Ex-Member of the Board of Directors,
Non-Executive Director

Mr. van Spall was appointed as a non-executive member of the Board of Directors of the Company in April 2016.

SKILLS AND EXPERIENCE

Mr. Shirokov has more than ten years of experience in the areas of financial planning, budgeting and auditing. He is currently financial manager and a member of the revision committees of numerous companies in the TIHL group, positions that he has held since 2005 and 2007, respectively. Mr. Shirokov has served as a member of the Board of Directors and an internal auditor for Globaltrans since 2008.

Mr. Shirokov graduated from the Finance Academy of the Russian Federation where he studied International Economic Relations. Mr. Shirokov has also completed a course in Business Management at the Business School of Oxford Brookes University, UK.

Mr. Sondergaard was appointed Chief Portfolio Officer of APM Terminals in January 2017. Mr. Sondergaard had previously served as the Head of APM Terminals' Asia, Middle East, Africa and North Asian port and terminal operations.

Mr. Sondergaard has been with the A.P. Moller-Maersk Group for more than 25 years. Previously holding the position of APM Terminals' Senior Vice President and Head of New Terminals, he was named A.P. Moller-Maersk Group Senior Vice President in May 2007. Initially serving at sea, Mr. Sondergaard subsequently gained extensive experience from a variety of shore-based managerial positions within the Group in the USA, Taiwan, China and Denmark.

Mr. Sondergaard has completed a Master's Certificate, as well as several Management Courses at the London Business School, Cornell University in Ithaca, New York, IMD in Switzerland and the Harvard Business School in Cambridge, Massachusetts.

Mr. van Spall serves as the Managing Director of Vistra (Cyprus) Ltd since October 2015. He joined Vistra in February 2010, heading up the Vistra Curacao operation as Managing Director. In August 2013, Mr. van Spall took up a new challenge and moved to Vistra Malta to take up the new role of Director of Business Development and deputy Managing Director.

Mr. van Spall obtained his law degree at the University of Leiden where he specialised in corporate law.

A member of the Board of Directors and an internal auditor for Globaltrans.

Ex-member of the Audit and Risk Committee.

EXECUTIVE MANAGEMENT



MR. MIKHAIL LOGANOV

Chief Executive Officer of Global Ports Management LLC



MR. BRIAN BITSCH

Chief Commercial Officer of Global Ports Management LLC



MR. EDUARD CHOVUSHYAN

First Deputy CEO of Global Ports Management LLC and Managing Director of Petrolesport

YEAR OF APPOINTMENT

Mr. Loganov was appointed as the Chief Executive Officer of Global Ports Management LLC in March 2017. He was the Chief Financial Officer of Global Ports from October 2013 until September 2017. Mr. Loganov has served as a member of the Board of Directors of the Company since December 2008 and was a member of its Audit and Risk and Remuneration Committees from December 2008 until October 2013 until he took up the position of CFO.

Mr. Bitsch was appointed as Chief Commercial Officer of Global Ports Investments Management LLC in July 2017.

Mr. Chovushyan was appointed as the First Deputy CEO of Global Ports Management LLC in April 2017. From March 2007 he continues to serve as Managing Director of Petrolesport.

SKILLS AND EXPERIENCE

Mr. Loganov has extensive experience in corporate finance, risk management and business administration acquired during a career primarily across the transportation and logistics industry in Russia. Mr. Loganov has served as a Managing Director and Executive member of the Board of Directors of Globaltrans Investment PLC since April 2008 until October 2013. In that role, he was responsible for financial and reporting activities of Globaltrans as well as having oversight of capital markets and M&A transactions in addition to other responsibilities. Prior to that he held other senior finance positions within Globaltrans Group.

Mr. Loganov started his career with American Express (Europe) Ltd in the UK as a financial analyst in 2001. Mr. Loganov graduated with honours from the University of Brighton in the UK with a degree in Business Studies with Finance.

Prior to his appointment, he was Chief Commercial Officer at Sogester S.A. in Angola from 2011. Before that he was a management consultant in Denmark for several years. Between 2006 and 2008, Mr. Bitsch served in various senior executive roles at MSC Scandinavia Holding A/S. He started his career in 1990 as a trainee at Maersk and worked there for 16 years in various departments and regions, progressing to Senior General Manager. During his time at Maersk, Mr. Bitsch worked in Denmark, the USA, Bulgaria and Angola.

Mr. Bitsch has completed A.P. Møller Shipping School and holds a Graduate Diploma in Business Administration from Copenhagen Business School as well as a YMP from INSEAD.

Mr. Chovushyan has more than 15 years' experience in various managerial positions in the N-Trans group of companies. He previously served as a Deputy Chief Executive Officer of Tuapsinsky morskoy torgovy port OAO from November 2003 and was appointed CEO in June 2004. Prior to that, he was the Deputy General Director of Tuapsinsky sudoremontny zavod OAO for a year. Following on from his role at Tuapsinsky morskoy torgovy port OAO, Mr. Chovushyan then worked as Vice President for Development at NCC OOO from April 2006 until March 2007. From August 2007, he has served as the Chairman of the Board of Directors of Porttransservice OOO.

Mr. Chovushyan graduated from the Lomonosov Moscow State University where he studied Philosophy.



MR. ALEXANDER ROSLAVTSEV

Chief Financial Officer of Global Ports
Management LLC



MR. DOUGLAS SMITH

Chief Operational Officer of Global Ports
Management LLC

Mr. Roslavlsev was appointed as the Chief Financial Officer of Global Ports Management LLC in September 2017.

Mr. Smith was appointed as Chief Operational Officer of Global Ports Management LLC in March 2016.

Mr. Roslavlsev has over twelve years of experience as a CFO in various industries. Before joining Global Ports, Alexander Roslavlsev was CFO of Rusagro, one of Russia's largest agricultural companies. From January 2010 until May 2016, he was CFO of Hewlett Packard Russia and CIS. From January 2006 until January 2010 he was CFO and Vice-President of Rosinter Restaurants Holding. Previously, Mr. Roslavlsev has also worked for Intel Corporation, Ford Motor Company, KPMG UK and KPMG Russia.

Mr. Roslavlsev is a Member of the Association of Chartered Certified Accountants (ACCA). In 1995, Mr. Roslavlsev graduated from the Moscow State Aviation Institute with an M.S. Economics and Engineering and has also attended a number of business courses at Wharton Business School, Philadelphia, Pennsylvania.

Mr. Smith has over 20 years of experience in port terminal management. Most recently, he was APM Terminals' Regional Chief Operating Officer in Africa and the Middle East. Prior to that, he was Director of Global Field Safety at APM Terminals, driving the corporate safety programme across the Group's 238 global marine and inland container facilities around the world. Mr. Smith joined AP Moller-Maersk group in 1994 and held a number of managerial positions with APM Terminals in the USA, Nigeria, UAE and the Netherlands.

He is a graduate of the United States Merchant Marine Academy and also holds an MBA in Global Management.

TERMINAL DIRECTORS



MR. EDUARD CHOVUSHYAN

First Deputy CEO of Global Ports Management LLC and Managing Director of Petrolesport



MR. ANDREY BOGDANOV

Managing Director of Ust-Luga Container Terminal



MR. ALEXANDER DUDKO

Managing Director of VSC



MR. ARNOUT DIRK LUGTMEIJER

General Manager of Vopak E.O.S.

YEAR OF APPOINTMENT

Mr. Chovushyan was appointed as the First Deputy CEO of Global Ports Management LLC in April 2017. From March 2007 he has also served as General Manager of Petrolesport.

Mr. Bogdanov was appointed as the Managing Director of the Ust-Luga Container Terminal in 2018, before he served as its General Manager since 2012.

Mr. Dudko was appointed Managing Director of VSC in February 2015.

Mr. Lugtmeijer has served as the Chairman of the Management Board of Vopak E.O.S. since 1996 (and as a member of the Management Board since 1994).

SKILLS AND EXPERIENCE

Mr. Chovushyan has more than 15 years' experience in various managerial positions in the N-Trans group of companies. He previously served as a Deputy Chief Executive Officer of Tuapsinsky morskoy torgovy port OAO from November 2003 and was appointed CEO in June 2004. Prior to that, he was the Deputy General Director of Tuapsinsky sudoremontny zavod OAO for a year. Following on from his role at Tuapsinsky morskoy torgovy port OAO, Mr. Chovushyan then worked as Vice President for Development at NCC OOO from April 2006 until March 2007. From August 2007, he has served as the Chairman of the Board of Directors of Porttransservice OOO.

Mr. Chovushyan graduated from the Lomonosov Moscow State University where he studied Philosophy.

For five years prior to 2012 he was the Commercial Director of First Container Terminal. He served as Director for Operations in the Sea Port of St. Petersburg from 2003. From 2000 to 2003 he held the position of Chief Executive Officer of MCT PORT. From 1993 he served as Head of Department of MCT Petersburg, before being promoted to Chief Operations Officer. In 1984-1993 Mr. Bogdanov worked for Leningrad Sea Commercial Port (from 1992 known as the Sea Port of St. Petersburg). Mr. Bogdanov graduated from Admiral Makarov State Maritime Academy.

Mr. Dudko has served for three years as the General Director of Moby Dik, one of the Group's container terminals in the Big Port of St. Petersburg, and had been the Director for Operations of VSC from 2011 to 2012. He joined the company from DP World Southampton (UK), where he spent three years in various positions. Mr. Dudko started his career in the ports industry working for First Container Terminal in St. Petersburg where he had a role in the Finance Department between 2004 and 2006.

Mr. Dudko has a degree from the State Marine Technical University of St. Petersburg and an M.Sc. in Logistics, Trade and Finance from Cass Business School, London.

Mr. Dudko graduated from the APM Terminals MAGNUM program, a corporate-led programme in partnership with a ESADE Business School, in 2014.

He has also served as member of the Management Board of E.R.S. since April 2008 and EK Holding AS since September 2005 and as member of the Supervisory Board of Stivterminal (a subsidiary, which was merged into Vopak E.O.S. in 2011) since June 2006 and Pakterminal (which was acquired by Vopak E.O.S. in May 2008 and merged into Vopak E.O.S. in May 2010) since June 2008.

Mr. Lugtmeijer studied at Delft Technical University in Holland and graduated in 1991.



MR. VITALY MISHIN

General Manager of Moby Dik



MS. VICTORIA SCHERBAKOVA-SLUSARENKO

General Manager of Yanino Logistic Park and Logistica Terminal



MR. ALEXANDER TIKHOV

Managing Director of First Container Terminal



MR. DIRK VAN ASSENDELFT

General Manager of Multi-Link Terminals

Mr. Mishin was appointed as General Manager of Moby Dik in 2015. Prior to that, from 2010 to 2014 he has served as General Director of Logistika-Terminal.

Ms. Scherbakova-Slusarenko has been working with the Group as Director of Forwarding Companies since 2009. She has been holding the position of General Director of Yanino Logistics Park LLC from 2013, in March 2015 she was appointed as General Manager of Logistica Terminal.

Mr. Tikhov was appointed as the Managing Director of the First Container Terminal in 2014 before he served there as General Manager since 2001.

Mr. van Assendelft has served as the managing director of Multi-Link Terminals Ltd Oy since December 2004 and was the chief executive officer of Moby Dik from June 2004 until July 2010.

From 2006 to 2010, he served as Operations Manager and Managing Director in Sea Port of St. Petersburg. From 1999 till then, he served as Chief Executive Officer in Fourth Stevedoring Company. Between 1994 and 1999 he was Chief Executive Officer at First Stevedoring Company. He began his career in 1980 at Leningrad Sea Commercial Port (since 1992 – Sea Port of St. Petersburg).

Mr. Mishin graduated from the Admiral Makarov State Maritime Academy.

Ms. Scherbakova-Slusarenko has ten years of teaching experience. Since 2017 she is a member of the Interindustry Expert Council for the Development of the Truck Automotive and Road Industry (IEC).

Prior to joining the Group, Ms. Scherbakova-Slusarenko held executive positions in Russia's largest transport companies such as Concern SVT (Moscow) and Magistral Container Lines (Moscow), as well as others. Since 2005 she has been a senior lecturer at the Moscow State Academy of Water Transport where she lectures on economics. Ms. Scherbakova-Slusarenko has over 20 years' experience in the transport.

She graduated from Odessa State Academy of Refrigeration where she majored in thermal physics; she also holds a degree in economics and psychology.

Mr. Tikhov has extensive experience in the transportation and logistics industry in Russia. From 2003 to 2004, he was Chief Executive Officer and Chairman of the Board of Directors of Sea Port of St. Petersburg and previously held the position of Sales Director of Sea Port of St. Petersburg from 2000.

From 1991 until 2000 he was Chief Executive Officer in MCT St. Petersburg and from 1984 to 1991 he worked for Leningrad Sea Commercial Port (from 1992 known as the Sea Port of St. Petersburg).

Mr. Tikhov is a graduate of the Admiral Makarov State Maritime Academy.

Mr. van Assendelft has also held a position as a member of the board of directors of Niinisaaren Portti Osakeyhtio Oy (NiPO) since April 2007.

Prior to his appointment as the managing director of Multi-Link Terminals Ltd Oy, he worked for Container-Depot Ltd Oy as a director until December 2005.

He studied at the Helsinki University of Technology and the Kotka Svenska Samskola.

RISK MANAGEMENT AND PRINCIPAL RISKS

Global Ports (GPI) is exposed to a variety of risks that can have financial, operational and compliance impacts on its business performance, reputation and licence to operate.

The Board recognises that creating shareholder value involves the acceptance of risk. Effective management of risk is therefore critical to achieving the corporate objective of delivering long-term growth and added value to our shareholders.

Risk management process, principal risks and uncertainties

Global Ports has a well-established enterprise risk management system (the ERM) that is designed to identify, assess, respond, monitor and, where possible, mitigate or eliminate threats to the business caused by changes in the external and internal business, financial, regulatory and operating environment.

Global Ports bases its risk management activities on a series of well-defined risk management principles, derived from experience, leading practice and corporate governance regimes. The Group updates and improves its risk management framework on a regular basis to remain competitive in a changing and uncertain environment. The GPI Board has overall oversight responsibility for the GPI's risk management and it systematically monitors and assesses the risks attributable to the Group's

performance and delivery of the GPI strategy. After identifying and assessing a risk, the Group selects and deploys the appropriate risk response aimed at reducing the likelihood of its occurrence and/or potential adverse impact.

The GPI Board delegates to the Chief Executive Officer responsibility for effective and efficient implementation and maintenance of the risk management system. Day-to-day responsibility for the risk management lies with management team. The Audit and Risk Committee is authorised by the Board to monitor, review and report on the organisation, functionality and effectiveness of the Group's ERM system.

Global Ports is exposed to a variety of risks which are listed below. The order in which the risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects.

Not all of these risks are within the Group's control, and the list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing external and internal environment that could have a material adverse effect on the Group's ability to achieve its business objectives and deliver its overall strategy.

Further information on our risk management system including a detailed description of identified risk factors is contained in the notes to the Financial Statements attached to this report.

RISK FACTOR	DESCRIPTION	RISK MANAGEMENT APPROACH
Strategic risk		
Market conditions	<p>Global Ports' operations are dependent on the global macroeconomic environment and resulting trade flows, including in particular container volumes.</p> <p>Container market throughput is closely correlated to the volume of imported goods, which in turn is driven by domestic consumer demand.</p> <p>The Group remains exposed to the risk of contraction in the Russian economy which if it were to occur could further dampen consumer demand and lead to a deterioration in the container market which could have a materially adverse impact on the Group.</p>	<p>The Group has reacted to the declining throughput in the container market by:</p> <ul style="list-style-type: none"> – Focusing on quality service – Offering operational flexibility to the clients – Effective management of costs – Adopting new revenue streams <p>In addition, the Group aims to position itself to lead a future market recovery through superior service and cost discipline.</p>

RISK FACTOR	DESCRIPTION	RISK MANAGEMENT APPROACH
Strategic risk (continued)		
Competition	<p>Challenging market trading conditions mean that competition pressures from other container terminals remains high. Further consolidation between container terminal operators and container shipping companies, introduction of new capacity and carrier consolidation could result in greater price competition, lower utilisation and a potential deterioration in profitability.</p> <p>In recent years, the Russian market has observed significant new container handling capacity coming on-stream, for example the new port terminal at Bronka, which competes with the Group's ports in the Baltic Sea Basin.</p> <p>Additionally, strategic international investors may develop or acquire stakes in existing competitor Russian container terminals, which could bring new expertise into the market and divert clients and cargoes away from the Group.</p> <p>Given the historically high margins in the Russian container handling industry, this trend may continue.</p>	<p>The Group actively monitors the competitive landscape and adjusts its commercial strategy accordingly, i.e. the Group builds long-term relationships with top customers based on a global approach to account management and contractual agreements incentivising growth of throughput.</p> <p>The Group's focus on service quality is a key differentiator to its competition and the Group believes this is one of its key competitive advantages.</p> <p>The Group has made long-term investments in its terminals and modern equipment to ensure competitive levels of service. It operates on a long-term horizon and its terminals represent core infrastructure in Russia that will continue to operate for the next ten-20 years or beyond. Because the Group possesses modern, up-to-date facilities and available capacity, it requires only minimal additional capital expenditure in the short to medium term thus preserving its ability to offer capacity to the market when necessary without sizeable additional investments.</p>
Political, economic and social stability	<p>Instability in the Russian economy, as well as social and political instability, could create an uncertain operating environment and affect the Group's ability to sell its services due to significant economic, political, legal and legislative risks.</p> <p>Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively and/or impact its profitability.</p> <p>The Group may also be adversely affected by US, EU and other government sanctions against Russian business whose measures have had and may continue to have an adverse effect on the Russian economy and demand for commodities. Ongoing sanctions could also adversely impact the Group's ability to obtain financing on favourable terms and to deal with certain persons and entities in Russia or in other countries.</p>	<p>The Group has adapted to the macroeconomic challenges posed since the second half of 2014. Its approach of effective cost management, focus on deleveraging and refinancing of its debt portfolio by switching all borrowings to fixed rates and moving to longer maturities are designed to make the Group more resilient to short-term economic challenges in Russia as well as the wider regional and global environment.</p> <p>The Group has developed a system to monitor compliance with restrictions posed by international sanctions.</p> <p>The Group continues to maintain an international base of shareholders, bondholders and business partners.</p> <p>The Group is not aware of any specific sanctions.</p>
Operational risks		
Leases of terminal land	The Group leases a significant amount of the land and quays required to operate its terminals from government agencies and any revision or alteration of the terms of these leases or the termination of these leases, or changes to the underlying property rights under these leases, could adversely affect the Group's business.	The Group believes it has a stable situation at present regarding its land leases and its terminals have been in operation for a number of years. The Group owns the freehold on 66% of the total land of its terminals and 70% of the land of its container and inland terminals in Russia. The rest of the Group's land is held under long-term leases (up to 49 years).
Customer profile and concentration	<p>The Group is dependent on a relatively limited number of major customers (shipping lines etc.) for a significant portion of its business.</p> <p>These customers are affected by conditions in their market sector which can result in contract changes and renegotiations as well as spending constraints, this is further exacerbated by carrier consolidation process.</p>	<p>The Group conducts extensive and regular dialogue with key customers and actively monitors changes that might affect our customers' demand for our services.</p> <p>The Group has a clear strategy to reduce its dependence on its major customers, targeting new potential customers and new cargo segments.</p> <p>The Group is also growing its share of non-container revenues through successfully building its presence in marine bulk cargo like coal (2017: share of non-container revenue was 23% and 19% in 2016).</p>
Reliance on third parties	The Group is dependent on the performance of services by third parties outside its control, including the performance by all other participants in the logistics chain, such as customs inspectors, supervisory authorities and others, and the performance of security procedures carried out at other port facilities and by its shipping line customers.	The Group strives to maintain a continuous dialog with third parties across the supply chain. In addition, its geographic diversification provides it with some flexibility in its logistics, should bottlenecks develop in one area.
Oil products	The Group's oil products business could be affected by changes in Russia's exports of oil products and handling of such exports at its oil products terminal in Estonia, a decline in global demand for oil products or in Russian oil product export volumes or any change in trade relationships with Estonia.	The Group believes, like most international forecasters, that the global demand for oil products remains cyclical and might grow again over the medium term.

RISK MANAGEMENT (CONTINUED)

RISK FACTOR	DESCRIPTION	RISK MANAGEMENT APPROACH
Operational risks (continued)		
Tariff regulation	<p>Tariffs for certain services at certain of the Group's terminals have been in the past regulated by the Russian Federal Antimonopoly Service and, as a result, the tariffs charged for such services were, and may potentially in the future be, subject to a maximum tariff rate and/or fixed in Russian roubles as PLP, VSC and FCT, like many other Russian seaport operators, are classified as natural monopolies under Russian law.</p>	<p>The Group continues to monitor for any legislative proposals and regulatory actions that could lead to changes to the existing tariff regulations. It seeks a proactive dialog with the relevant Russian federal authorities. It believes it is as well placed as any market participant to adapt to any – future changes in tariff regulation.</p>
Human resources management	<p>The Group's competitive position and prospects depend on the expertise and experience of its key management team and its ability to continue to attract, retain and motivate qualified personnel. Industrial action or adverse labour relations could disrupt the Group's operating activities and have an adverse effect on performance results.</p>	<p>The Group is committed to recruiting and engaging Russian and international managers and experts to meet its needs. The Group offers competitive salaries and benefits to employees at all levels to foster and retain top talent. In addition the Group pays special attention to professional development as well as engagement in socially responsible business practices and supporting local communities.</p> <p>The Group strives to maintain a positive working relationship with labour unions at its facilities. Moreover, it pursues overall labour policies designed to provide a salary and benefit package in line with the expectations of our employees.</p>
Health, safety, security and environment	<p>Accidents involving the handling of hazardous materials and oil products at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities.</p> <p>The risk of safety incidents is inherent in the Group's businesses. The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control.</p>	<p>The Group has implemented clear environmental and safety policies designed around international best practices and benchmark using such measures as GPI Global Minimum Requirements.</p> <p>Safety is one of the Group's top priorities. A safety strategy and annual action plan have been developed, aiming to build a sustainable safety culture covering the whole Group. The detailed roadmap is designed to ensure sustainable implementation of safety culture over the medium term.</p> <p>Similarly, GPI works with all its stakeholders to maintain high levels of security around port facilities and vessel operations to minimise the risk of terrorist attack.</p>
Regulatory risks		
Regulatory compliance	<p>The Group is subject to a wide variety of regulations, standards and requirements and may face substantial liability if it fails to comply with existing regulations applicable to its businesses.</p> <p>The Group's terminal operations are subject to extensive laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials, environmental protection and health and safety.</p>	<p>The Group strives to be in compliance at all times with all regulations governing its activities and devotes considerable management and financial resources to ensure compliance.</p>
Changes in regulations	<p>Changes to existing regulations or the introduction of new regulations, procedures or licensing requirements are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any expansion of the scope of the regulations governing the Group's environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of its ability to address environmental incidents or external threats.</p>	<p>The Group maintains a constructive dialog with relevant federal, regional and local authorities regarding existing and planned regulations. The Group does not have the power to block any or all regulations it may judge to be harmful, but this dialog should ensure it has time to react to changes in the regulatory environment.</p>
Compliance and shareholder risk		
Conflict of interests	<p>The Group's controlling beneficial shareholders may have interests that conflict with those of the holders of the GDRs or notes. The major implications of this risk are that: (i) co-controlling shareholders pursue other businesses not related to GPI and hence may not be deeply involved with developing GPI; and (ii) one of the major shareholders is also a major customer of the Group.</p>	<p>The Group's corporate governance system is designed to maximise the company's value for all shareholders and ensure the interests of all stakeholders are taken into account. The Group's LSE listing ensures our compliance with the highest international standards. In addition, the Board has highly experienced members, including strong Independent Directors.</p>

RISK FACTOR	DESCRIPTION	RISK MANAGEMENT APPROACH
Compliance and shareholder risk (continued)		
Legal and tax risks	<p>Adverse determination of pending and potential legal actions involving the Group's subsidiaries could have an adverse effect on the Group's business, revenues and cash flows and the price of the GDRs. Weaknesses relating to the Russian legal and tax system and appropriate Russian law create an uncertain environment for investment and business activity and legislation may not adequately protect against expropriation and nationalisation. The lack of independence of certain members of the judiciary, the difficulty of enforcing court decisions and governmental discretion claims could prevent the Group from obtaining effective redress in court proceedings.</p>	<p>The Group maintains a strong and professional legal function designed to monitor legal risks, avoid legal actions where possible and carefully oversee any legal actions that may occur.</p> <p>The Group performs ongoing monitoring of changes in Russian and international tax legislation and court practice and develops the Group's legal and tax position accordingly.</p>
Financial risks		
FOREX risks	<p>The Group is subject to foreign-exchange risk arising from various currency exposures, primarily the Russian rouble and the US dollar. Foreign-exchange risk is the risk to profits and cash flows of the Group arising from movement of foreign-exchange rates due to inability to timely plan for and appropriately react to fluctuations in foreign-exchange rates. Risk also arises from revaluation of assets and liabilities denominated in foreign currency.</p>	<p>Currently, a significant part of the Group's revenue, and a major part of the Group's debt is denominated in US dollars, whereas most of the Group's operating expenses are and will continue to be denominated and settled in Russian roubles. The Group uses several different instruments and approaches to minimise future risks from volatility in the value of the Russian rouble and US dollar. To date, this strategy has proved effective. Should the Group have to switch the currency of its tariffs to RUR, it will need to convert the existing debt into the same currency to avoid significant foreign exchange risks arising from such a mismatch.</p>
Credit risk	<p>The Group may be subject to credit risk due to its dependence on key customers and suppliers.</p>	<p>The Group closely tracks its accounts receivables overall and the creditworthiness of key customers and suppliers.</p>
Debt, leverage and liquidity	<p>The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects.</p> <p>Failure to promptly monitor and forecast compliance with loan covenants both at the Group and individual terminal levels may result in covenant breaches and technical defaults.</p> <p>If the Group is unable to access funds (liquidity) it may be unable to meet financial obligations when they fall due, or on an ongoing basis, to borrow funds in the market at an acceptable price to fund its commitments.</p>	<p>The Group has been able to reduce its total debt level, as planned, in 2017 and continued reduction of the debt above and beyond minimum repayment requirements remains a management priority in 2018.</p> <p>Liquidity risk is carefully monitored, with regular forecasts prepared for the Group and its operating entities.</p> <p>Although the risk of liquidity shortfalls within the following 18-24 months has been significantly reduced via extensions of debt maturities through public debt issuances in 2016, the liquidity position is carefully monitored in case of further deterioration of financial performance.</p> <p>The Group regularly stress tests scenarios when different negative trends that could affect cash flows are identified.</p>
Information technology and security	<p>The Group's container terminals rely on IT and technology systems to keep their operations running efficiently, prevent disruptions to logistic supply chains, and monitor and control all aspects of their operations.</p> <p>Any IT glitches can create major disruptions for complex logistic supply chains.</p> <p>Any prolonged failure or disruption of these IT systems, whether a result of a human error, a deliberate data breach or an external cyber threat could create major disruptions in terminal operations. This could dramatically affect the Group's ability to render its services to customers, leading to reputational damage, disruption to business operations and an inability to meet its contractual obligations.</p>	<p>The Group has centralised its IT function in recent years and believes this is an important step in ensuring both the efficiency and consistency of the Group's security protocols implementation.</p> <p>The Group has further enhanced its IT security and security awareness during the year. As part of its ongoing response to the threat of cyber-attacks, the Group is currently rolling out additional enhancements to its threat detection systems across all subsidiaries.</p> <p>The Group continuously improves the cyber threats awareness and training among its employees and develops the business continuity plans in case of any disruptions.</p>

FINANCIAL STATEMENTS





DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

TABLE OF CONTENTS

Board of Directors and other officers	1
Management report	3
Directors' Responsibility Statement	16
Consolidated income statement for the year ended 31 December 2017	17
Consolidated statement of comprehensive income for the year ended 31 December 2017	18
Consolidated balance sheet as at 31 December 2017	19
Consolidated statement of changes in equity for the year ended 31 December 2017	20
Consolidated statement of cash flows for the year ended 31 December 2017	21
Notes to the consolidated financial statements	22
1 General information	22
2 Basis of preparation and summary of significant accounting policies	23
3 Financial risk management	33
4 Critical accounting estimates and judgements	36
5 Segmental information	37
6 Expenses by nature	45
7 Other gains/(losses) – net	46
8 Employee benefit expense	46
9 Finance income/(costs) – net	47
10 Net foreign exchange gains/(losses)	47
11 Income tax expense	47
12 Basic and diluted earnings per share	48
13 Dividend distribution	48
14 Property, plant and equipment	48
15 Intangible assets	50
16 Financial instruments by category	51
17 Credit quality of financial assets	51
18 Inventories	52
19 Trade and other receivables	52
20 Cash and cash equivalents	53
21 Share capital, share premium	53
22 Borrowings	54
23 Derivative financial instruments	56
24 Deferred income tax liabilities	57
25 Trade and other payables	58
26 Assets held for sale	58
27 Joint ventures	59
28 Contingencies	61
29 Commitments	63
30 Related party transactions	63
31 Events after the balance sheet date	64
Independent Auditor's Report	65

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors and Other Officers

Board of Directors

Mr. Morten Henrick Engelstoft (appointed 31 October 2016)

(Mrs. Iana Boyd Penkova and Mrs. Olga Gorbarenko are the alternates to Mr. Morten Henrick Engelstoft)

Chairman of the Board of Directors

Non-Executive Director

Member of Remuneration and Nomination Committees

Mr. Nikita Mishin (appointed 15 December 2008)

(Mr. Mikhail Loganov is the alternate to Mr. Nikita Mishin)

Vice-Chairman of the Board of Directors

Non-Executive Director

Member of Remuneration and Nomination Committees

Capt. Bryan Smith (appointed 19 August 2008)

Senior Independent Non-Executive Director

Chairman of Remuneration and Nomination Committees

Mrs. Britta Dalunde (appointed 12 May 2017)

Independent Non-Executive Director

Chairman of Audit and Risk Committee

Mrs. Inna Kuznetsova (appointed 01 January 2018)

Independent Non-Executive Director

Member of Audit and Risk, Nomination and Remuneration Committees

Mr. Lambros Papadopoulos (appointed 01 January 2018)

Independent Non-Executive Director

Member of Audit and Risk Committee

Mr. Soren Jakobsen (appointed 02 March 2018)

(Mrs. Olga Gorbarenko is the alternate to Mr. Soren Jakobsen)

Non-Executive Director

Member of Audit and Risk, Nomination and Remuneration Committees

Mrs. Elia Nicolaou (appointed 12 May 2017)

Non-Executive Director

Member of Remuneration and Nomination Committees

Mr. Konstantin Shirokov (appointed 15 December 2008)

Non-Executive Director

Member of Audit and Risk Committee

Mr. Alexander Iodchin (appointed 15 August 2008)

Executive Director

Mr. Mikhail Loganov (appointed 15 December 2008)

Executive Director

BOARD OF DIRECTORS AND OTHER OFFICERS (CONTINUED)

Board of Directors (continued)

Mrs. Laura Michael (appointed 23 January 2013)
(Mr. Nicholas Charles Terry is the alternate to Mrs. Laoura Michael)
Non-Executive Director

Mr. Michalakis Christofides (appointed 30 July 2014)
Non-Executive Director

Mr. Vadim Kryukov (appointed 30 July 2014)
Non-Executive Director

Mr. Nicholas Charles Terry (appointed 31 October 2016)
(Mrs. Laoura Michael is the alternate to Mr. Nicholas Charles Terry)
Non-executive Director

Mrs. Iana Boyd (appointed 29 January 2018)
Non-executive Director

Mr. Tiemen Meester (resigned on 14 February 2017)

Mrs. Siobhan Walker (resigned on 12 May 2017)

Dr. Alexander Nazarchuk (resigned on 12 May 2017)

Mr. Gerard Jan van Spall (resigned on 29 January 2018)

Mr. Peder Sondergaard (resigned on 01 February 2018)

Board support

The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures. Also a procedure is in place to enable Directors, if they so wish, to seek independent professional advice at the Company's expense.

Company Secretary

Team Nominees Limited

20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

Registered office

20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

MANAGEMENT REPORT

1. The Board of Directors presents its report together with the audited consolidated financial statements of Global Ports Investments Plc (hereafter also referred to as "GPI" or the "Company") and its subsidiaries and joint ventures (hereafter collectively referred to as the "Group") for the year ended 31 December 2017. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred to as "IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap.113.

Principal activities and nature of operations of the Group

2. The principal activities of the Group, which are unchanged from the previous year, are the operation of container and oil products terminals in Russia and the Baltics. The Group offers its customers a wide range of services for their import and export logistics operations.

Changes in group structure

3. During the year ended 31 December 2017 the management of the Group continued its efforts in optimisation of the Group structure. LLC Rolis was sold by JSC Logistica-Terminal to NCC Pacific Investments Ltd. T.O. Services Ltd, LLC Kran-1, LLC Kran-2, LLC Kran-3 were liquidated. LLC Shahovo-19 merged with LLC Shahovo-18. LLC ZASM was sold to LLC Farwater. The management launched the liquidation of LLC Container-Depot East and LLC Cargo Connexion East which was finalised in February-March 2018.
4. There were no other material changes in the group structure.

Review of developments, position and performance of the Group's business

5. The strong recovery in the Russian container market continued in the second half of 2017, posting 16%* growth in volumes for the full year. This growth was principally driven by a revival in imports, due to improved consumer demand, along with increased containerisation of exports.
6. Against this backdrop, the Group continued to implement its strategy of harnessing the recovery of the container market, developing additional revenue streams, improving operational efficiency, maximising free cash flow generation and deleveraging.
7. The growth of Global Ports' Consolidated Marine Container Throughput accelerated to 11.8%* in the second half of 2017, resulting in 6.8%* growth for 2017 as a whole. This acceleration in growth has continued into 2018 with a 23%* increase in Consolidated Marine Container Throughput in January-February 2018, significantly outpacing the Russian container market growth of 16%* for the same two-month period.
8. The Group also delivered a record 21.9%* year-on-year increase in Consolidated Marine Bulk Throughput in 2017 which reached an all-time high of 2.7 million tonnes*.
9. Based on these operational achievements, Global Ports generated Revenue of USD 330.5 million, Adjusted EBITDA of USD 201.6 million*, Gross profit of USD 182.0 million and strong Free Cash Flow of USD 145.9 million*. The Group reduced Total Debt by a further USD 70.2 million* over the period.
10. The loss of the Group for the year ended 31 December 2017 was USD 52,947 thousand (2016: net profit USD 61,263 thousand). On 31 December 2017 the total assets of the Group were USD 1,655,559 thousand (2016: USD 1,643,007 thousand) and the net assets were USD 377,238 thousand (2016: USD 324,916 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.
11. In December 2017 Moscow Arbitrage Court has approved the terms of a settlement agreement between the Russian Federal Antimonopoly Service (FAS) and the Group's VSC, PLP and FCT terminals with respect to the findings of FAS in April 2017 that these terminals (as well as a number of other Russian terminal operators) was in breach of antimonopoly laws in relation to the pricing of stevedoring services in Russian ports. The Group challenged the FAS findings with respect to each of FCT, VSC and PLP and appealed against the orders in court. The terms of the settlement will not have any material impact on the Group's financial position or cash flow and will not negatively affect operating activities in any significant way.
12. Certain non-IFRS financial measures and operational information above which is derived from the management accounts is marked in this announcement with an asterisk [*]. Terms used above are defined as follows:

Adjusted EBITDA (a non-IFRS financial measure) for Global Ports Group is defined as profit for the period before income tax expense, finance income/(costs) – net, depreciation of property, plant and equipment, amortisation of intangible assets, share of profit/(loss) of joint ventures accounted for using the equity method, other gains/(losses) – net and impairment of goodwill and property, plant and equipment and intangible assets.

Consolidated Marine Bulk Throughput is defined as combined marine bulk throughput by consolidated terminals: PLP, VSC, FCT and ULCT.

Consolidated Marine Container Throughput is defined as combined marine container throughput by consolidated marine terminals: PLP, VSC, FCT and ULCT.

MANAGEMENT REPORT (CONTINUED)

Review of developments, position and performance of the Group's business (continued)

Free Cash Flow (a non-IFRS financial measure) is calculated as Net cash from operating activities less Purchase of property, plant and equipment.

Total Debt (a non-IFRS financial measure) is defined as a sum of current borrowings, non-current borrowings and derivative financial instruments.

Risk management process, principal risks and uncertainties

13. GPI is exposed to a variety of risks that can have financial, operational and compliance impacts on its business performance, reputation and licence to operate. The Board recognises that creating shareholder value involves the acceptance of risk. Effective management of risk is therefore critical to achieving the corporate objective of delivering long-term growth and added value to our shareholders.
14. Global Ports has been developing and embedding Enterprise Risk Management system (the ERM) that is designed to identify, assess, respond, monitor and, where possible, mitigate or eliminate threats to the business caused by changes in the external and internal business, financial, regulatory and operating environment.
15. Global Ports bases its risk management activities on a series of well-defined risk management principles, derived from experience, leading practice, and corporate governance regimes. The Group updates and improves its risk management framework on a regular basis to remain competitive in a changing and uncertain environment. Within 2017 a better overview and summary of major risks facing the Group was developed and presented to the Board. It facilitates the analysis of risk ratings and their trends.
16. The GPI Board has overall oversight responsibility for the GPI's risk management and it systematically monitors and assesses the risks attributable to the Group's performance and delivery of the GPI strategy. After identifying and assessing a risk, the Group selects and deploys the appropriate risk response aimed at reducing the likelihood of its occurrence and/or potential adverse impact.
17. The GPI Board delegates to the Chief Executive Officer responsibility for effective and efficient implementation and maintenance of the risk management system. Day-to-day responsibility for the risk management lies with the management team. The Audit and Risk Committee is authorised by the Board to monitor, review and report on the organization, functionality and effectiveness of the Group's ERM system.
18. Global Ports is exposed to a variety of risks which are listed below. The order in which the risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects.
19. Not all of these risks are within the Group's control, and the list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing external and internal environment that could have a material adverse effect on the Group's ability to achieve its business objectives and deliver its overall strategy.
20. Further information on our risk management system including a detailed description of identified risk factors is contained in the notes to the Financial Statements attached to this report.
21. The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the consolidated financial statements.
22. The Group's contingencies are disclosed in Note 28 to the consolidated financial statements.

Risk factor	Risk management approach
Strategic risks	
<u>Market conditions:</u>	<p>Global Ports' operations are dependent on the global macroeconomic environment and resulting trade flows, including in particular container volumes.</p> <p>Container market throughput is closely correlated to the volume of imported goods, which in turn is driven by domestic consumer demand.</p> <p>The Group remains exposed to the risk of contraction in the Russian economy which if it were to occur could further dampen consumer demand and lead to a deterioration in the container market which could have a materially adverse impact on the Group.</p>
<u>Competition:</u>	<p>Challenging market trading conditions mean that competition pressures from other container terminals remains high. Further consolidation between container terminal operators and container shipping companies, introduction of new capacity and carrier consolidation could result in greater price competition, lower utilisation, and a potential deterioration in profitability.</p> <p>In recent years, the Russian market has observed significant new container handling capacity coming on-stream, for example the new port terminal at Bronka, which competes with the Group's ports in the Baltic Sea Basin.</p> <p>Additionally, strategic international investors may develop or acquire stakes in existing competitor Russian container terminals, which could bring new expertise into the market and divert clients and cargoes away from the Group.</p> <p>Given the historically high margins in the Russian container handling industry, this trend may continue.</p>
<u>Political, economic and social stability:</u>	<p>Instability in the Russian economy as well as social and political instability could create an uncertain operating environment and affect the Group's ability to sell its services due to significant economic, political, legal and legislative risks.</p> <p>Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively and/or impact its profitability.</p> <p>The Group may also be adversely affected by US, EU and other government sanctions against Russian business whose measures have had and may continue to have an adverse effect on the Russian economy and demand for commodities. Ongoing sanctions could also adversely impact the Group's ability to obtain financing on favourable terms and to deal with certain persons and entities in Russia or in other countries.</p>
<u>Operational risks</u>	<p><u>Leases of terminal land:</u></p> <p>The Group leases a significant amount of the land and quays required to operate its terminals from government agencies and any revision or alteration of the terms of these leases or the termination of these leases, or changes to the underlying property rights under these leases, could adversely affect the Group's business.</p> <p>The Group believes it has a stable situation at present regarding its land leases and its terminals have been in operation for a number of years. The Group owns the freehold on 66% of the total land of its terminals and 70% of the land of its container and inland terminals in Russia. The rest of the Group's land is held under long-term leases (up-to 49 years).</p>

MANAGEMENT REPORT (CONTINUED)

Risk management process, principal risks and uncertainties (continued)

Risk factor	Risk management approach
<u>Customer Profile and Concentration:</u> The Group is dependent on a relatively limited number of major customers (shipping lines etc.) for a significant portion of its business. These customers are affected by conditions in their market sector which can result in contract changes and renegotiations as well as spending constraints, this is further exacerbated by carrier consolidation process.	The Group conducts extensive and regular dialogue with key customers and actively monitors changes that might affect our customers' demand for our services.
<u>Reliance on third parties:</u> The Group is dependent on the performance of services by third parties outside its control, including the performance by all other participants in the logistics chain, such as customs inspectors, supervisory authorities and others, and the performance of security procedures carried out at other port facilities and by its shipping line customers.	The Group has a clear strategy to reduce its dependence on its major customers, targeting new potential customers and new cargo segments. The Group is also growing its share of non-container revenues through successfully building its presence in marine bulk cargo like coal (2017: share of non-container revenue was 23% and 19% in 2016).
<u>Oil products:</u> The Group's oil products business could be affected by changes in Russia's exports of oil products and handling of such exports at its oil products terminal in Estonia, a decline in global demand for oil products or in Russian oil product export volumes or any change in trade relationships with Estonia.	The Group strives to maintain a continuous dialog with third parties across the supply chain. In addition, its geographic diversification provides it with some flexibility in its logistics, should bottlenecks develop in one area.
<u>Tariff regulation:</u> Tariffs for certain services at certain of the Group's terminals have been in the past regulated by the Russian Federal Antimonopoly Service and, as a result, the tariffs charged for such services were, and may potentially in the future be, subject to a maximum tariff rate and/or fixed in Russian roubles as PLP, VSC, and FCT, like many other Russian seaport operators, are classified as natural monopolies under Russian law.	The Group believes, like most international forecasters, that the global demand for oil products remains cyclical and might grow again over the medium term.
<u>Human resources management:</u> The Group's competitive position and prospects depend on the expertise and experience of its key management team and its ability to continue to attract, retain and motivate qualified personnel. Industrial action or adverse labour relations could disrupt the Group's operating activities and have an adverse effect on performance results.	The Group continues to monitor for any legislative proposals and regulatory actions that could lead to changes to the existing tariff regulations. It seeks a proactive dialog with the relevant Russian federal authorities. It believes it is as well placed as any market participant to adapt to any – future changes in tariff regulation.
<u>Health, safety, security and environment:</u> Accidents involving the handling of hazardous materials and oil products at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities. The risk of safety incidents is inherent in the Group's businesses. The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control.	The Group is committed to recruiting and engaging Russian and international managers and experts to meet its needs. The Group offers competitive salaries and benefits to employees at all levels to foster and retain top talent. In addition the Group pays special attention to professional development as well as engagement in socially responsible business practices and supporting local communities. The Group strives to maintain a positive working relationship with labour unions at its facilities. Moreover, it pursues overall labour policies designed to provide a salary and benefit package in line with the expectations of our employees.
	The Group has implemented clear environmental and safety policies designed around international best practices and benchmark using such measures as GPI Global Minimum Requirements. Safety is one of the Group's top priorities. A safety strategy and annual action plan have been developed, aiming to build a sustainable safety culture covering the whole Group. The detailed roadmap is designed to ensure sustainable implementation of safety culture over the medium term. Similarly, GPI works with all its stakeholders to maintain high levels of security around port facilities and vessel operations to minimise the risk of terrorist attack.

Risk factor	Risk management approach
<i>Regulatory risks</i>	
<i>Regulatory compliance:</i>	The Group is subject to a wide variety of regulations, standards and requirements and may face substantial liability if it fails to comply with existing regulations applicable to its businesses. The Group's terminal operations are subject to extensive laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials, environmental protection and health and safety.
<i>Changes in regulations:</i>	The Group strives to be in compliance at all times with all regulations governing its activities and devotes considerable management and financial resources to ensure compliance.
<i>Compliance and shareholder risk</i>	
<i>Conflict of interests:</i>	The Group maintains a constructive dialog with relevant federal, regional and local authorities regarding existing and planned regulations. The Group does not have the power to block any or all regulations it may judge to be harmful, but this dialog should ensure it has time to react to changes in the regulatory environment.
<i>The major implications of this risk are that (i) co-controlling shareholders pursue other businesses not related to GPI and hence may not be deeply involved with developing GPI and (ii) one of the major shareholders is also a major customer of the Group.</i>	The Group's corporate governance system is designed to maximise the company's value for all shareholders and ensure the interests of all stakeholders are taken into account. The Group's LSE listing ensures our compliance with the highest international standards. In addition, the Board has highly experienced members, including strong independent directors.
<i>Legal and tax risks:</i>	The Group maintains a strong and professional legal function designed to monitor legal risks, avoid legal actions where possible and carefully oversee any legal actions that may occur.
<i>The Group performs ongoing monitoring of changes in Russian and international tax legislation and court practice and develops the Group's legal and tax position accordingly.</i>	
<i>Financial risks</i>	
<i>FOREX risks:</i>	The Group is subject to foreign-exchange risk arising from various currency exposures, primarily the Russian rouble and the US dollar. Foreign-exchange risk is the risk to profits and cash flows of the Group arising from movement of foreign-exchange rates due to inability to timely plan for and appropriately react to fluctuations in foreign-exchange rates. Risk also arises from revaluation of assets and liabilities denominated in foreign currency.
<i>Credit risk:</i>	Currently, a significant part of the Group's revenue, and a major part of the Group's debt is denominated in U.S. dollars, whereas most of the Group's operating expenses are and will continue to be denominated and settled in Russian roubles. The Group uses several different instruments and approaches to minimise future risks from volatility in the value of the Russian rouble and US dollar. To date, this strategy has proved effective. Should the Group have to switch the currency of its tariffs to RUR, it will need to convert the existing debt into the same currency to avoid significant foreign exchange risks arising from such a mismatch.
<i>The Group may be subject to credit risk due to its dependence on key customers and suppliers.</i>	The Group closely tracks its accounts receivables overall and the creditworthiness of key customers and suppliers.

MANAGEMENT REPORT (CONTINUED)

Risk management process, principal risks and uncertainties (continued)

Risk factor	Risk management approach
<p><u>Debt, leverage and liquidity:</u> The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects.</p> <p>Failure to promptly monitor and forecast compliance with loan covenants both at the Group and individual terminal levels may result in covenant breaches and technical defaults.</p> <p>If the Group is unable to access funds (liquidity) it may be unable to meet financial obligations when they fall due, or on an ongoing basis, to borrow funds in the market at an acceptable price to fund its commitments.</p>	<p>The Group has been able to reduce its total debt level, as planned, in 2017 and continued reduction of the debt above and beyond minimum repayment requirements remains a management priority in 2018.</p> <p>Liquidity risk is carefully monitored, with regular forecasts prepared for the Group and its operating entities.</p> <p>Although the risk of liquidity shortfalls within the following 18-24 months has been significantly reduced via extensions of debt maturities through public debt issuances in 2016, the liquidity position is carefully monitored in case of further deterioration of financial performance.</p> <p>The Group regularly stress tests scenarios when different negative trends that could affect cash flows are identified.</p>
<p><u>Information technology and security:</u> The Group's container terminals rely on IT and technology systems to keep their operations running efficiently, prevent disruptions to logistic supply chains, and monitor and control all aspects of their operations.</p> <p>Any IT glitches can create major disruptions for complex logistic supply chains.</p> <p>Any prolonged failure or disruption of these IT systems, whether the result of human error, deliberate data breach or external cyber threat could create major disruptions in terminal operations. This could dramatically affect the Group's ability to render its services to customers, leading to reputational damage, disruption to business operations and an inability to meet its contractual obligations.</p>	<p>The Group has centralised its IT function in recent years and believes this is an important step in ensuring both the efficiency and consistency of the Group's security protocols implementation.</p> <p>The Group has further enhanced its IT security and security awareness during the year. As part of its ongoing response to the threat of cyber-attacks, the Group is currently rolling out additional enhancements to its threat detection systems across all subsidiaries.</p> <p>The Group continuously improves the cyber threats awareness and training among its employees and develops the business continuity plans in case of any disruptions.</p>

Internal control and risk management systems in relation to the financial reporting process

23. The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations.
24. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
25. The Audit and Risk Committee of the Board of directors of the Company reviews certain high-risk areas at least once a year, including the following:
 - Significant accounting estimates;
 - Material changes to the accounting policies;
26. Reporting from various Group entities to the centralised unit is supervised on an ongoing basis and procedures have been established for control and checking of such reporting. Procedures have also been set up to ensure that any errors are communicated to and corrected by the reporting entities. The internal controls are subject to ongoing reviews, including in connection with the regular control inspections at subsidiaries conducted by the central unit. The results from these reviews are submitted to the executive management, the Audit and Risk Committee and Board of Directors. The internal financial reporting ensures an effective process to monitor the Company's financial results, making it possible to identify and correct any errors or omissions. The monthly financial reporting from the respective entities is analysed and monitored by the centralised department in order to assess the financial and operating performance as well as to identify any weaknesses in the internal reporting, failures to comply with procedures and the Group accounting policies. The Audit and Risk Committee follows up to ensure that any internal control weaknesses are mitigated and that any errors or omissions in the financial statements identified and reported by the auditors are corrected, including controls or procedures implemented to prevent such errors or omissions.

Use of financial instruments by the Group

27. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results. Risk management is carried out by a centralised financial department as well as financial departments in operating entities under policies approved by the Board of Directors. These departments identify, evaluate and take actions to mitigate financial risks in close co-operation with the operating units. The Board provides principles for overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

- 28. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in the currency different from the functional currency of each of the entities of the Group.
- 29. The revenues of Russian operations are mainly priced in US dollars and Russian roubles, whereas most of expenses are denominated and settled in Russian roubles.
- 30. The Group uses from time to time foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk.
- 31. The Group will continue to review its borrowing policy in order to maintain a balance between term and interest rate of available financing and its currency.
- 32. Currently the long-term debt of the Group is denominated in US dollars and Russian roubles. Most of Rouble-denominated debt is effectively swapped to USD-debt with a lower interest rate.
- 33. The US dollar and Euro interest rates are relatively more attractive compared to the Russian rouble interest rate.

(b) Cash flow and fair value interest rate risk

- 34. The Group is not significantly exposed to changes in market interest rates as substantially all of its borrowings portfolio consists of fixed rate debt.
- 35. However, the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.
- 36. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable and economically feasible.

(c) Credit risk

- 37. Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans receivable (Note 19) and cash and cash equivalents (Note 20). The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. However, the Group's business is heavily dependent on several large key customers accounting for substantial part of the Group's revenue. Cash and cash equivalents are placed in reliable banks with good history.

(d) Liquidity risk

- 38. Management controls current liquidity based on expected cash flows and expected revenue receipts.
- 39. Cash flow forecasting is performed at the level of operating entities of the Group and at consolidated level by the centralised department. Group finance department monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs as well as scheduled debt service while maintaining sufficient headroom to ensure that the group does not breach covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration potential variations in operating cash flows due to market conditions, the Group's debt repayments and covenant compliance. Taking into account expected levels of operating cash flows, availability of cash and cash equivalents and long-term nature of the debt portfolio, the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

MANAGEMENT REPORT (CONTINUED)

Use of financial instruments by the Group (continued)

(e) Capital risk management

40. The Group's main objective when managing capital is to maintain the ability to continue as a going concern in order to ensure the profitability of the Group, maintain optimum equity structure and reduce its cost of capital.
41. Defining capital, the Group uses the amount of equity and the Group's borrowings.
42. The Group manages the capital based on borrowings to total capitalisation ratio. Borrowings include lease liabilities, loan liabilities and public bonds.
43. Total capitalisation is calculated as the sum of the total Group borrowings and equity at the date of calculation. The management does not currently have any specific target for the rate of borrowings to total capitalisation.

Future Developments of the Group

44. The Board of Directors does not expect any significant changes in the activities of the Group in the foreseeable future.

Results

45. The Group's results for the year are set out on pages 17 and 18.

Dividends

46. Pursuant to the Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depository Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US dollars. If dividends are not paid in US dollars, they will be converted into US dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.
47. The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries and joint ventures to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions (shareholder agreements, bank borrowings covenants, terms of the issuance of the public debt instruments). The payment of such dividends by its subsidiaries and joint ventures is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries and joint ventures is restricted to the total accumulated retained earnings of the relevant subsidiary or joint venture, determined according to the law applicable to each entity.
48. The Company has a Dividend Policy in place which provides for the payment of not less than 30% of any imputed consolidated net profit for the relevant financial year of the Group. Imputed profit is calculated as the consolidated net profit for the period of the Group attributable to the owners of the Company as shown in the Company's consolidated financial statements for the relevant financial year prepared under EU IFRS and in accordance with the requirements of the Cyprus Companies Law, Cap. 113, less certain non-monetary consolidation adjustments. The Company's dividend policy is subject to modification from time to time as the Board of Directors may deem appropriate.
49. In the year 2015 following the revision of current market situation, market prospects and prioritising the deleveraging strategy over dividend distribution, which should ensure the long-term robustness of the Group's finances, the Board suspended the payment of the dividends in the mid-term. The Board continues to monitor the container market for recovery as well as for levels of volatility in order to identify the appropriate timing for a resumption of the payment of a dividend, always consistent with sustaining conservative leverage ratios.
50. During the years 2016 and 2017 the Company did not declare or pay any dividends.
51. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2017.

Share Capital

Authorised share capital

52. The authorised share capital of the Company amounts to USD 175,000,000.00 divided into 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of USD 0.10 each.

Issued share capital

53. The issued share capital of the Company amounts to USD 57,317,073.10 divided into 422,713,415 ordinary shares and 150,457,316 ordinary non-voting shares with a par value of USD 0.10 each.
54. The ordinary shares and the ordinary non-voting shares rank pari passu in all respects save that, the ordinary non-voting shares do not have the right to receive notice, attend or vote at any general meeting, nor to be taken into account for the purpose of determining the quorum of any general meeting.

Rules for amending articles

55. The Articles of association of the Company may be amended from time to time by the special resolution of the General Meeting of the shareholders.

The role of the Board of Directors

56. The Company is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the short – and long-term successful performance of the Group for the benefit of the shareholders as a whole.

57. The Board of Directors' role is to provide entrepreneurial leadership to the Group through setting the corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Board sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board ensures the Group maintains a sound system of internal control and enterprise risk management to safeguard the Group's assets and shareholders' investments in the Group.

Members of the Board of Directors

58. The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than three years. Following the best practice guidance, the members of the Board of Directors are being re-elected on an annual basis. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need to refresh the Board on a regular basis.

59. The Board currently has 16 members and they were appointed as shown on pages 1 and 2.

60. On 14 February 2017 Mr. Tiemen Meester resigned from the Board and Mr. Peder Sondergaard replaced him. On 12 May 2017 Dr. Alexander Nazarchuk and Mrs. Siobhan Walker resigned from the Board and Mrs. Britta Dalunde and Mrs. Elia Nicolaou replaced them.

61. All other Directors were members of the Board throughout the year ended 31 December 2017.

62. On 01 January 2018 Mrs. Inna Kuznetsova and Mr. Lambros Papadopoulos joined the Board of Directors.

63. On 29 January 2018 Mr. Gerard Jan Van Spall resigned from the Board and Mrs. Iana Boyd replaced him on the same day. On 01 February 2018 Mr. Peder Sondergaard resigned from the Board and Mr. Soren Jakobsen replaced him on 02 March 2018.

64. There is no provision in the Company's Articles of Association for retirement of Directors by rotation. However in accordance with the Terms of Reference of the Board of Directors and the resolutions adopted by the Shareholders at the Annual General Meetings held 29 April 2015 and 12 May 2017 and Extraordinary General Meetings held on 12 December 2017, 29 January 2018 and 02 March 2018 all present directors, except for Capt. Bryan Smith, will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company. Capt. Bryan Smith will step down from the Board of Directors at the next AGM as his nine years term as Independent Non-Executive Director ended.

65. Team Nominees Limited has been acting as the Company Secretary since its incorporation in February 2008. Mr. Alexander Iodchin has been acting as the Board Secretary since December 2008.

66. The changes in the composition of the committees of the Board of Directors are described below.

67. Mr. Tiemen Meester was the Chairman of the Board until 14 February 2017. Mr. Peder Sondergaard was the Chairman of the Board from 10 April 2017 until 01 February 2018. Mr. Morten Henrick Engelstoft was elected the Chairman of the Board of Directors on 26 February 2018. There were no other significant changes in the responsibilities of the Directors during 2017.

Directors' interests

68. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2017 and 31 December 2016 are shown below:

Name	Type of holding	Shares held at 31 December 2017	Shares held at 31 December 2016
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	42,267,114 ordinary shares 16,477,011 ordinary non-voting shares	42,267,114 ordinary shares 16,477,011 ordinary non-voting shares
Britta Dalunde	Through holding of the GDRs	7,000 GDRs representing 21,000 ordinary shares	NIL

MANAGEMENT REPORT (CONTINUED)

Board performance

69. The Board meets at least four times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

70. In 2017 the Board met formally 25 (2016: 21) times to review current performance and to discuss and approve important business decisions.

71. In 2017 the Board met to discuss and approve important business decisions:

- (a) FY2016 financial statements, 1H2017 interim financial statements and Annual Report;
- (b) Changes in Group management and the Board of Directors;
- (c) Remuneration guidelines;
- (d) Review of segments financial and operational performance;
- (e) Consideration of 2018 financial budget, major risks and uncertainties, commercial strategy, corporate social responsibility matters, internal control framework;
- (f) Consideration and approval of the intragroup financing and organizational restructurings;
- (g) Consideration and approval of major capital expenditures and operating expenditures; and
- (h) Consideration and approval of various resolutions related to the operations of the Company's subsidiaries and joint ventures.

72. The number of Board and Board Committee meetings held in the year 2017 and the attendance of directors during these meetings was as follows:

	Board of Directors		Nomination Committee		Remuneration Committee		Audit and Risk Committee	
	A	B	A	B	A	B	A	B
Alexander Iodchin	25	25	-	-	-	-	-	-
Bryan Smith	25	25	7	7	10	10	-	-
Nikita Mishin	17	25	4	7	6	10	-	-
Alexander Nazarchuk	7	7	3	3	3	3	-	-
Mikhail Loganov	13	25	-	-	-	-	-	-
Konstantin Shirokov	25	25	-	-	-	-	10	10
Siobhan Walker	4	7	-	-	-	-	3	3
Morten Henrick Engelstoft	25	25	7	7	10	10	10	10
Tiemen Meester	-	-	-	-	1	1	-	-
Laura Michael	25	25	-	-	-	-	-	-
Gerard Jan van Spall	25	25	-	-	-	-	-	-
Nicholas Charles Terry	25	25	-	-	-	-	-	-
Vadim Kryukov	25	25	-	-	-	-	-	-
Michalakis Christofides	25	25	-	-	-	-	-	-
Peder Sondergaard	25	25	7	7	9	9	-	-
Britta Dalunde	18	18	-	-	-	-	7	7
Elia Nicoalou	17	18	3	4	6	7	-	-

A = Number of meetings attended.

B = Number of meetings eligible to attend during the year.

73. The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance can be conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman of the Board. The Board did not engage any external advisors for evaluation of its performance in the years 2016 and 2017.

The Board diversity

74. The Company does not have a formal Board diversity policy to aspects such as age, gender or educational and professional backgrounds, but following the best practice while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.

75. As of the date of publication of these financial statements the Board has 5 females representing approximately 30% from the total number of directors. The average age of directors is 49 years ranging from 32 to 72 years. The Board members have the following educational backgrounds: port and transportation industry, accounting and financial, banking sector and legal. The Board has a necessary balance of skills and expertise to run the Company and the Group. There are 7 nationalities present in the Board and the majority of the Board members reside in Cyprus.

The Board committees

76. Since December 2008 the Board of Directors established the operation of three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee.
77. The Audit and Risk Committee comprises of five Non-Executive Directors, three of whom are independent, and meets at least four times a year. The Audit and Risk Committee is chaired by Mrs. Britta Dalunde (an Independent Non-Executive Director) who replaced Mrs. Siobhan Walker on 12 May 2017 and the other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Lambros Papadopoulos (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Konstantin Shirokov and Mr. Soren Jakobsen (appointed as of 02 March 2018). Mr. Morten Henrick Engelstoft resigned from the Audit and Risk Committee on 26 February 2018 following his appointment as the Chairman of the Board of Directors.
78. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls, risk management systems and the work of the Internal Auditor; (ii) external and internal auditors' reports; and (iii) the terms of appointment and remuneration of the external auditors. The Committee supervises and monitors the financial reporting process and the submission of financial information by the Company and makes recommendations or proposals to ensure its integrity. The Committee informs the board of the outcome of the external audit and explain how the audit contributed to the integrity of financial reporting and what the role of the committee was in that process. The Committee recommends the Board on appointment, re-appointment and removal of the external auditor, reviews and monitors its independence, objectivity and effectiveness of the audit process. The Committee implements the policy on the engagement of the external auditors to perform non-audit services. In addition, the Committee supervises, monitors, and advises the Board of Directors on effectiveness of risk management and internal control systems and the implementation of Code of Ethics and Conduct, Authority Matrix and various other internal policies and regulations.
79. In the year 2017 the Audit and Risk Committee met 10 times to review and discuss *inter alia* (on top of the topics listed above):
 - (a) Review of the press releases containing financial information;
 - (b) Consideration and approval of audit schedules and review of the impairment models and the impact of the new IFRS standards on the Company's financial statements;
 - (c) Review of the major risks, including but not limited to strategic, fraud and compliance, commercial, operational, financial, human resources, environmental and other risks;
 - (d) Review of internal control framework and its deficiencies, consideration of management proposals on its further development and improvement;
 - (e) Review of IT security setup, budgeting process, sanctions monitoring and compliance process, corporate social responsibility report, whistle-blowing system;
 - (f) Making proposals to the Board of Directors to approve the amended and restated Terms of Reference of the Committee and on the new composition of the Committee;
 - (g) Consideration of various reports from the management and external consultants;
 - (h) Consideration of various updated and restated Group Policies;
 - (i) Consideration of the authority matrix framework.
80. The Nomination Committee as of the date of this report comprises six Directors, two of whom are independent. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Nikita Mishin, Mrs. Elia Nicolaou (appointed on 12 May 2017), Mr. Morten Henrick Engelstoft and Mr. Soren Jakobsen (appointed on 02 March 2018). Dr. Alexander Nazarchuk and Mr. Peder Sondergaard resigned from the position of the members of the Nomination Committee in May 2017 and February 2018 respectively.
81. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors as well as the Senior Management of the companies of the Group and to review on a regular basis the structure, size, diversity and composition of the Board of Directors of the Company. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board and Senior Management given the Company's and Group's stage of development and makes recommendations to directors as to any changes. The Committee also considers future appointments in respect to the composition of the Board of Directors and Senior Management as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee. The Committee relies on both independent search consultancy and internal sources in making the proposals for the Board and Senior Management appointments.
82. In 2017 the Nomination Committee met seven times to discuss and recommend to the Board the appointment of senior management of the Group companies and also to recommend the Directors the candidates to the Board and discuss and recommend the composition of the Board Committees. In the year 2018 one of the key focuses of the work of Nomination Committee will be the succession planning for the Board and the Senior Management.

MANAGEMENT REPORT (CONTINUED)

83. The Remuneration Committee as of the date of this report comprises six Directors, two of whom are independent. The Committee meets at least once each year. Currently the Remuneration Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Nikita Mishin, Mrs. Elia Nicolaou (appointed on 12 May 2017), Mr. Morten Henrick Engelstoft and Mr. Soren Jakobsen (appointed on 02 March 2018). Dr. Alexander Nazarchuk and Mr. Peder Sondergaard resigned from the position of the members of the Remuneration Committee in May 2017 and February 2018 respectively.
84. The Committee is responsible for determining and reviewing the remuneration of the executive directors, Chairman and the Senior Management and the Company's remuneration policies. The remuneration of independent Directors is a matter for the chairman of the Board of Directors and is subject to approval of the shareholders. Remuneration of the executive directors in their executive capacity is subject to the Board approval. No director or manager may be involved in any decisions and discussions as to his or her own remuneration.
85. In 2017 the Remuneration Committee met 10 times to discuss and recommend to the Board the Group management remuneration guidelines and the remuneration of the new Board members and the Senior Management of the Group.

Corporate governance

86. The Company is not subject to the provisions of UK Corporate Governance Code, but follows internationally recognised best practices customary to the public companies having GDRs having standard listing and admitted to trading at London Stock Exchange.
87. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012, 2015 and 2016 important policies and procedures. The Group is regularly reviewing and updating its policies and procedures. The new Code of Ethics was approved by the Board of Directors on 08 December 2016 and was introduced in the companies of the Group in the course of the year 2017. On 03 October 2017 the Board of Directors approved the revised Terms of reference of the Audit and Risk Committee and Charity and Sponsorship Policy.
88. The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:
 - Appointment policy;
 - Terms of reference of the Board of Directors;
 - Terms of reference of the Audit and Risk Committee;
 - Terms of reference of the Nomination Committee;
 - Terms of reference of the Remuneration Committee;
 - Code of Ethics and Conduct;
 - Antifraud policy;
 - Anti-Corruption Policy;
 - Foreign Trade Controls Policy;
 - Insurance Standard;
 - Charity and Sponsorship Policy; and
 - Group Securities Dealing Code.
89. In order to further strengthen the corporate governance and clearly set the management authority limits within the Group the Board of Directors approved the Authority Matrix framework at the end of the year 2016. This framework is based on the Board of Directors reserved matters, which are set in the Terms of reference of the Board of Directors and Shareholder's reserved matters as set out in Company's Charter. All other matters are reserved for the management. The implementation of this framework within the Group started in the year 2017 and will continue in the year 2018.
90. In the course of the year ended 31 December 2017 in order to further strengthen the corporate governance procedures and streamline the reporting of negligence, non-compliance or any other kind of wrongdoing the Group established a hotline mail-box and telephone line. It is an important mechanism enabling staff and other members of the Group as well as third parties to voice concerns in a responsible and effective manner.

Board and management remuneration

91. Non-Executive Directors serve on the Board pursuant to the letters of appointment. Such letters of appointment specify the terms of appointment and the remuneration of Non-Executive Directors.
92. Levels of remuneration for the Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties.
93. The shareholders of the Company approved the remuneration of the members of the Board on 29 April 2013, 12 May 2017, 11 December 2017, 29 January 2018 and 02 March 2018.
94. The Directors did not waive or agreed to waive any emoluments from the company or any company of the Group during the period under review or future emoluments.

95. The performance based part of the remuneration of the senior (key) management is based on the Key Rules of Awarding and Payment of Performance Based Bonuses of GPI Group adopted by the Board on 15 June 2016 and regularly updated.

96. Neither the Board members, nor the management have long-term incentive schemes.

97. Refer to Note 30(g) to the consolidated financial statements for details of the remuneration paid to the members of the Board and key management.

Corporate social responsibility report

98. The Corporate Social Responsibility Report is drawn up as a separate report and will be made public at the Company's website (the address of which, at the date of publication of this report, is www.globalports.com) within six months from the balance sheet date.

Events after the balance sheet date

99. The events after the balance sheet date are disclosed in Note 31 to the consolidated financial statements.

Research and development activities

100. The Group is not engaged in research and development activities.

Branches

101. The Group did not have or operate through any branches during the year.

Treasury shares

102. The Company did not acquire either directly or through a person in his own name but on behalf of the Company any of its own shares.

Going concern

103. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's principle risks and uncertainties, budget for 2018 and the latest forecasts over a period of 5-7 years reflecting its business and investment cycles, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to meet its liabilities as they fall due and to continue in operation for the foreseeable future.

Auditors

104. The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution approving their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Konstantin Shirokov
Director
13 March 2018

Alexander Iodchin
Director

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of Global Ports Investments Plc ("Company") is responsible for preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap.113.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Each of the Directors confirms to the best of his or her knowledge that the consolidated financial statements which are presented on pages 17 to 64 have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap.113, and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as whole.

By Order of the Board

Konstantin Shirokov
Director

Alexander Iodchin
Director

Limassol
13 March 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of US dollars)	Note	For the year ended 31 December	
		2017	2016
Revenue	5	330,505	331,468
Cost of sales	6	(148,511)	(186,064)
Gross profit		181,994	145,404
Administrative, selling and marketing expenses	6	(42,731)	(36,675)
Share of profit/(loss) of joint ventures accounted for using the equity method	27	(73,267)	(40,423)
Other gains/(losses) – net	7	(71,329)	(68,757)
Operating profit/(loss)		(5,333)	(451)
Finance income	9	2,048	1,367
Finance costs	9	(90,879)	(98,064)
Change in fair value of derivatives	9	42,089	64,432
Net foreign exchange gains/(losses) on financial activities	9	27,944	142,572
Finance income/(costs) – net	9	(18,798)	110,307
Profit/(loss) before income tax		(24,131)	109,856
Income tax expense	11	(28,816)	(48,593)
Profit/(loss) for the year		(52,947)	61,263
<hr/>			
Attributable to:			
Owners of the Company		(52,973)	61,038
Non-controlling interest		26	225
		(52,947)	61,263
Basic and diluted earnings per share for profit/(loss) attributable to the owners of the parent of the Company during the year (expressed in US\$ per share)	12	(0.09)	0.11

The notes on pages 22 to 64 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of US dollars)	Note	For the year ended 31 December	
		2017	2016
Profit/(loss) for the year		(52,947)	61,263
<i>Other comprehensive income/(loss)</i>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		32,356	30,661
Share of currency translation differences of joint ventures accounted for using the equity method	27	13,115	(2,133)
Cumulative other comprehensive income movement relating to asset classified as held for sale	26	1,560	–
Reclassification to income statement of a loss/(gain) on cash flow hedge termination	23	69,566	63,149
Reclassification to currency translation reserve of gain on cash flow hedge termination	23	(12,140)	(1,793)
Total items that can be reclassified subsequently to profit or loss		104,457	89,884
<i>Items that may not be subsequently reclassified to profit or loss</i>			
Share of currency translation differences attributable to non-controlling interest		812	2,638
Total items that cannot be reclassified subsequently to profit or loss		812	2,638
Other comprehensive income/(loss) for the year, net of tax		105,269	92,522
Total comprehensive income/(loss) for the year		52,322	153,785
<i>Total comprehensive income/(loss) attributable to:</i>			
Owners of the Company		51,484	150,922
Non-controlling interest		838	2,863
Total comprehensive income/(loss) for the year		52,322	153,785

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of other comprehensive income above.

The notes on pages 22 to 64 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

(in thousands of US dollars)	Note	As at 31 December	
		2017	2016
ASSETS			
Non-current assets		1,428,401	1,462,472
Property, plant and equipment	14	553,304	580,226
Intangible assets	15	690,858	666,223
Investments in joint ventures	27	56,918	123,149
Prepayments for property, plant and equipment	14	8,393	4,640
Deferred tax assets	24	45,529	44,440
Derivative financial instruments	23	58,840	35,529
Trade and other receivables	19	14,559	8,265
Current assets		227,158	180,535
Inventories	18	5,769	5,013
Derivative financial instruments	23	19,546	17,428
Trade and other receivables	19	33,630	38,011
Income tax receivable		2,366	804
Cash and cash equivalents	20	130,434	119,279
Assets classified as held for sale	26	35,413	-
TOTAL ASSETS		1,655,559	1,643,007
EQUITY AND LIABILITIES			
Total equity		377,238	324,916
Equity attributable to the owners of the Company		361,107	309,623
Share capital	21	57,317	57,317
Share premium	21	923,511	923,511
Capital contribution		101,300	101,300
Currency translation reserve		(759,376)	(806,407)
Cash flow hedge reserve	23	–	(57,426)
Transactions with non-controlling interest		(209,122)	(209,122)
Retained earnings		247,477	300,450
Non-controlling interest		16,131	15,293
Total liabilities		1,278,321	1,318,091
Non-current liabilities		1,178,872	1,211,794
Borrowings	22	1,005,664	1,040,875
Trade and other payables	25	9,266	8,208
Deferred tax liabilities	24	163,942	162,711
Current liabilities		99,449	106,297
Borrowings	22	69,089	78,681
Trade and other payables	25	26,420	26,320
Current income tax liabilities		1,513	1,296
Liabilities directly associated with assets classified as held for sale	26	2,427	–
TOTAL EQUITY AND LIABILITIES		1,655,559	1,643,007

On 13 March 2018 the Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue.

Konstantin Shirokov
Director

Alexander Iodchin
Director

The notes on pages 22 to 64 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of US dollars)	Note	Attributable to the owners of the Company							Non-controlling interest	Total		
		Share capital	Share premium	Capital contribution	Translation reserve	Cash flow hedge reserve	Transactions with non-controlling interest	Retained earnings*				
Balance at 1 January 2016		57,317	923,511	101,300	(834,935)	(118,782)	(209,122)	239,412	158,701	13,231	171,932	
Total other comprehensive income/(loss)		–	–	–	28,528	61,356	–	–	89,884	2,638	92,522	
Profit/(loss) for the year		–	–	–	–	–	–	61,038	61,038	225	61,263	
Total comprehensive income/(loss) for the year ended 31 December 2016		–	–	–	28,528	61,356	–	61,038	150,922	2,863	153,785	
Distributions to non-controlling interest		–	–	–	–	–	–	–	–	(801)	(801)	
Total transactions with owners for the year ended 31 December 2016		–	–	–	–	–	–	–	–	(801)	(801)	
Balance at 31 December 2016		57,317	923,511	101,300	(806,407)	(57,426)	(209,122)	300,450	309,623	15,293	324,916	
Total other comprehensive income/(loss)		–	–	–	47,031	57,426	–	–	104,457	812	105,269	
Profit/(loss) for the year		–	–	–	–	–	–	(52,973)	(52,973)	26	(52,947)	
Total comprehensive income/(loss) for the year ended 31 December 2017		–	–	–	47,031	57,426	–	(52,973)	51,484	838	52,322	
Balance at 31 December 2017		57,317	923,511	101,300	(759,376)		–	(209,122)	247,477	361,107	16,131	377,238

* Retained earnings in the separate financial statements of the Company is the only reserve that is available for distribution in the form of dividends to the Company's shareholders.

The notes on pages 22 to 64 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of US dollars)	Note	For the year ended 31 December	
		2017	2016
Cash flows from operating activities		(24,131)	109,856
Profit/(loss) before income tax		14	34,843
Adjustments for:			
Depreciation of property, plant and equipment	14	38,007	11,400
Impairment of property, plant and equipment	14	—	67,532
Impairment of intangible assets	15	—	(162)
(Profit)/loss on sale of property, plant and equipment	14	(162)	(652)
Write off of property, plant and equipment	14	80	440
Amortisation of intangible assets	15	12,966	13,225
Interest income	9	(2,048)	(1,367)
Interest expense	9,22	90,879	98,064
Share of (profit)/loss in jointly controlled entities	27	73,267	40,423
Change in fair value of swap	9	(42,089)	(64,432)
Foreign exchange differences on non-operating activities		41,570	(79,432)
Other non-cash items		(930)	(738)
Operating cash flows before working capital changes		198,809	217,762
Changes in working capital			
Inventories		(637)	(379)
Trade and other receivables		(1,810)	(2,439)
Trade and other payables		366	3,751
Cash generated from operations		196,728	218,695
Dividends received from joint ventures		10,765	5,281
Income tax paid		(33,549)	(28,135)
Net cash from operating activities		173,944	195,841
Cash flows from investing activities			
Purchases of intangible assets		(1,846)	(118)
Purchases of property, plant and equipment		(28,041)	(18,043)
Proceeds from sale of property, plant and equipment	14	291	1,021
Loans granted to related parties	30(h)	(7,500)	(9,900)
Loan repayments received from related parties		1,183	444
Interest received		1,274	983
Net cash used in investing activities		(34,639)	(25,613)
Cash flows from financing activities			
Proceeds from borrowings	22	—	829,308
Repayments of borrowings	22	(57,533)	(943,030)
Interest paid	22	(89,094)	(70,259)
Proceeds from derivative financial instruments not used for hedging	22,23	20,254	11,372
Finance lease principal payments (third parties)	22	(2,741)	(2,514)
Dividends paid to the owners of non-controlling interest	13	—	(732)
Net cash used in financing activities		(129,114)	(175,855)
Net increase/(decrease) in cash and cash equivalents		10,191	(5,627)
Cash and cash equivalents at beginning of the year		119,279	123,135
Exchange gains/(losses) on cash and cash equivalents		964	1,771
Cash and cash equivalents at end of the year	20	130,434	119,279

The notes on pages 22 to 64 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Country of incorporation

Global Ports Investments Plc (hereafter the "Company" or "GPI") was incorporated on 29 February 2008 as a private limited liability company and is domiciled in Cyprus in accordance with the provisions of the Companies Law, Cap. 113. The address of the Company's registered office is 20 Omirou Street, Ayios Nicolaos, CY-3095, Limassol, Cyprus.

On 18 August 2008, following a special resolution passed by the shareholder, the name of the Company was changed from "Global Ports Investments Ltd" to "Global Ports Investments Plc" and the Company was converted into a public limited liability company in accordance with the provisions of the Companies Law, Cap. 113.

During the first half of 2011, the Company successfully completed an initial public offering ("IPO") of its shares in the form of global depositary receipts ("GDRs"). The Company's GDRs (one GDR representing 3 ordinary shares) are listed on the Main Market of the London Stock Exchange under the symbol "GLPR".

Towards the end of 2017 the Company was informed by its shareholder, Transportation Investments Holding Limited ("TIHL") (see also Note 30), that it has entered into an agreement to sell its 30.75% stake in Global Ports to Management Company "Delo" LLC, one of the largest private transportation and logistics holding companies in Russia. The agreement remains subject to various conditions, including antitrust clearances and other customary arrangements.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 13 March 2017.

Principal activities

The principal activities of the Company, its subsidiaries and joint ventures (hereinafter collectively referred to as the "Group") are the operation of container and oil products terminals in Russia and the Baltics. The Group offers its customers a wide range of services for their import and export logistics operations.

Composition of the Group and its joint ventures

The Group's terminals are located in the Baltic and Far East Basins, key regions for foreign trade cargo flows. The Group operates:

- Five container terminals in Russia – Petrolesport, First Container Terminal (FCT), Ust-Luga Container Terminal (ULCT) and Moby Dik in the St. Petersburg and Ust-Luga port cluster, and Vostochnaya Stevedoring Company (VSC) in Port of Vostochny;
- Two container terminals in Finland – Multi-Link Terminals Helsinki and Multi-Link Terminals Kotka;
- Inland Logistika-Terminal (see Note 26) and inland Yanino Logistics Park (YLP), both located in the vicinity of St. Petersburg; and
- Oil product terminal AS Vopak E.O.S. that is located in Estonia.

See also Note 5 for the description of segmental information of the Group. All entities above are fully consolidated, except for Moby Dik, Multi-Link Terminals, Yanino Logistics Park and AS Vopak E.O.S. which are joint ventures and accounted for using the equity method of accounting.

The Company fully controls all of the above terminals except for as described below:

- MLT and CD Holding groups are joint ventures with Container Finance OY where the Company has 75% effective ownership interest (Note 27). Moby Dik (a container terminal in the vicinity of St. Petersburg) and Multi-Link Terminals (a container terminal in Vuosaari (near Helsinki, Finland) and a container terminal in Kotka, Finland) constitute the MLT group. Yanino Logistics Park (an inland container terminal in the vicinity of St. Petersburg), CD Holding and some other entities constitute the CD Holding group.
- AS Vopak E.O.S. and its subsidiaries (VEOS) is a joint venture with Royal Vopak, the world's largest independent tank storage provider, specialising in the storage and handling of liquid chemicals, gasses and oil products, where the Company has a 50% effective ownership interest (Note 27). VEOS facilities are located in Estonia.
- Ust-Luga Container Terminal (located in Ust-Luga, North-West Russia) is an 80% subsidiary where Eurogate, one of the leading container terminal operators in Europe has a 20% non-controlling interest.

2. Basis of preparation and summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap.113.

As of the date of the authorisation of these consolidated financial statements all International Financial Reporting Standards issued by International Accounting Standards Board (IASB) that are effective as at 1 January 2017 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting and IFRS 14 "Regulatory Deferral Accounts".

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of derivatives and measurement of assets held for sale at fair value less cost of disposal.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

New and amended standards adopted by the Group

The Group adopted all the new and revised IFRS as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017:

- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). As a result of this amendment, the Company has disclosed a reconciliation of movements in liabilities arising from financing activities. Refer to Note 22.
- Annual Improvements to IFRSs 2014-2016 cycle - amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017). The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.

The adoption did not have a material effect on the accounting policies of the Group.

New standards and interpretations not yet adopted by the Group

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on these consolidated financial statements, except the following set out below:

(a) Adopted by the European Union

- IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has not yet finalised a detailed assessment of the effect of the implementation of this standard. According to preliminary estimates the implementation of the standard will result in material changes in the assets, liabilities, operating profit (i.e. increase of non-current assets (subject to impairment tests), increase of borrowings, decrease of rental expenses, certain increase of depreciation and interest costs).

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
 - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
 - Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI.
 - Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Basis of preparation and summary of significant accounting policies (continued)

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

While the Group has yet to finalise a detailed assessment of the classification and measurement of the financial instruments it holds the Group does not expect the new guidance to have a material impact on the classification and measurement of its financial assets.

After taking into consideration the risk profile of its trade and loan receivables, their repayment terms, the history and probability of default (including assessment of their capability to meet their obligations to the group) and the expected loss in case of default the Group does not expect that there will be material impairment loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group has not yet finalised a detailed assessment of the effect of the implementation of this standard. According to preliminary estimates the implementation of the standard will not materially affect the financial position and the result of operations of the Group.
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach). The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. In addition, the amended Standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard – IAS 39. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility.
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018 for amendments to IFRS 1 and IAS 28). The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity, associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis.

(b) Other accounting standards that have not been endorsed by EU or are not considered to be relevant to the Group

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary.
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Prior to the amendments, there was no specific guidance on transfers into, or out of, investment properties under construction in IAS 40. The amendment clarifies that there was no intention to prohibit transfers of a property under construction or development, previously classified as inventory, to investment property when there is an evident change in use. IAS 40 was amended to reinforce the principle of transfers into, or out of, investment property in IAS 40 to specify that a transfer into, or out of investment property should only be made when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. Such a change in use should be supported by evidence.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). The EU endorsement is postponed as IASB effective date is deferred indefinitely. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Basis of preparation and summary of significant accounting policies (continued)

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The Amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. An entity applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. An entity applies the Amendments retrospectively for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). For financial instruments which contain a prepayment amount that may result in negative compensation, the Amendments propose that such a financial asset would be eligible to be measured at amortised cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held.

The Board of Directors assesses the impact of new standards and interpretations at the point when these are endorsed by the European Union. As a result the impact of the above new standards and interpretations that have not been endorsed by the European Union has not been assessed.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully included in the consolidated financial statements from the date on which control was transferred to the Group or to the extent that the subsidiaries were obtained through a transaction between entities under common control from the date which control was transferred to its shareholders. They are derecognised from the financial statements from the date that control ceases.

Business combinations involving entities under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted using the predecessor basis of accounting. Under this method, the financial statements of the acquiree are included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies, on the assumption that the Group was in existence from the date where common control was established. For these transactions, the excess of the cost of acquisition over the carrying amount of the Group's share of identifiable net assets acquired, including goodwill, arising at the date of acquisition by the shareholders, is recorded in equity in retained earnings at the date of the legal restructuring.

The purchase method of accounting is used for acquisitions of subsidiaries that do not involve entities or businesses under common control with the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

All intra-company transactions, balances, income, expenses and unrealised gains and losses are eliminated on consolidation. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into compliance with those used by the Group.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. The Group applies the requirements of IAS 39 to determine whether any additional impairment loss needs to be recognised in respect of loans given to joint ventures.

The Group's share of losses in a joint venture is first allocated against the Group's investment in the joint venture and then to any other long term interests that in substance form part of the Group's net investment.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is calculated by estimating the Group's share of the present value of the estimated future cash flows expected to be generated from the asset, including the cash flows from the operations of the asset and the proceeds from the ultimate disposal of the asset. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Group are recognised on the following bases:

(a) Sales of services

The Group provides container handling, general cargoes handling, ro-ro cargoes handling, reefer cargoes handling, oil products handling and other related stevedoring services. Revenue from rendering of services is recognised based on the stage of completion determined by reference to services performed to date as a percentage of total services to be provided. If the income from rendering of services cannot be reliably measured, only the income up to the level of the expenses to be claimed is recognised.

(b) Sales of goods

The Group sells unused materials and goods. These sales are ex works from the sales of the terminals and with usual payment terms. Revenue from the sale of goods is recognised when the customer takes the goods out of the territory of the terminal (i.e. risks and rewards of ownership are transferred to the buyer).

(c) Rental income

See accounting policy for leases below.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method and is included within finance income.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

Transactions with equity holders

The Group enters into transactions with its shareholders. When consistent with the nature of the transaction (i.e. when these transactions are not at arm's length prices), the Group's accounting policy is to recognise any gains or losses with equity holders, directly through equity and consider these transactions as the receipt of additional capital contribution or the distribution of dividends. Similar transactions with non-equity holders, or parties which are not under the control of the parent company, are recognised through the income statement.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Basis of preparation and summary of significant accounting policies (continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars (US\$), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to loans receivable, cash and cash equivalents and borrowings are presented net in the income statement within 'net foreign exchange losses on financing activities'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) - net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate existing at the date of the balance sheet presented;
- Income and expense items at the exchange rates prevailing at the date of transaction or using average rates as a reasonable approximation;
- Share capital, share premium and all other reserves are translated using the historic rate; and
- All exchange differences resulting from the above translation are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. On disposal of a foreign operation (including partial disposals which result in loss of control, significant influence or joint control of a subsidiary, associate or joint venture respectively, that include a foreign operation), the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss is recognised. In these cases, the cumulative amount of exchange differences relating to the foreign operation sold that have been attributed to the non-controlling interests are derecognised but are not reclassified to profit or loss.

On partial disposal of a subsidiary that includes a foreign operation, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

Impairment of non-financial assets

Non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (refer to accounting policy for intangible assets in relation to the impairment of goodwill) An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

Property, plant and equipment ("PPE")

Property, plant and equipment are recorded at purchase or construction cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Land is not depreciated.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, less residual value, over their estimated useful lives, as follows:

	Number of years
Buildings and facilities	5 to 50
Loading equipment and machinery	3 to 25
Other production equipment	3 to 25
Office equipment	1 to 10

Assets under construction are not depreciated until they are completed and brought into use, at which time they are reclassified in the relevant class of property, plant and equipment and depreciated accordingly.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they are incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for intended use or sale are capitalised and amortised over the useful life of the asset. Other borrowing costs are recognised as an expense in the reporting period incurred. Interest is capitalised at a rate based on the Group's weighted average cost of borrowing or at the rate on project specific debt, where applicable.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with carrying amount and these are included within operating income.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of joint ventures is included in the carrying amount of the Group's investment in the joint venture (refer to Note 2, Basis of consolidation, (c)). Separately recognised goodwill is tested for impairment annually and whenever there is indication that goodwill may be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill related to the partial disposal of an entity is not derecognised unless there is loss of control.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the Group reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination and recognises immediately in profit or loss any excess remaining after that reassessment.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each CGU.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. These costs are amortised using straight line method over their estimated useful lives (3 to 5 years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(c) Contractual rights

Contractual rights acquired as a result of business combinations are shown at the cost of acquisition. Contractual rights relate primarily to quay and land lease agreements. These contractual rights are renewable. Contractual rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful lives (being up to 55 years as of 31 December 2017) which are in accordance with the underlying agreements, including renewal periods whenever renewal is at no significant cost and the Group has evidence, based on past experience that the contract will be renewed.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time.

The Group is the lessee

(a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Basis of preparation and summary of significant accounting policies (continued)

(b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group is the lessor

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Assets leased out under operating leases include insignificant portions of some properties which are not used by the Group which cannot be sold or leased out separately under a finance lease. These properties are included in property, plant and equipment in the balance sheet based on the nature of the asset.

Loans and receivables

The Group classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise cash and cash equivalents, bank deposits with maturity over 90 days, trade and other receivables and loans to related and third parties.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Loans and trade receivables are initially recognised at fair value plus transaction costs. Loans and trade receivables are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and trade receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of loans and trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of loans or trade receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial difficulty, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of and the recoverable amount, being the present value of estimated future cash flows, discounted at the original effective interest rate. For trade receivables the amount of the provision is recognised in the income statement against 'administrative, selling and marketing expenses'. For loans receivable the amount of the provision is recognised in the income statement against 'other gains/(losses) - net'.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or a liability or highly probable forecast transaction (cash flow hedge).

Derivative financial instruments not designated as a hedging instrument are included within financial assets at fair value through profit or loss when fair value is positive and within financial liabilities at fair value through profit or loss when fair value is negative. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. Changes in the fair value of foreign currency derivatives (cross currency swaps) are presented in the income statement within 'change in fair value of derivatives' as part of 'finance income/(costs) - net'.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23. Movements on the hedging reserve are shown in the statement of other comprehensive income. The full fair value of hedging derivatives is classified as a non-current asset or liability when the maturity of the hedging relationship is more than 12 months and as a current asset or liability when the remaining maturity of the hedging relationship is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion of cross-currency interest rate swap hedging variable rate borrowings is recognised immediately in the income statement within 'finance costs' and gain or loss relating to the hedging of currency risk in forecast sale is recognised in 'other gains/(losses)-net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of cross-currency interest rate swap hedging variable rate borrowings is recognised in the income statement within 'finance costs' and gain or loss relating to the hedging of currency risk in forecast sale is recognised in 'other gains/(losses)-net'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. Gain or loss existing in equity is recognised immediately in the income statement if the forecast transaction is no longer expected to occur.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Cash and cash equivalents

In the cash flow statement cash and cash equivalents include cash in hand and deposits held at call with original maturity up to 90 days with banks. Cash and cash equivalents are carried at amortised cost using the effective interest method. Deposits with original maturity over 90 days are included in the cash flow from investing activities.

Cash flow statement

The cash flow statement is prepared under the indirect method. Purchases of property, plant and equipment (including prepayments for PPE) are presented within cash flows from investing activities and finance lease repayments within cash flows from financing activities are shown net of VAT. Related input VAT is included in movement in changes of working capital, within trade and other receivables.

Share capital, share premium and capital contribution

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium. Share premium is subject to the provision of the Cyprus Companies Law on reduction of share capital.

Capital contribution represents contributions by the shareholders directly in the reserves of the Company. The Company does not have any contractual obligation to repay these amounts. However, these are distributable to the Company's shareholders at the discretion of the Board of Directors subject to the shareholders' approval.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Basis of preparation and summary of significant accounting policies (continued)

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are only used to cover those expenses which they had been set up for. Other possible or present obligations that arise from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised and amortised over the useful life of the asset. Other borrowing costs are recognised as an expense in the reporting period incurred. Interest is capitalised at a rate based on the Group's weighted average cost of borrowing or at the rate on project specific debt, where applicable.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved, appropriately authorised and are no longer at the discretion of the Company.

More specifically, interim dividends are recognised as liability in the period in which these are approved by the Board of Directors and in the case of final dividends, they are recognised in the period in which these are approved by the Company's shareholders.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the probability of realising the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the income statement in 'other gains/(losses) - net'.

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised on profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the country where the entity operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Value Added Tax (“VAT”)

In the Russian Federation, output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice except for export sales related input VAT which is reclaimable upon confirmation of export. The tax authorities permit the settlement of VAT on a net basis. Where provision has been made for impairment of receivables, impairment loss is recognised for the gross amount of the debtor, including VAT. The lease liabilities are disclosed net of VAT. While the leasing payment includes VAT, the amount of VAT from the lease payment made is reclaimable against sales VAT. VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability.

Employee benefits

Wages, salaries, contributions to state pension and social insurance funds, paid annual leave and sick leave, bonuses and other benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group. These are included in staff costs and the Group has no further obligations once the contributions have been paid. Staff costs of the Group mainly consists of salaries.

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises on monetary items like cash in banks, short-term investments, trade and other receivables, borrowings and trade and other payables denominated in currency other than functional currency of each of the entities of the Group.

The analysis below demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are usually non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Currently the long-term debt of the Group is denominated in US dollars and Russian roubles. The US dollar interest rates are relatively more attractive compared to the Russian rouble interest rate. The revenues of Russian operations are mainly priced in US dollars and Russian roubles, whereas most of expenses are denominated and settled in Russian roubles. The Group uses from time to time foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk. The analysis below does not cover borrowings in joint ventures as they are not included in the financial position of the Group.

The carrying amount of financial assets and liabilities in Russian operations denominated in US dollars are as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Assets	118,257	104,233
Liabilities	323,848	399,074
Capital commitments	—	—

Had US dollar exchange rate strengthened/weakened by 15% against the Russian rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2017, would have (decreased)/increased by US\$ 24,671 thousand (2016: 30% change, effect US\$ 70,762 thousand) and the equity would have (decreased)/increased by US\$ 24,671 thousand (2016: 30% change, effect US\$ 70,762 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

3 Financial risk management (continued)

The carrying amount of financial assets and liabilities in Russian operations denominated in Euros as at 31 December 2017 and 31 December 2016 are as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Assets	102	424
Liabilities	40	-
Capital commitments	18,916	6,915

Had Euro exchange rate strengthened/weakened by 15% against the Russian rouble and all other variables remained unchanged, the post-tax profit and the equity of the Group for the year ended 31 December 2017, would have increased/(decreased) by US\$ 7 thousand (2016: 30% change, effect US\$ 102 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in Euros.

(ii) Cash flow and fair value interest rate risk

The Group is not significantly exposed to changes in market interest rates as substantially all of its borrowings portfolio consists of fixed rate debt. However, the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.

Had market interest rates on US dollars, Euro and Russian rouble denominated floating interest bearing financial assets and liabilities shift by 100 basis points and all other variables remained unchanged, the post-tax profit of the Group would have decreased by US\$ 8 thousand for the year ended 31 December 2017 (2016: US\$ 29 thousand).

The Group obtains borrowings at current market interest rates and usually does not hedge the interest rate risk. In the course of NCC Acquisition the Group has inherited a cross-currency interest rate swap (see Note 23(ii)).

Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable and economically feasible.

(b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans receivable (Note 19) and cash and cash equivalents (Note 20). The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. These policies enable the Group to reduce its credit risk significantly. However, the Group's business is heavily dependent on several large key customers accounting for 57% and 57% of the Group's revenue for the year ended 31 December 2017 and 31 December 2016, respectively.

The table below summarises the analysis of trade and accounts receivables under contractual terms of settlement at the balance sheet date.

(in thousands of US dollars)	Fully performing	Past due	Impaired	Impairment provision	Total
As at 31 December 2017					
Trade receivables	16,837	2,855	-	-	19,692
Loans receivable	14,559	-	-	-	14,559
Other receivables	988	192	-	-	1,180
Total	32,384	3,047	-	-	35,431
As at 31 December 2016					
Trade receivables	18,076	2,584	-	-	20,660
Loans receivable	8,472	169	-	-	8,641
Other receivables	4,452	-	-	-	4,452
Total	31,000	2,753	-	-	33,753

(c) Liquidity risk

Management controls current liquidity based on expected cash flows and expected revenue receipts.

Cash flow forecasting is performed at the level of operating entities of the Group and at consolidated level by Group finance department. Group finance department monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs as well as scheduled debt service while maintaining sufficient headroom to ensure that the Group does not breach covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration potential variations in operating cash flows due to market conditions, the Group's debt repayments and covenant compliance.

Taking into account expected levels of operating cash flows, availability of cash and cash equivalents amounting to US\$ 130,434 thousand (31 December 2016: US\$ 119,279 thousand) (Note 20) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

The management of the Group believes that it is successfully managing the exposure of the Group to liquidity risk.

The table below summarises the analysis of financial liabilities by maturity as of 31 December 2017 and 2016. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(in thousands of US dollars)	Less than 1 month	1-3 months	3-6 months	6 months-1 year	1-2 years	2-5 years	Over 5 years	Total
As at 31 December 2017								
Borrowings	12,145	24,393	30,315	64,306	126,678	787,784	436,543	1,482,164
Trade and other payables	4,407	11,538	361	1,572	–	10,609	–	28,487
Derivative financial instruments:								
– payments	–	4,152	2,324	6,476	12,952	225,799	–	251,703
– receipts	–	(11,081)	(5,670)	(16,751)	(33,502)	(304,998)	–	(372,002)
Total	16,552	29,002	27,330	55,603	106,128	719,194	436,543	1,390,352
As at 31 December 2016								
Borrowings	13,435	25,800	31,813	70,914	134,016	512,149	818,254	1,606,381
Trade and other payables	4,711	12,336	610	434	–	9,931	–	28,022
Derivative financial instruments:								
– payments	–	4,152	2,324	6,476	12,952	238,751	–	264,655
– receipts	–	(10,522)	(5,384)	(15,907)	(31,813)	(321,441)	–	(385,067)
Total	18,146	31,766	29,363	61,917	115,155	439,390	818,254	1,513,991

(d) Capital risk management

The Group's main objective when managing capital is to maintain the ability to continue as a going concern in order to ensure the profitability of the Group, maintain optimum equity structure and reduce its cost of capital.

Defining capital, the Group uses the amount of equity and the Group's borrowings.

The Group manages the capital based on borrowings to total capitalisation ratio. Borrowings include lease liabilities and loan liabilities.

Total capitalisation is calculated as the sum of the total Group borrowings and equity at the date of calculation. The management does not currently have any specific target for the rate of borrowings to total capitalisation.

The rate of borrowings to total capitalisation is as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Total borrowings	1,074,753	1,119,556
Total capitalisation	1,451,992	1,444,472
Total borrowings to total capitalisation ratio (percentage)	74%	78%

(e) Fair value estimation

Fair value is the amount at which a financial asset could be exchanged or a liability settled in a transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group, using available market information, where it exists, and appropriate valuation methodologies and assistance of experts. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore do not always represent the fair values of financial instruments. The Group has used all available market information in estimating the fair value of financial instruments.

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management (continued)

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows, discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of trade and other payables which are due within twelve months approximate their fair values.

The disclosure of the fair value of financial instruments carried at amortised cost and the fair value of financial instruments carried at fair value is determined using the following valuation methods:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group's specific estimates.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's only financial instrument carried at fair value is disclosed in Note 23. It is valued using Level 2 valuation technique from the table above. There are no changes in the valuation techniques during the year.

4. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and they are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of goodwill and property, plant and equipment and investments in joint ventures

The Group follows its accounting policies to test goodwill and other non-financial assets for possible impairment or reversal of impairment.

For Logistika-Terminal (LT), the inland terminal in Shushary, near St.-Petersburg, North-West Russia, see Note 26.

Based on the current world-wide economic circumstances and also taking into account developments within the Russian Federation, the Group performed a test of the estimated recoverable amount of the cash-generating units (CGUs), compared to their carrying value. For VEOS impairment test was carried out taking into account the structural deterioration of the business environment in which the terminal operates, which is heavily dependent on the flows of Russian oil products, and major uncertainty regarding the prospects of the oil products' handling business. The assessment requires making judgments about long-term forecasts related to the CGUs subject to review for which the recoverable amount was calculated based on estimated discounted future cash flows. These forecasts are uncertain as they require assumptions about volumes, prices for the products and services, discount rates, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period.

For all CGUs tested based on discounted future cash flows, except for ULCT, cash flow projections cover a period of five years based on the assumptions of the next 12 months. In case of ULCT cash flow projections cover an eight year period as management considers that this terminal is still at a development stage. Cash flows beyond that five-year (eight-year period in case of ULCT) period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared for CGUs in Russian ports segments a terminal growth rate of 3% has been applied (2016: 3%). For projections prepared for VEOS CGU as at 31 December 2017 a terminal growth rate of 2% was applied (2016: 2%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2017 is 10.4% (2016: 11.2%) and for VEOS the discount rate is 9% (2016: 8.6%).

Key assumptions for Russian ports CGUs are throughput volume, price per unit, growth rates, and discount rates. The projected volumes reflect past experience adjusted by the management view on the prospective market developments. For CGUs in the Russian ports segment volume growth is estimated to be in line with the long-term market development, position of each terminal on the market and its pricing power. As supported by historical market performance and in view of relatively low containerisation level in Russia, the long-term average throughput growth rate for the Russian container market is higher than in developed markets.

For VEOS CGU, given the high degree of volatility in performance of VEOS in recent years as well as perceived risk profile of the terminal operations there is significant judgement and subjectivity in relation to the 2018 expectation. The investment in VEOS has been impaired to the carrying amount of US\$ 7,341 thousand (see Note 27). It is reasonably possible on the basis of existing knowledge that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the CGU. In addition, if the estimated free cash flows are 5% higher/lower each year as opposed to projections used by the management, or the terminal growth rate is 0.5% higher/lower or discounting rate is 1% lower/higher, then impairment would be higher/lower by approximately US\$ 1.5 million, approximately US\$ 1.5 million and approximately US\$ 0.6 million respectively.

Based on the results of the impairment tests for other CGUs carried out in 2017, the Board of Directors believes that there are no indications for reversal of impairments recognised in previous periods for non-financial assets other than goodwill.

For all CGU units except for ULCT, FCT and PLP CGUs management believes that any reasonably possible change in the key assumptions on which these units' recoverable amounts are based would not cause carrying amounts of these units to exceed their recoverable amounts.

In ULCT, the recoverable amount calculated based on the value in use exceeded the carrying value by US\$ 15 million. A decrease of handling volumes by approximately 2% each year as opposed to volume projections used by the management or a decrease in the average revenue per TEU by approximately 2% each year as opposed to the used in projections would remove the remaining headroom. Reasonable changes in other key parameters do not result in the elimination of the existing remaining headroom.

In FCT, the recoverable amount calculated based on value in use exceeded the carrying value by US\$ 132 million. A decrease of handling volumes by approximately 3% each year as opposed to volume projections used by the management or a decrease in the average revenue per TEU by approximately 3% each year as opposed to the used in projections would remove the remaining headroom. Reasonable changes in other key parameters do not result in the elimination of the existing remaining headroom.

In PLP, the recoverable amount calculated based on value in use exceeded the carrying value by US\$ 66 million. A decrease of handling volumes by 5% each year as opposed to volume projections used by the management or a decrease in the average revenue per TEU by approximately 4% each year as opposed to the used in projections would remove the remaining headroom. Reasonable changes in other key parameters do not result in the elimination of the existing remaining headroom.

(ii) Russian legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 28).

5. Segmental information

The chief operating decision-maker (CODM) has been identified as the Board of Directors. They review the Group's internal reporting in order to assess performance and allocate resources. The operating segments were determined based on these reports.

Group operations consist of several major business units which are usually and mainly organised as separate legal entities. Segment profit is obtained directly from the accounting records of each business unit and adjustments are made to bring their accounting records in line with IFRS as adopted by the EU; therefore there are no arbitrary allocations between segments. Certain business units are operating with one major operating company and some supporting companies.

The Board of Directors considers the business from both a geographic (which is represented by different port locations managed by separate legal entities) and services perspective regularly monitoring the performance of each major business unit.

The Board of Directors assesses the performance of the operating segments based on revenue (both in monetary and quantity terms) major costs items and net profit after the accounting records of business units are converted to be in line with IFRS as adopted by the EU with the exclusion of joint ventures and the netting off of deferred tax assets and liabilities. For the purposes of the internal reporting, joint ventures are assessed on a 100% ownership basis.

Assets are allocated based on the operations of the segment and the physical location of the asset.

For segmental reporting purposes the Group's consolidated financial position and consolidated results are presented by using the proportionate consolidation in relation to interests in jointly controlled entities (VEOS and MLT and CD groups). There are additional disclosures to reconcile segmental information with the consolidated income statement and the consolidated balance sheet.

According to this method of accounting, the Group combined its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognised the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. Unrealised gains on transactions between the Group and its joint venturers were eliminated to the extent of the Group's interest in the joint venture. Unrealised losses were also eliminated unless the transaction provided evidence of an impairment of the asset transferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Segmental information (continued)

The brief description of segments is as follows:

Russian ports

The segment consists of the following operating units:

- Petrole sport, Farwater (PLP) and various other entities (including some intermediate holdings) that own and manage a container terminal in St. Petersburg port, North-West Russia. PLP is engaged in handling of containers, ro-ro, general cargo and scrap metal.
- First Container Terminal (FCT), the biggest container terminal in Russia, located in St. Petersburg port, North-West Russia.
- Ust-Luga Container Terminal (ULCT), a container terminal in Ust-Luga, near St. Petersburg, North-West Russia. Vostochnaya Stevedoring Company (VSC) and various other entities (including some intermediate holdings) that own and manage a container terminal in Port of Vostochny near Nahodka, Far-East Russia.
- Moby Dik (MD) and various other entities (including some intermediate holdings) that own and manage a container terminal in Kronstadt near St. Petersburg, North-West Russia.
- Logistika-Terminal (LT), an in-land container terminal in Shushary near St. Petersburg, North-West Russia. See Note 26.
- Yanino Logistics Park (YLP) being an in-land container terminal in Yanino near St. Petersburg, North-West Russia.

Finnish ports

The segment consists of container terminals in the ports of Vuosaari (Helsinki) and Kotka, Finland owned and operated by Multi-Link Terminals Ltd Oy.

VEOS

The segment consists of AS Vopak E.O.S., various other entities and the intermediate holding company that own and manage an oil products terminal in Muuga port near Tallinn, Estonia.

The following items do not represent operating segments, however are provided to the CODM together with segment information:

Holding companies (all other)

The segment consists of Global Ports Investments Plc (GPI) and some intermediate managing, holding and service companies.

Reconciliation adjustments

Reconciliation adjustments consist of two major components:

- Effect of proportionate consolidation – demonstrates the effect of proportionate consolidation of MD, YLP, Finnish ports and VEOS. In the financial statements the financial position and financial results of these segments are incorporated using the proportionate consolidation method (using respectively 75%, 75%, 75% and 50% proportion). In the current segment reporting the information is presented on the 100% basis and then the portion which is not consolidated is deducted as a 'Reconciliation Adjustment'.
- Other adjustments – all other consolidation adjustments including but not limited to:
 - Elimination of intragroup transactions (mainly intragroup sales and dividends) and balances (mainly intragroup loans and investments in subsidiaries and joint ventures);
 - Consolidation adjustments of results of sale or purchase of shares of subsidiaries; and
 - Other consolidation adjustments.

The Group does not have any material regular transactions between segments except for those which mainly relate to management and financing activities.

The segment results for the year ended 31 December 2017 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments		Group as per proportionate consolidation
						Effect of proportionate consolidation	Other adjustments	
Sales to third parties	360,470	51,348	10,916	422,734	–	(35,906)	–	386,828
Inter-segment revenue	–	–	11	11	–	(3)	(8)	–
Total revenue	360,470	51,348	10,927	422,745	–	(35,909)	(8)	386,828
Cost of sales	(166,245)	(197,102)	(10,160)	(373,507)	–	105,514	44	(267,949)
Administrative, selling and marketing expenses	(17,953)	(8,703)	(729)	(27,385)	(27,669)	5,221	85	(49,748)
Other gains/(losses) – net	(71,195)	196	20	(70,979)	7,212	(45)	(7,488)	(71,300)
Operating profit/(loss)	105,077	(154,261)	58	(49,126)	(20,457)	74,781	(7,367)	(2,169)
Finance income/(costs) – net	(18,842)	(721)	(70)	(19,633)	(530)	521	(31)	(19,675)
incl. interest income	2,968	18	–	2,986	872	(40)	(2,248)	1,570
incl. interest expenses	(92,228)	(481)	(85)	(92,794)	(1,476)	549	2,248	(91,473)
incl. change in the fair value of derivative instruments	42,089	–	–	42,089	–	–	–	42,089
incl. net foreign exchange gains/(losses) on financing activities	28,329	(258)	15	28,086	74	11	(31)	28,140
Profit/(loss) before income tax	86,235	(154,982)	(12)	(68,759)	(20,987)	75,302	(7,398)	(21,844)
Income tax expense	(31,923)	–	(1)	(31,924)	59	762	–	(31,103)
Profit/(loss) after tax	54,312	(154,982)	(13)	(100,683)	(20,928)	76,064	(7,398)	(52,947)
CAPEX* on cash basis	28,477	1,716	–	30,193	3,445	(1,828)	–	31,810

* CAPEX represents purchases of property, plant and equipment.

The reconciliation of results for the year ended 31 December 2017 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Sales to third parties	386,828	(56,323)	330,505
Inter-segment revenue	–	–	–
Total revenue	386,828	(56,323)	330,505
Cost of sales	(267,949)	119,438	(148,511)
Administrative, selling and marketing expenses	(49,748)	7,017	(42,731)
Share of profit/(loss) of joint ventures accounted for using the equity method	–	(73,267)	(73,267)
Other gains/(losses) – net	(71,300)	(29)	(71,329)
Operating profit/(loss)	(2,169)	(3,164)	(5,333)
Finance income/(costs) – net	(19,674)	876	(18,798)
incl. interest income	1,570	478	2,048
incl. interest expenses	(91,473)	594	(90,879)
incl. change in the fair value of derivative instruments	42,089	–	42,089
incl. net foreign exchange gains/(losses) on financing activities	28,140	(196)	27,944
Profit/(loss) before income tax	(21,844)	(2,287)	(24,131)
Income tax expense	(31,103)	2,287	(28,816)
Profit/(loss) after tax	(52,947)	–	(52,947)
CAPEX on cash basis	31,810	(3,769)	28,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

5. Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2017 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments		Group as per proportionate consolidation
						Effect of proportionate consolidation	Other adjustments	
Depreciation of property, plant and equipment	41,051	18,826	1,744	61,621	73	(10,624)	–	51,070
Amortisation of intangible assets	13,211	103	–	13,314	–	(113)	–	13,201
Impairment of property, plant and equipment	11,400	143,155	–	154,555	–	(71,578)	–	82,977
Staff costs	56,061	15,331	5,612	77,004	18,426	(10,652)	–	84,778
Transportation expenses	10,814	11,452	367	22,633	–	(6,435)	–	16,198
Fuel, electricity and gas	9,237	8,561	514	18,312	6	(4,747)	–	13,571
Repair and maintenance of property, plant and equipment	10,123	2,937	1,194	14,254	4	(2,269)	–	11,989
Total	151,897	200,365	9,431	361,693	18,509	(106,418)	–	273,784
Other operating expenses	32,301	5,440	1,458	39,199	9,160	(4,317)	(129)	43,913
Total cost of sales, administrative, selling and marketing expenses	184,198	205,805	10,889	400,892	27,669	(110,735)	(129)	317,697

The reconciliation of operating expenses for the year ended 31 December 2017 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)						Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Depreciation of property, plant and equipment						51,070	(13,063)	38,007
Amortisation of intangible assets						13,201	(235)	12,966
Impairment of property, plant and equipment						82,977	(71,577)	11,400
Staff costs						84,778	(16,625)	68,153
Transportation expenses						16,198	(7,852)	8,346
Fuel, electricity and gas						13,571	(5,679)	7,892
Repair and maintenance of property, plant and equipment						11,989	(3,871)	8,118
Total						273,784	(118,902)	154,882
Other operating expenses						43,913	(7,553)	36,360
Total cost of sales, administrative, selling and marketing expenses						317,697	(126,455)	191,242

The segment assets and liabilities as at 31 December 2017 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments		Group as per proportionate consolidation
						Effect of proportionate consolidation	Other adjustments	
Property, plant and equipment (including prepayments for PPE)	627,910	10,517	6,125	644,552	4,792	(16,112)	(33,713)	599,519
Investments in joint ventures	784	–	–	784	165,853	–	(166,637)	–
Intangible assets	718,925	219	–	719,144	–	(2,138)	–	717,006
Other non-current assets	148,023	–	126,713	274,736	1,062,679	(33,017)	(1,241,837)	62,561
Inventories	6,725	1,928	–	8,653	–	(1,165)	(154)	7,334
Trade and other receivables (including income tax prepayment)	59,247	15,417	2,313	76,977	15,232	(9,253)	20,341	103,297
Cash and cash equivalents	135,371	3,487	4,139	142,997	3,097	(4,539)	(835)	140,720
Total assets	1,696,985	31,568	139,290	1,867,843	1,251,653	(66,224)	(1,422,835)	1,630,437
Long-term borrowings	1,012,589	5,648	1,307	1,019,544	21,000	(7,601)	(21,000)	1,011,943
Other long-term liabilities	180,542	–	84	180,626	41	(1,405)	(47,366)	131,896
Trade and other payables	21,736	7,209	1,883	30,828	8,165	(4,618)	(1,304)	33,071
Short-term borrowings	83,590	3,884	756	88,230	–	(2,352)	(13,661)	72,217
Other short-term liabilities	1,615	–	55	1,670	–	(41)	2,427	4,056
Total liabilities	1,300,072	16,741	4,085	1,320,898	29,206	(16,017)	(80,904)	1,253,183
Non-controlling interest	16,131	–	–	16,131	–	–	–	16,131

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries in the total amount of US\$ 19,665 thousand, US\$ 126,614 thousand and US\$ 1,062,015 thousand respectively (fully eliminated on consolidation).

The reconciliation of total segment assets and liabilities as at 31 December 2017 calculated with proportional consolidation to the results presented in consolidated balance sheet above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Property, plant and equipment (including prepayments for PPE)	599,519	(37,822)	561,697
Investments in joint ventures	–	56,918	56,918
Intangible assets	717,006	(26,148)	690,858
Other non-current assets	62,561	56,367	118,928
Inventories	7,334	(1,565)	5,769
Trade and other receivables (including income tax prepayment)	103,297	(47,755)	55,542
Cash and cash equivalents	140,720	(10,286)	130,434
Assets classified as held for sale	–	35,413	35,413
Total assets	1,630,437	25,122	1,655,559
Long-term borrowings	1,011,943	(6,279)	1,005,664
Other long-term liabilities	131,896	41,312	173,208
Trade and other payables	33,071	(6,651)	26,420
Short-term borrowings	72,217	(3,128)	69,089
Other short-term liabilities	4,056	(2,544)	1,513
Liabilities directly associated with assets classified as held for sale	–	2,427	2,427
Total liabilities	1,253,183	25,137	1,278,321
Non-controlling interest	16,131	–	16,131

The segment results for the year ended 31 December 2016 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments		Group as per proportionate consolidation
						Effect of proportionate consolidation	Other adjustments	
Sales to third parties	359,681	58,970	12,864	431,515	–	(39,759)	–	391,756
Inter-segment revenue	–	–	45	45	–	(11)	(34)	–
Total revenue	359,681	58,970	12,909	431,560	–	(39,770)	(34)	391,756
Cost of sales	(199,728)	(105,877)	(12,381)	(317,986)	–	39,844	33	(278,109)
Administrative, selling and marketing expenses	(14,754)	(7,765)	(887)	(23,406)	(23,361)	4,431	61	(42,275)
Other gains/(losses) – net	(68,526)	(270)	244	(68,552)	101,623	144	(102,210)	(68,995)
Operating profit/(loss)	76,673	(54,942)	(115)	21,616	78,262	4,649	(102,150)	2,377
Finance costs – net	112,126	(693)	(168)	111,265	66	(57)	(104)	111,170
incl. interest income	4,060	18	–	4,078	3,244	(28)	(6,186)	1,108
incl. interest expenses	(102,441)	(709)	(168)	(103,318)	(2,891)	774	6,186	(99,249)
incl. change in the fair value of derivative instruments	64,884	–	–	64,884	–	–	–	64,884
incl. net foreign exchange gains/(losses) on financing activities	146,078	(3)	–	146,075	(286)	(803)	(104)	144,882
Profit/(loss) before income tax	188,799	(55,635)	(283)	132,881	78,328	4,592	(102,254)	113,547
Income tax expense	(51,132)	1,956	206	(48,970)	(595)	(246)	–	(49,811)
Profit/(loss) after tax	137,667	(53,679)	(77)	83,911	77,733	4,346	(102,254)	63,736
CAPEX* on cash basis	18,386	4,637	120	23,143	463	(2,550)	–	21,055

* CAPEX represents purchases of property, plant and equipment.

Included within 'Other adjustments' on the line 'Other gains/(losses) – net' is the elimination of intragroup dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

5. Segmental information (continued)

The reconciliation of results for the year ended 31 December 2016 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Sales to third parties	391,756	(60,288)	331,468
Inter-segment revenue	–	–	–
Total revenue	391,756	(60,288)	331,468
Cost of sales	(278,109)	92,045	(186,064)
Administrative, selling and marketing expenses	(42,275)	5,600	(36,675)
Share of profit/(loss) of joint ventures accounted for using the equity method	–	(40,423)	(40,423)
Other gains/(losses) – net	(68,995)	238	(68,757)
Operating profit/(loss)	2,377	(2,828)	(451)
Finance costs – net	111,170	(863)	110,307
incl. interest income	1,108	259	1,367
incl. interest expenses	(99,249)	1,185	(98,064)
incl. change in the fair value of derivative instruments	64,884	(452)	64,432
incl. net foreign exchange gains/(losses) on financing activities	144,882	(2,310)	142,572
Profit/(loss) before income tax	113,547	(3,691)	109,856
Income tax expense	(49,811)	1,218	(48,593)
Profit/(loss) for the year	63,736	(2,473)	61,263
CAPEX on cash basis	21,055	(3,012)	18,043

The segment items operating expenses for the year ended 31 December 2016 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments		
						Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
Depreciation of property, plant and equipment	37,956	19,359	1,852	59,167	116	(10,950)	–	48,333
Amortisation of intangible assets	13,435	921	–	14,356	–	(514)	–	13,842
Impairment of property, plant and equipment and intangible assets	67,532	53,026	–	120,558	–	(6,904)	–	113,654
Staff costs	46,139	14,752	6,174	67,065	15,362	(10,154)	–	72,273
Transportation expenses	7,914	10,124	1,343	19,381	–	(5,716)	–	13,665
Fuel, electricity and gas	7,009	6,862	503	14,374	6	(3,813)	–	10,567
Repair and maintenance of property, plant and equipment	8,723	2,715	1,422	12,860	2	(2,163)	–	10,699
Total	188,708	107,759	11,294	307,761	15,486	(40,214)	–	283,033
Other operating expenses	25,774	5,883	1,974	33,631	7,875	(4,060)	(94)	37,352
Total cost of sales, administrative, selling and marketing expenses	214,482	113,642	13,268	341,392	23,361	(44,274)	(94)	320,385

The reconciliation of operating expenses for the year ended 31 December 2016 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Depreciation of property, plant and equipment	48,333	(13,490)	34,843
Amortisation of intangible assets	13,842	(617)	13,225
Impairment of property, plant and equipment and intangible assets	113,654	(46,122)	67,532
Staff costs	72,273	(15,709)	56,564
Transportation expenses	13,665	(7,023)	6,642
Fuel, electricity and gas	10,567	(4,573)	5,994
Repair and maintenance of property, plant and equipment	10,699	(3,775)	6,924
Total	283,033	(91,309)	191,724
Other operating expenses	37,352	(6,337)	31,015
Total cost of sales, administrative, selling and marketing expenses	320,385	(97,646)	222,739

The segment assets and liabilities as at 31 December 2016 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Reconciliation adjustments			
					Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
Property, plant and equipment (including prepayments for PPE)	620,977	152,181	6,980	780,138	232	(86,921)	–	693,449
Investments in joint ventures	–	–	–	–	165,844	–	(165,844)	–
Intangible assets	693,100	236	–	693,336	–	(2,101)	–	691,235
Other non-current assets	112,095	–	126,731	238,826	1,059,083	(33,662)	(1,226,562)	37,685
Inventories	5,681	1,831	23	7,535	19	(1,093)	–	6,461
Trade and other receivables (including income tax prepayment)	54,553	24,577	1,707	80,837	23,598	(12,681)	(22,298)	69,456
Cash and cash equivalents	124,956	4,103	2,923	131,982	2,984	(4,946)	–	130,020
Total assets	1,611,362	182,928	138,364	1,932,654	1,251,760	(141,404)	(1,414,704)	1,628,306
Long-term borrowings	1,044,138	2,628	3,102	1,049,868	22,197	(4,277)	(22,942)	1,044,846
Other long-term liabilities	175,548	–	125	175,673	3	(1,190)	(44,440)	130,046
Trade and other payables	23,721	19,489	1,246	44,456	6,222	(9,951)	(4,127)	36,600
Short-term borrowings	104,361	9,049	968	114,378	636	(6,682)	(18,807)	89,525
Other short-term liabilities	1,312	2,055	2	3,369	–	(1,036)	–	2,333
Total liabilities	1,349,080	33,221	5,443	1,387,744	29,058	(23,136)	(90,316)	1,303,350
Non-controlling interest	15,293	–	–	15,293	–	–	–	15,293

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries in the total amount of US\$ 7,924 thousand, US\$ 126,614 thousand and US\$ 1,057,676 thousand respectively (fully eliminated on consolidation).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

5. Segmental information (continued)

The reconciliation of total segment assets and liabilities as at 31 December 2016 calculated with proportional consolidation to the results presented in consolidated balance sheet above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Property, plant and equipment (including prepayments for PPE)	693,449	(108,583)	584,866
Investments in joint ventures	–	123,149	123,149
Intangible assets	691,235	(25,012)	666,223
Other non-current assets	37,685	50,549	88,234
Inventories	6,461	(1,448)	5,013
Trade and other receivables (including income tax prepayment)	69,456	(13,213)	56,243
Cash and cash equivalents	130,020	(10,741)	119,279
Total assets	1,628,306	14,701	1,643,007
Long-term borrowings	1,044,846	(3,971)	1,040,875
Other long-term liabilities	130,046	40,873	170,919
Trade and other payables	36,600	(10,280)	26,320
Short-term borrowings	89,525	(10,844)	78,681
Other short-term liabilities	2,333	(1,037)	1,296
Total liabilities	1,303,350	14,741	1,318,091
Non-controlling interest	15,293	–	15,293

The revenue of the Group mainly comprises of stevedoring services, storage and ancillary port services for container and bulk cargoes (Russian ports and Finnish ports segments) and oil products (VEOS segment). The subsidiaries and joint ventures of the Group also provide services which are of support nature in relation to the core services mentioned above.

The consolidated revenue comprises only from the services related to containers and bulk cargo since the operations of VEOS are equity accounted (Note 2, Basis of consolidation, (c)).

Revenue attributable to domestic and foreign customers for the year ended 31 December 2017 is disclosed below in accordance with their registered address. Major clients of the Group are internationally operating companies and their Russian branches. Their registered addresses are usually not relevant to the location of their operations.

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Revenue from domestic customers – Cyprus	17,971	21,064
Revenue from foreign customers by countries:		
Russia	199,317	182,905
Denmark	46,700	47,717
UK	19,609	25,093
France	13,074	12,334
Other	33,834	42,355
Revenue from foreign customers total	312,534	310,404
Total revenue	330,505	331,468

In both 2017 and 2016 there was one customer representing more than 10% of consolidated revenue. This customer originated from Russian ports segment and was domiciled in Russia.

6. Expenses by nature

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Staff costs (Note 8)	68,153	56,564
Depreciation of property, plant and equipment (Note 14)	38,007	34,843
Amortisation of intangible assets (Note 15)	12,966	13,225
Impairment of property, plant and equipment (Note 14)	11,400	–
Impairment of intangible assets (Note 15)	–	67,532
Transportation expenses	8,346	6,642
Fuel, electricity and gas	7,892	5,994
Repair and maintenance of property, plant and equipment	8,118	6,924
Taxes other than on income	5,680	5,356
Legal, consulting and other professional services	3,518	3,579
Auditors' remuneration	1,397	1,544
Operating lease rentals	5,976	4,944
Purchased services	6,849	5,311
Insurance	1,025	894
Other expenses	11,915	9,387
Total cost of sales, administrative, selling and marketing expenses	191,242	222,739

The total fees charged by the Company's statutory auditor for the statutory audit of the annual financial statements of the Company for the year ended 31 December 2017 amounted to US\$ 280 thousand (2016: US\$ 305 thousand). The total fees charged by the Company's statutory auditor for the year ended 31 December 2017 for other assurance services amounted to US\$ 60 thousand (2016: US\$ 199 thousand), for tax advisory services amounted to US\$ 14 thousand (2016: US\$ 77 thousand).

The above expenses are analysed by function as follows:

Cost of sales

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Staff costs	41,893	34,239
Depreciation of property, plant and equipment	37,037	34,281
Amortisation of intangible assets	12,938	13,205
Impairment of property, plant and equipment (Note 14)	11,400	–
Impairment of intangible assets (Note 15)	–	67,532
Transportation expenses	8,346	6,642
Fuel, electricity and gas	7,573	5,731
Repair and maintenance of property, plant and equipment	7,085	6,232
Taxes other than on income	5,183	4,337
Operating lease rentals	2,958	2,637
Purchased services	6,849	5,311
Insurance	642	539
Other expenses	6,607	5,378
Total cost of sales	148,511	186,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

6. Expenses by nature (continued)

Administrative, selling and marketing expenses

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Staff costs	26,260	22,325
Depreciation of property, plant and equipment	970	562
Amortisation of intangible assets	28	20
Fuel, electricity and gas	319	263
Repair and maintenance of property, plant and equipment	1,033	692
Taxes other than on income	497	1,019
Legal, consulting and other professional services	3,518	3,579
Auditors' remuneration	1,397	1,544
Operating lease rentals	3,018	2,307
Insurance	383	355
Other expenses	5,308	4,009
Total administrative, selling and marketing expenses	42,731	36,675

7. Other gains/(losses) – net

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Foreign exchange gains/(losses) on non-financing activities – net (Note 10)	(1,176)	(2,354)
Settlement of commercial claim	–	(3,413)
Recycling of derivative losses previously recognised through other comprehensive income (Note 23(ii))	(69,566)	(63,149)
Other gains/(losses) – net	(587)	159
Total	(71,329)	(68,757)

8. Employee benefit expense

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Salaries	52,877	44,672
Social insurance costs	12,242	10,510
Other staff costs	3,034	1,382
Total	68,153	56,564
Average number of staff employed during the year	2,726	2,743

Included within 'Social insurance costs' for 2017 are contributions made to the state pension funds in the total amount of US\$ 9,080 thousand (2016: US\$ 7,762 thousand).

9. Finance income/(costs) – net

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Included in finance income:		
Interest income on bank balances	612	482
Interest income on short-term bank deposits	644	447
Interest income on loans to related parties (Note 30(h))	792	438
Total finance income	2,048	1,367
Included in finance costs:		
Interest expenses on bank borrowings	(7,178)	(46,645)
Interest expenses on bonds	(81,611)	(49,786)
Interest expenses on finance lease	(1,530)	(1,428)
Interest expenses on loans from third parties	(560)	(205)
Total finance costs	(90,879)	(98,064)
Included in the change in fair value of derivatives:		
Interest component*	20,214	14,411
Foreign currency exchange component	21,875	50,021
Total change in fair value of derivatives (Note 23(i))	42,089	64,432
Net foreign exchange gains/(losses) on financing activities	27,944	142,572
Finance income/(costs) – net	(18,798)	110,307

* Interest component represents the difference between interest expenses on RUR-denominated bonds and lower interest rates embodied in swap agreements (see Note 23).

10. Net foreign exchange gains/(losses)

The exchange differences (charged)/credited to the income statement are as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Included in 'finance income/(costs) – net' (Note 9)	27,944	142,572
Included in 'other gains/(losses) – net' (Note 7)	(1,176)	(2,354)
Total	26,768	140,218

11. Income tax expense

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Current tax	32,932	31,833
Deferred tax (Note 24)	(4,116)	16,760
Total	28,816	48,593

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Profit/(loss) before tax	(24,131)	109,856
Tax calculated at the applicable tax rates – 20% ¹	(4,826)	21,972
Tax effect of expenses not deductible for tax purposes	20,242	19,092
Tax effect of share of profit in jointly controlled entities	14,653	8,085
Withholding tax on undistributed profits	(1,253)	(556)
Tax charge	28,816	48,593

1. The applicable tax rate used for 2017 and 2016 is 20% as this is the income statutory tax rate applicable to the Russian ports segment, where a substantial part of the taxable income arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

11. Income tax expense (continued)

Deferred tax is provided on the undistributed profits of subsidiaries and joint ventures, except when it is probable that the Group will not distribute dividends from the specific investment in the foreseeable future and the Group can control the payment of dividends.

The Company is subject to corporation tax on taxable profits at the rate of 12.5%. Under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 30%. In certain cases dividends received from abroad may be subject to defence contribution at the rate of 17%. In certain cases dividends received from other Cyprus tax resident Companies may also be subject to special contribution for defence.

12. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number in issue during the respective period.

	For the year ended 31 December	
	2017	2016
Profit attributable to the owners of the parent of the Company – in thousands of US dollars	(52,973)	61,038
Weighted average of ordinary shares in issue (thousands)	573,171	573,171
Basic and diluted earnings per share for profit attributable to the owners of the parent (expressed in US\$ per share)	(0.09)	0.11

13. Dividend distribution

During 2017 and 2016 the Company did not declare or pay dividends to the equity holders of the Company.

14. Property, plant and equipment

(in thousands of US dollars)	Land	Buildings and facilities	Assets under construction	Loading equipment and machinery	Other production equipment	Office equipment	Total
At 1 January 2016							
Cost	150,753	285,330	17,872	163,451	31,856	1,539	650,801
Accumulated depreciation and impairment	–	(74,513)	(1,243)	(61,405)	(13,186)	(1,309)	(151,656)
Net book amount	150,753	210,817	16,629	102,046	18,670	230	499,145
Additions	–	5,463	8,644	2,219	1,815	85	18,226
Transfers	–	835	(835)	–	–	–	–
Disposals	–	(18)	(260)	(155)	(375)	(1)	(809)
Depreciation charge (Note 6)	–	(17,346)	–	(14,683)	(2,630)	(184)	(34,843)
Translation reserve	30,385	41,223	4,300	19,018	3,545	36	98,507
Closing net book amount	181,138	240,974	28,478	108,445	21,025	166	580,226
At 31 December 2016							
Cost	181,138	346,439	29,721	192,545	39,035	1,897	790,775
Accumulated depreciation and impairment	–	(105,465)	(1,243)	(84,100)	(18,010)	(1,731)	(210,549)
Net book amount	181,138	240,974	28,478	108,445	21,025	166	580,226

(in thousands of US dollars)	Land	Buildings and facilities	Assets under construction	Loading equipment and machinery	Other production equipment	Office equipment	Total
At 1 January 2017							
Cost	181,138	346,439	29,721	192,545	39,035	1,897	790,775
Accumulated depreciation and impairment	–	(105,465)	(1,243)	(84,100)	(18,010)	(1,731)	(210,549)
Net book amount	181,138	240,974	28,478	108,445	21,025	166	580,226
Additions	–	14,373	–	7,809	3,027	1,059	26,268
Transfers	–	2,871	(2,871)	–	(46)	46	–
Assets included in a disposal group classified as held for sale and other disposals	(16,727)	(13,327)	(386)	(2,663)	(788)	(77)	(33,968)
Depreciation charge (Note 6)	–	(20,863)	–	(14,288)	(2,699)	(157)	(38,007)
Impairment charge (Note 26)	(11,400)	–	–	–	–	–	(11,400)
Translation reserve	9,440	12,752	1,799	5,058	1,126	10	30,185
Closing net book amount	162,451	236,780	27,020	104,361	21,645	1,047	553,304
At 31 December 2017							
Cost	162,451	364,718	28,263	203,161	40,240	2,914	801,747
Accumulated depreciation and impairment	–	(127,938)	(1,243)	(98,800)	(18,595)	(1,867)	(248,443)
Net book amount	162,451	236,780	27,020	104,361	21,645	1,047	553,304

In the cash flow statement proceeds from sale of property, plant and equipment comprise of:

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Net book amount	209	809
Less: Non-cash items – write-offs of property, plant and equipment	(80)	(440)
	129	369
Profit on sale of property, plant and equipment ¹	162	652
Proceeds from sale of property, plant and equipment	291	1,021

1. Profit on sale of property, plant and equipment is included in 'Cost of sales' in the income statement.

Net carrying amount of property, plant and equipment (included above) that are held under finance leases are as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Buildings and constructions	7,951	7,662
Loading equipment	9,279	9,527
Total	17,230	17,189

The total net book value of pledged property, plant and equipment (included above) which are held as collateral for borrowings and loans are as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Loading equipment and machinery	–	6,266
Total	–	6,266

Depreciation expense amounting to US\$ 37,037 thousand in 2017 (2016: US\$ 34,281 thousand) has been charged to 'cost of sales' and US\$ 970 thousand in 2017 (2016: US\$ 562 thousand) has been charged to 'administrative, selling and marketing' expenses (Note 6).

There were no capitalised borrowing costs in 2017 and 2016.

Lease rentals relating to the lease of machinery and property amounting to US\$ 2,958 thousand in 2017 (2016: US\$ 2,637 thousand) have been charged to 'cost of sales' and US\$ 3,018 thousand in 2017 (2016: US\$ 2,307 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2017 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US\$ 8,393 thousand (2016: US\$ 4,640 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

15. Intangible assets

(in thousands of US dollars)	Goodwill	Contractual rights	Client base	Computer software	Total
At 1 January 2016					
Cost	8,021	636,441	11,949	643	657,054
Accumulated amortisation and impairment	–	(23,191)	(10,811)	(366)	(34,368)
Net book amount	8,021	613,250	1,138	277	622,686
Additions	–	–	–	118	118
Amortisation charge (Note 6)	–	(11,830)	(1,241)	(154)	(13,225)
Impairment charge (Note 6)	–	(67,532)	–	–	(67,532)
Translation reserve	1,616	122,405	103	52	124,176
Closing net book amount	9,637	656,293	–	293	666,223
At 31 December 2016					
Cost	9,637	764,303	–	726	774,666
Accumulated amortisation and impairment	–	(108,010)	–	(433)	(108,443)
Net book amount	9,637	656,293	–	293	666,223
Additions	–	–	–	2,387	2,387
Amortisation charge (Note 6)	–	(12,303)	–	(663)	(12,966)
Translation reserve	512	34,679	–	23	35,214
Closing net book amount	10,149	678,669	–	2,040	690,858
At 31 December 2017					
Cost	10,149	804,740	–	3,118	818,007
Accumulated amortisation and impairment	–	(126,071)	–	(1,078)	(127,149)
Net book amount	10,149	678,669	–	2,040	690,858

As at 31 December 2017 the remaining useful lives for contractual rights were up to 55 years (2016: up to 56 years).

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to their operating segment. An operating segment-level summary of the goodwill allocation is presented below:

(in thousands of US dollars)	As at 31 December	
	2017	2016
PLP (Russian ports segment)	4,390	4,168
VSC (Russian ports segment)	5,759	5,469
Total	10,149	9,637

The recoverable amount of CGU is determined based on value in use calculations. These calculations are based on post-tax cash flow projections and all the assumptions in relation to growth rates are determined by reference to management's past experience and industry forecasts. The discount rates used reflect the specific risks of each segment. See Note 4(a)(i) for details of assumptions used.

16. Financial instruments by category

The accounting policies for financial instruments have been applied in the line items below:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Loans and receivables		
Financial assets as per balance sheet:		
Trade and other receivables ¹	35,431	33,753
Cash and cash equivalents	130,434	119,279
Total	165,865	153,032
Financial liabilities measured at amortised cost		
Financial liabilities as per balance sheet:		
Borrowings	1,074,753	1,119,556
Trade and other payables ²	28,487	28,022
Total	1,103,240	1,147,578

1. Trade and other receivables do not include taxes and prepayments.
2. Trade and other payables do not include taxes, advances and deferred gains.

17. Credit quality of financial assets

The credit quality of financial assets that are fully performing (i.e. neither past due or impaired) can be assessed by reference to external and internal sources of information like business reputation, financial position and performance, prior working history records. Customers with longer history of working with the Group are regarded by management as having lower risk of default.

The credit quality of financial assets that are neither past due nor impaired classified by reference to the working history of the counterparty with the Group is as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Trade and other receivables		
Core customers – new (less than one year of working history with the Group)	–	41
Core customers – existing (more than one year of working history with the Group)	9,134	9,042
Related party loans	14,559	8,472
Trade and other receivables from other customers (third parties)	857	1,467
Trade and other receivables from related parties	7,834	11,978
Total	32,384	31,000

Loans granted to the third parties, trade and other receivables are related to highly reputable counterparties with no external credit rating.

Cash at bank and short-term bank deposits (Note 20):

(in thousands of US dollars)	Rating	As at 31 December	
		2017	2016
International rating agency Moody's Investors Service	A1–Aa3	3,855	620
International rating agency Moody's Investors Service	B1–Baa3	105,381	101,748
International rating agency Moody's Investors Service	Caa1–Caa2	208	341
Fitch Ratings	AAA	–	16,517
Fitch Ratings	BBB	20,912	–
No rating*	No rating	78	53
Total		130,434	119,279

* Cash in hand and cash and cash equivalents with banks for which there is no rating. These banks are highly reputable local banks in the country of operation of the respective Group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

18. Inventories

(in thousands of US dollars)	As at 31 December	
	2017	2016
Spare parts and consumables	5,769	5,013
Total	5,769	5,013

All inventories are stated at cost.

19. Trade and other receivables

(in thousands of US dollars)	As at 31 December	
	2017	2016
Trade receivables – third parties	11,875	12,663
Trade receivables – related parties (Note 30(e))	7,817	7,997
Total trade receivables	19,692	20,660
Other receivables	1,157	358
Other receivables – related parties (Note 30(e))	23	4,094
Prepayments for goods and services	6,168	6,262
Prepayments for goods and services – related parties (Note 30(e))	551	525
Loans to third parties	–	169
Loans to related parties (Note 30(h))	14,559	8,472
VAT and other taxes recoverable	6,039	5,736
Total trade and other receivables	48,189	46,276
Less non-current portion:		
Loans to related parties	(14,559)	(8,265)
Total non-current portion	(14,559)	(8,265)
Current portion	33,630	38,011

According to management estimates the fair values of trade and other receivables do not materially differ from their carrying amounts, except loans to related parties (fair value as at 31 December 2017: US\$ 13,814 thousand).

The average effective interest rate on loans receivable from related parties were 6.4% (2016: 4.2%).

Trade and other receivables amounting to US\$ 17,826 thousand (31 December 2016: US\$ 22,527 thousand), were fully performing.

Trade and other receivables amounting to US\$ 3,047 thousand (31 December 2016: US\$ 2,584 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no history of either non repayment in the past or renegotiation of the repayment terms due to inability of the customer to repay the balance.

The analysis of past due trade and other receivables is as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Less than 1 month overdue	2,186	1,892
From 1 to 3 months overdue	436	518
From 3 to 6 months overdue	125	114
Over 6 months overdue	300	60
Total	3,047	2,584

During 2017 trade receivables amounting to US\$ 27 thousand (2016: US\$ 17 thousand) were impaired and written off in full. These are individually impaired receivables mainly related to customers, which were in a difficult economic situation.

The other classes within trade and other receivables do not contain impaired assets except as disclosed in Note 3(b).

The creation and release of allowance and write off of impaired receivables have been included in 'administrative, selling and marketing expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The fair value of receivables approximates their carrying value as the impact of the discounting is insignificant and is within Level 2 of the fair value hierarchy. The fair value is based on discounting of cash flows using 7% (2016: 7%) discount rate.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Currency:		
US dollar	24,932	18,949
Russian rouble	22,952	21,611
Euro	305	5,716
Total	48,189	46,276

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security for any receivables.

20. Cash and cash equivalents

(in thousands of US dollars)	As at 31 December	
	2017	2016
Cash at bank and in hand	31,342	30,073
Short term bank deposits (less than 90 days)	99,092	89,206
Total	130,434	119,279

The effective average interest rate on short-term deposits was 1% in 2017 (2016: 0.8%) and these deposits have an average maturity of 20 days in 2017 (2016: 18 days).

Cash and cash equivalents include the following for the purposes of the cash flow statement:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Cash and cash equivalents	130,434	119,279
Total	130,434	119,279

21. Share capital, share premium

Authorised share capital

The authorised share capital of the Company amounts to US\$ 175,000,000.00 divided into 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US\$ 0.10 each.

Issued share capital

The issued share capital of the Company amounts to US\$ 57,317,073.10 divided into 422,713,415 ordinary shares and 150,457,316 ordinary non-voting shares with a par value of US\$ 0.10 each.

The ordinary shares and the ordinary non-voting shares rank pari passu in all respects save that, the ordinary non-voting shares do not have the right to receive notice, attend or vote at any general meeting, nor to be taken into account for the purpose of determining the quorum of any general meeting.

(in thousands of US dollars)	Number of shares '000	As at 31 December		
		Share capital	Share premium	Total
At 1 January/31 December 2016/31 December 2017	573,171	57,317	923,511	980,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

22. Borrowings

(in thousands of US dollars)	As at 31 December	
	2017	2016
Non-current borrowings		
Bank loans	43,000	91,625
Non-convertible unsecured bonds	953,308	938,373
Finance lease liabilities	9,356	9,937
Loans from third parties	-	755
Interest payable on loans from third parties	-	185
Total non-current borrowings	1,005,664	1,040,875
Current borrowings		
Bank loans	43,000	51,908
Interest payable on bank loans	156	252
Finance lease liabilities	840	2,523
Interest payable on finance lease liabilities	371	505
Loans from third parties	795	-
Interest payable on loans from third parties	246	-
Non-convertible unsecured bonds – interest payable	23,681	23,493
Total current borrowings	69,089	78,681
Total borrowings	1,074,753	1,119,556

The maturity of non-current borrowings (excluding finance lease liabilities) is analysed as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Between 1 and 2 years	42,729	48,315
Between 2 and 5 years	607,995	290,475
Over 5 years	345,584	692,148
Total	996,308	1,030,938

Bank borrowings mature until 2019 (31 December 2016: 2019), bonds mature until 2023 (31 December 2016: 2023) and loans from other third parties mature until 2018 (31 December 2016: 2018).

Changes in liabilities and assets arising from financing activities:

(in thousands of US dollars)	For the year ended 31 December 2017		
	Borrowings	Fair value of derivative financial instruments*	Total changes in assets and liabilities from financing activities
At beginning of year	1,119,556	(52,957)	1,066,599
Interest charged	9	90,879	90,879
Borrowings and leases repaid during the year	(60,274)	-	(60,274)
Interest repaid during the year and swap cash settlements	23(i)	(89,094)	(68,840)
Change in fair value of derivative financial instruments	9	-	(42,089)
Foreign exchange differences	13,686	(3,594)	10,092
At end of year	1,074,753	(78,386)	996,367

* Represents net position (liabilities less assets) of derivative financial instruments.

(in thousands of US dollars)	For the year ended 31 December 2016		
	Borrowings and leases	Fair value of derivative financial instruments*	Total changes in assets and liabilities from financing activities
At beginning of year	1,165,400	5,360	1,170,760
Loans advanced during the year	829,308	–	829,308
Interest charged	9 98,064	–	98,064
Borrowings and leases repaid during the year	(945,544)	–	(945,544)
Interest repaid during the year and swap cash settlements	23(i) (70,259)	11,372	(58,887)
Change in fair value of derivative financial instruments	9 –	(64,432)	(64,432)
Foreign exchange differences	42,588	(5,258)	37,330
At end of year	1,119,556	(52,957)	1,066,599

* Represents net position (liabilities less assets) of derivative financial instruments.

In the 2015-2016 the Group partly restructured its debt portfolio with the aim of facilitating greater financial flexibility and diversification of the debt portfolio of the Group. For this purpose the Group has repaid certain bank facilities before their maturity dates, terminated the exiting swap arrangement, placed 3 issues RUR-denominated bonds of RUR 5 billion each in the total amount of RUR 15 billion and entered in swap agreements (see Note 23). These bonds are guaranteed by the Company.

Proceeds from these bonds issuance were swapped using two cross currency swap instruments into US dollars with a lower interest rate (see Note 23(i)) and were used for the refinancing of the Group's existing debt. In 2017 and 2016 the amounts received under the swap arrangements were US\$ 20,255 thousand and US\$ 11,372 thousand respectively.

In April and September 2016 the GPI group has successfully finalised issue of two tranches of Eurobonds on the Irish Stock Exchange in the total amount of US\$ 700 million at a fixed coupon rate. Some companies within GPI group have unconditionally and irrevocably guaranteed these Eurobonds on a joint and several basis.

The carrying amount of outstanding bonds as of 31 December 2017 totalled to US\$ 976,989 thousand (as of 31 December 2016: US\$ 961,866 thousand). Proceeds from above bond issues have been used for refinancing of the Group's debt.

Fair value of bank loans and non-convertible unsecured bonds was as follows:

(in thousands of US dollars)	Fair value hierarchy	As at 31 December	
		2017	2016
Non-convertible unsecured bonds	Level 1	1,025,491	980,911
Bank loans	Level 2	86,156	139,883
Total		1,111,647	1,120,794

Finance lease liabilities – minimum lease payments:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Under 1 year	2,276	3,927
Between 1 and 2 years	1,441	2,398
Between 2 and 5 years	4,406	4,060
Over 5 years	63,793	60,733
Total	71,916	71,118
Future finance charges of finance leases	(61,349)	(58,153)
Present value of finance lease liabilities	10,567	12,965

The present value of finance lease liabilities is analysed as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Under 1 year	1,208	3,019
Between 1 and 2 years	7	1,062
Between 2 and 5 years	13	11
Over 5 years	9,339	8,873
Total	10,567	12,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

22. Borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows (the table excludes interest payable):

(in thousands of US dollars)	As at 31 December	
	2017	2016
6 months or less	1,629	3,966
1-5 years	693,724	143,880
Over 5 years	354,946	947,275
Total	1,050,299	1,095,121

The carrying amounts of the Group's borrowings are denominated in the following currencies:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Russian rouble	277,730	263,487
US dollar	797,023	856,069
Total	1,074,753	1,119,556

From the above amount of borrowings denominated in RUR, US\$ 267,820 thousand (2016: US\$ 253,168 thousand) are covered by a swap arrangement effectively converting the RUR-denominated obligation into USD-denominated one (see Note 23).

The weighted average effective interest rate on borrowings is 8.4% (2016: 8.2%). The weighted average effective interest rate on borrowings which includes the effect of the cross-currency swap would be 6.8% (2016: 6.7%).

The Group is leasing mainly container loading equipment, cars and terminal facilities.

Some bank loans given to a group entities in Russian ports segment are secured also by the pledge of shares of certain group entities.

The finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Agreements of the bank loans given to some of the subsidiaries of the Group include certain covenants which set forth certain financial ratios that have to be complied with. There were no breaches of covenants as at 31 December 2017 and 2016.

23. Derivative financial instruments

As of 31 December 2017 the fair value of derivatives was positive – US\$ 78,386 thousand. As of 31 December 2016 the fair value of derivatives was positive – US\$ 52,957 thousand.

The fair value of derivative is classified as a non-current asset or liability if the remaining maturity of the hedging relationship is more than 12 months and, as a current asset or liability, if the maturity of the hedging relationship is less than 12 months.

(i) Derivatives related to RUR-denominated bonds issues

During 2015 and 2016 the Group entered into three cross-currency swap arrangements to exchange its RUR-denominated liabilities related to the newly issued bonds (3 issues of RUR 5,000 million each) with fixed interest rate of approximately 13% in the amount RUR 15,000 million (see Note 22) to USD-denominated debt with the lower fixed interest rate. The Group decided not to apply hedge accounting rules to new swaps. As a result the change in fair value is presented in the income statement under "change in fair value of derivatives" as part of "finance income/(costs) – net" (see Note 9).

Cash collected/paid in relation to the swap arrangements not used for hedging that relate to the swap of fixed RUR denominated interest to fixed USD denominated interest is presented in the consolidated statement of cash flows as "proceeds from derivative financial instruments not used for hedging".

(ii) Derivatives used for hedging

Upon acquisition of NCC at the end of 2013 the Group has designated an acquired derivative as a cash flow hedge instrument where it was hedging the variability of the interest rate on an external borrowing of a Group entity and the highly probable forecasted revenues of the same Group entity which were expected to occur in USD (due to USD/RUR exchange rate).

At the end of 2015 the Group partly restructured its debt portfolio (see Note 22). This resulted in the termination of cross-currency interest rate swap arrangement explained above.

The termination of the cross-currency interest rate swap arrangement together with the settlement of the related loan has led to the cancellation of the related interest rate cash flow hedge.

During 2017 there was recycled US\$ 57,426 thousand (2016: US\$ 61,356 thousand) of derivative losses previously recognised through other comprehensive income that related to the cash flow hedge on forecasted sales. This amount has been recycled as a loss of US\$ 69,566 (2016: US\$ 63,149 thousand) through the income statement under 'other gains/losses – net' (Note 7) and as a credit charge in amount of US\$ 12,140 thousand (2016: US\$ 1,793 thousand), relating to the foreign exchange difference arising on the retranslation of the cash flow hedge reserve using historic foreign exchange rate and average foreign exchange rate for the period, through currency translation differences in other comprehensive income. The recycling was based on the original forecasted sales that were expected to occur during the period.

As at 31 December 2017 there remained no derivative losses in equity.

24. Deferred income tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	45,529	44,440
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(163,942)	(162,711)
Deferred tax liabilities (net)	(118,413)	(118,271)

The gross movement on the deferred income tax account is as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
At the beginning of the year		
Income statement charge:		
Deferred tax credit (Note 11)	4,116	(16,760)
Other movements:		
Reclassification to liabilities directly associated with assets classified as held for sale	1,868	–
Currency translation differences	(6,126)	(17,658)
At the end of the year	(118,413)	(118,271)

The movement on the deferred tax assets (+) and liabilities (-) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in thousands of US dollars)	Property, plant and equipment	Withholding tax provision	Intangible assets	Borrowings	Tax losses	Subtotal	Other assets and liabilities	Grand total
At 1 January 2016	(55,532)	(5,710)	(121,300)	(1,342)	97,461	(86,423)	2,570	(83,853)
Income statement (Note 11)	4,296	1,327	15,928	(2,073)	(34,731)	(15,253)	(1,507)	(16,760)
Translation differences	(10,938)	(1,021)	(24,039)	(187)	18,012	(18,173)	515	(17,658)
At 31 December 2016	(62,174)	(5,404)	(129,411)	(3,602)	80,742	(119,849)	1,578	(118,271)
Income statement (Note 11)	3,314	3,749	2,411	3,403	(2,011)	10,866	(6,750)	4,116
Reclassification to liabilities directly associated with assets classified as held for sale	1,916	–	–	–	–	1,916	(48)	1,868
Translation differences	(3,194)	(243)	(6,838)	(130)	4,260	(6,145)	19	(6,126)
At 31 December 2017	(60,138)	(1,898)	(133,838)	(329)	82,991	(113,212)	(5,201)	(118,413)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The amount of unremitted earnings of certain subsidiaries and joint ventures on which no withholding tax provision was recognised amounts to US\$ 848,103 thousand (2016: US\$ 700,321 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

25. Trade and other payables

(in thousands of US dollars)	As at 31 December	
	2017	2016
Trade payables – third parties	3,690	3,659
Trade payables – related parties (Note 30(f))	304	106
Payables for property, plant and equipment	957	834
Other payables – third parties	1,338	4,756
Other payables – related parties (Note 30(f))	682	540
Payroll payable	1,875	1,559
Accrued expenses and deferred gains	18,298	14,846
Advances received	5,007	4,487
Taxes payable (other than income tax)	3,535	3,741
Total trade and other payables	35,686	34,528
Less non-current portion	(9,266)	(8,208)
Current portion	26,420	26,320

The fair value of trade and other payables approximates their carrying amount at the balance sheet date.

26. Assets held for sale

In August 2017 the Group signed an agreement to sell its 100% stake in JSC Logistika-Terminal ("LT"), one of the Group's two inland terminals for a consideration of RUR1.9 billion to be paid upon completion of the transaction. The transaction is subject to approval of relevant regulatory authorities.

The transaction will allow the Group to optimise its inland terminal network focusing on the Yanino terminal, a modern multipurpose inland terminal in the vicinity of St. Petersburg. The Group intends to use the proceeds of the sale for further deleveraging, a key strategic priority.

Prior to reclassification to assets held for sale, property, plant and equipment of LT was tested for impairment based on fair value less costs of disposal using comparative market method taking into account the Sales Agreement signed in August 2017. As a result the impairment of US\$ 11,400 thousand was recognised (Note 14).

The result of the transaction will depend on the net assets of LT at the date of closing. In addition, at closing amounts recognised in other comprehensive income and accumulated in equity relating to LT will be recycled from the other comprehensive income to the income statement. As of 31 December 2017 this accumulated other comprehensive income relating to LT amounted to US\$ (24,831) million (negative) and the movement since reclassification to assets held for sale was US\$ 1,560 thousand (positive). It is reflected within currency translation reserve in the consolidated balance sheet.

The following assets and liabilities were classified as held for sale in relation to LT as at 31 December 2017:

(in thousands of US dollars)	As at 31 December 2017
Property, plant and equipment	33,713
Trade and other receivables and other current assets	865
Cash and cash equivalents	835
Assets classified as held for sale	35,413
Deferred tax liabilities	1,867
Trade and other payables	560
Liabilities directly associated with assets classified as held for sale	2,427
Net carrying amount classified as held for sale	32,986

27. Joint ventures

The Group has the following investments in joint ventures – VEOS, MLT group and CD Holding group. These entities are an integral part of operations of the Group. See Note 1 and Note 5 for more details.

There are no contingent liabilities or commitments relating to the Group's interest in the joint ventures.

The summarised investments in joint ventures accounted for using the equity method as at 31 December 2017 and 31 December 2016 are as follows:

(in thousands of US dollars)	VEOS	MLT	CD Holding	Total
At 1 January 2017	74,854	46,868	1,427	123,149
Recognised share of profit/(loss)	(77,462)	5,213	(1,018)	(73,267)
Dividends declared by joint venture	–	(6,863)	–	(6,863)
Other movement	–	–	784	784
Translation differences (through other comprehensive income/(loss))	9,949	3,097	69	13,115
At 31 December 2017	7,341	48,315	1,262	56,918

"Recognised share of profit/(loss)" includes US\$ 71,578 thousand of effect of impairment related to VEOS (see Note 4(i)).

(in thousands of US dollars)	VEOS	MLT	CD Holding	Total
At 1 January 2016	125,564	42,251	–	167,815
Recognised share of profit/(loss)	(46,412)	6,658	(669)	(40,423)
Dividends declared by joint venture	–	(5,048)	–	(5,048)
Loans converted to share capital (Note 30(h))	–	–	2,938	2,938
Translation differences (through other comprehensive income/(loss))	(4,298)	3,007	(842)	(2,133)
At 31 December 2016	74,854	46,868	1,427	123,149

"Recognised share of profit/(loss)" includes US\$ 46,122 thousand of effect of impairment related to VEOS being impairment loss on goodwill amounting to US\$ 39,218 thousand (see Note 4(i)) and share of impairment of intangible assets in VEOS of US\$ 6,904 thousand (see Note 5). Set out below are the selected summarised financial information for joint ventures that are accounted for using the equity method.

Selected income statement items

(in thousands of US dollars)	For the year ended 31 December 2017		
	VEOS	MLT	CD Holding
Revenue	51,348	31,083	9,845
Depreciation, amortisation and impairment	(162,076)	(4,212)	(894)
Interest income	18	123	–
Interest expense	(481)	(314)	(922)
Profit/(loss) before income tax	(154,924)	9,560	(918)
Income tax expense	–	(2,610)	(439)
Profit/(loss) after tax	(154,924)	6,950	(1,357)
Other comprehensive income/(loss)	19,897	2,788	92
Total comprehensive income/(loss)	(135,027)	9,738	(1,265)
Dividends declared by joint venture	–	9,151	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

27. Joint ventures (continued)

Selected balance sheet items

(in thousands of US dollars)	As at 31 December 2017		
	VEOS	MLT	CD Holding
Total non-current assets	10,736	34,207	17,421
Cash and cash equivalents (including current deposits with maturity over 90 days)	13,527	12,060	231
Other current assets	7,152	4,954	1,225
Total current assets	20,679	17,014	1,456
Total assets	31,415	51,221	18,877
Non-current financial liabilities	5,648	4,608	14,500
Other non-current liabilities	–	4,323	1,298
Total non-current liabilities	5,648	8,931	15,798
Current financial liabilities excluding trade and other payables	3,884	1,640	–
Other current liabilities including trade and other payables	7,202	2,837	1,396
Total current liabilities	11,086	4,477	1,396
Total liabilities	16,734	13,408	17,194
Net assets	14,681	37,813	1,683

Selected income statement items

(in thousands of US dollars)	For the year ended 31 December 2016		
	VEOS	MLT	CD Holding
Revenue	58,970	34,076	7,018
Depreciation, amortisation and impairment	(34,089)	(4,422)	(866)
Interest income	18	74	1
Interest expense	(709)	(388)	(1,162)
Profit/(loss) before income tax	(16,345)	11,804	2,508
Income tax expense	1,956	(2,927)	–
Profit/(loss) after tax	(14,389)	8,877	2,508
Other comprehensive income/(loss)	(4,643)	4,735	(1,125)
Total comprehensive income/(loss)	(19,032)	13,612	1,383
Dividends declared by joint venture	–	6,731	–

Selected balance sheet items

(in thousands of US dollars)	As at 31 December 2016		
	VEOS	MLT	CD Holding
Total non-current assets	152,417	34,510	16,860
Cash and cash equivalents (including current deposits with maturity over 90 days)	23,603	10,875	717
Other current assets	4,969	4,913	1,219
Total current assets	28,572	15,788	1,936
Total assets	180,989	50,298	18,796
Non-current financial liabilities	2,628	4,537	7,318
Other non-current liabilities	–	3,944	812
Total non-current liabilities	2,628	8,481	8,130
Current financial liabilities excluding trade and other payables	9,049	968	7,728
Other current liabilities including trade and other payables	19,604	3,623	1,035
Total current liabilities	28,653	4,591	8,763
Total liabilities	31,281	13,072	16,893
Net assets	149,708	37,226	1,903

The information above reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the group and the joint ventures.

Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group interest in joint ventures.

(in thousands of US dollars)	For the year ended 31 December 2017			
	VEOS	MLT	CD Holding	Total
Opening net assets at the beginning of the year	149,708	37,226	1,903	188,837
Profit/(loss) for the period	(154,924)	6,950	(1,357)	(149,331)
Dividends declared	–	(9,151)	–	(9,151)
Other comprehensive income/(loss)	19,897	2,788	92	22,777
Closing net assets at the end of the year	14,681	37,813	638	53,132
Ownership interest	50%	75%	75%	
Interest in joint venture	7,341	28,360	478	36,179
Other movement	–	–	784	784
Goodwill	–	19,955	–	19,955
Carrying value on 31 December 2017	7,341	48,315	1,262	56,918
(in thousands of USD)	For the year ended 31 December 2016			
	VEOS	MLT	CD Holding	Total
Opening net assets at the beginning of the year	168,740	30,345	(10,610)	188,475
Profit/(loss) for the period	(14,389)	8,877	2,508	(3,004)
Conversion of loans to equity	–	–	11,130	11,130
Dividends declared	–	(6,731)	–	(6,731)
Other comprehensive income/(loss)	(4,643)	4,735	(1,125)	(1,033)
Closing net assets at the end of the year	149,708	37,226	1,903	188,837
Ownership interest	50%	75%	75%	
Interest in joint venture	74,854	27,920	1,427	104,201
Goodwill	39,218	18,948	–	58,166
Share of losses of joint ventures applied against other long-term interests	(39,218)	–	–	(39,218)
Carrying value on 31 December 2016	74,854	46,868	1,427	123,149

28. Contingencies

Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy was growing in 2017, after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Substantial part of Russian seaport operators of the Group, including PLP, VSC and FCT are classified as natural monopolies under Russian law. As a matter of Russian law, tariffs for stevedoring services, including cargo handling and storage services, rendered by natural monopolies, are subject to monitoring by the Federal Antimonopoly Service (the "FAS"). In 2016 FAS undertook certain actions, in particular FAS has commenced investigation in respect of several Russian seaport operators, (including the following terminals of the Group: PLP, VSC and FCT), alleging potential breach of antimonopoly laws in relation to the pricing of stevedoring services at Russia's ports.

In March 2017 the FAS issued orders to the Group's FCT, VSC and PLP terminals requiring them, *inter alia* to transfer to the federal budget RUR 7 billion (app. US\$ 120 million), such amounts being the income, according to FAS, the relevant terminal derived from the activity in question.

Towards the end of 2017 FCT, VSC and PLP concluded the settlement agreement with FAS. The terms of the settlement did not have any material impact on the Group's financial position as of 31 December 2017 or results and cash flows for the year ended 31 December 2017 and did not negatively affect operating activities of the Group in any significant way.

Estonia and Finland represent established market economies with more stable political systems and developed legislation based on EU directives and regulations. However, the situation in Estonia remained challenging and is characterised by a structural deterioration of the business environment in which the Group's oil products terminal operates, which is heavily dependent on the flows of Russian oil products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Contingencies (continued)

Tax legislation in Russia

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when a decision about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged and even though the impact of any such challenge cannot be reliably estimated, it may however, be significant to the financial position and/or the overall operations of the Group. The Controlled Foreign Company (CFC) legislation introduced Russian taxation on the profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). This interpretation of the relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that could reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 31 December 2017 and as of 31 December 2016 management believes that no additional tax liability has to be accrued in the financial statements.

Legal proceedings and investigations

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no provisions should be recognised in these consolidated financial statements.

Environmental matters

The Group is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of waste water and the clean-up of contaminated sites.

Issues related to protection of water resources in Russia are regulated primarily by the Environmental Protection Law, the Water Code and a number of other federal and regional normative acts.

Pursuant to the Water Code, discharging waste water into the sea is allowed, provided that the volume does not exceed the established standards of admissible impact on water resources. At the same time, the Environmental Protection Law establishes a "pay-to-pollute" regime, which implies that companies need to pay for discharging waste waters. However, the payments of such fees do not relieve a company from its responsibility to comply with environmental protection measures.

If the operations of a company violate environmental requirements or cause harm to the environment or any individual or legal entity, environmental authorities may suspend these operations or a court action may be brought to limit or ban these operations and require the company to remedy the effects of the violation. The limitation period for lawsuits for the compensation of damage caused to the environment is twenty years. Courts may also impose clean-up obligations on offenders in lieu of or in addition to imposing fines.

The enforcement of environmental regulation in the countries in which the Group operates is evolving and the enforcement posture of government authorities is continuously being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

29. Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2017	2016
(in thousands of US dollars)		
Property, plant and equipment	26,515	10,432
Total	26,515	10,432

Operating lease commitments – Group as lessee

The future minimum lease payments payable under non-cancellable operating leases (mainly port infrastructure) are as follows:

	As at 31 December	
	2017	2016
(in thousands of US dollars)		
Not later than 1 year	3,022	2,738
Later than 1 year and not later than 5 years	11,807	11,112
Later than 5 years	54,954	52,984
Total	69,783	66,834

30. Related party transactions

The Group is jointly controlled by Transportation Investments Holding Limited ("TIHL"), and APM Terminals B.V. ("APM Terminals").

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The following transactions were carried out with related parties:

(a) Sale of services

	For the year ended 31 December	
	2017	2016
(in thousands of US dollars)		
Entities under control of owners of TIHL or APM Terminals	86,118	94,065
Joint ventures in which GPI is a venture	4	23
Other related parties	52	48
Total	86,174	94,136

(b) Sales of property, plant and equipment

Net book amount of sold property, plant and equipment

	For the year ended 31 December	
	2017	2016
(in thousands of US dollars)		
Joint ventures in which GPI is a venture	–	116
Total	–	116

(c) Purchases of services and incurred expenses

	For the year ended 31 December	
	2017	2016
(in thousands of US dollars)		
Entities under control of owners of TIHL or APM Terminals	2,561	2,415
Other related parties	2,452	2,004
Total	5,013	4,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

30. Related party transactions (continued)

(d) Interest income

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Joint ventures in which GPI is a venturer	792	438
Total	792	438

(e) Trade and other receivables and prepayments

(in thousands of US dollars)	As at 31 December	
	2017	2016
Entities under control of owners of TIHL or APM Terminals	8,368	8,522
Joint ventures in which GPI is a venturer	–	3,981
Other related parties	23	113
Total	8,391	12,616

(f) Trade and other payables

(in thousands of US dollars)	As at 31 December	
	2017	2016
Entities under control of owners of TIHL or APM Terminals	796	556
Other related parties	190	90
Total	986	646

(g) Key management compensation/directors' remuneration

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Key management compensation:		
Salaries, payroll taxes and other short term employee benefits	8,831	9,809
Directors' remuneration (included also above):		
Fees	408	381
Emoluments in their executive capacity	677	340
Total	1,085	721

(h) Loans to related parties

The details of loans provided mainly to joint ventures in which GPI is a venturer are presented below (see also Note 19):

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
At the beginning of the year	8,472	1,629
Loans advanced during the year	7,500	9,900
Interest charged	792	438
Loan and interest repaid during the year	(1,204)	(482)
Fair value loss upon inception	(1,045)	–
Loans converted to share capital (Note 26)	–	(2,938)
Foreign exchange differences	44	(75)
At the end of the year (Note 19)	14,559	8,472

The loans are not secured, bear effective interest at 6.4% (2016: 4.3%) and are repayable in 2022.

31. Events after the balance sheet date

There were no material post balance sheet events which have a bearing on the understanding of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GLOBAL PORTS INVESTMENTS PLC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Global Ports Investments Plc (the "Company") and its subsidiaries and joint ventures (hereafter collectively referred to as the "Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 17 to 64 and comprise:

- The consolidated balance sheet as at 31 December 2017;
- The consolidated income statement for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Overall group materiality: USD 4.8 million, which represents 2.5% of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA").

We conducted full scope audit procedures for the parent entity; all the significant components; and the consolidation process.

For the remaining non-significant components we performed a full scope audit; or analytical procedures; and/or audit of specific account balances.

We have identified the impairment assessment of goodwill and other non-financial assets including individual assets and cash generating units as the key audit matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	USD 4.8 million
How we determined it	2,5% of EBITDA
Rationale for the materiality benchmark applied	<ul style="list-style-type: none">– We chose EBITDA as the benchmark, because, in our view:– It is the benchmark against which the performance of the Group is most commonly measured by the users; and It is a generally accepted benchmark. <p>We chose 2,5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.</p>

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above US\$ 0.48 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

Global Ports Investments Plc controls or has joint control over a number of entities situated in a number of territories namely Russia, Estonia, Finland and Cyprus. Considering our ultimate responsibility for the opinion on the Company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit.

The Group's operations comprise 9 components. The financial information of these components is included in the consolidated financial statements of the Group. We tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole. In this context, the determining factors were the structure of the Group, the significance of each component, the risk profile and relevant activities of the components, the accounting processes and controls, and the industry in which the Group operates.

We conducted full scope audit procedures for the parent entity; all the significant components; and the consolidation process. For the remaining non-significant components we performed a full scope audit; or analytical procedures; and/or audit of specific account balances.

The group consolidation was audited by the group engagement team. For components located in Russia and Estonia we used component auditors from other PwC network firms who are familiar with the local laws and regulations to perform the audit work. Where the work was performed by component auditors, we as group engagement team determined the level of involvement we needed to have in the audit work at those reporting units to enable us to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

Our involvement in the work performed by other auditors of the significant components included, amongst others, regular calls with the component auditors; discussion and agreement for the nature, timing and extent of the work; and review of the work performed by these component auditors for significant risk areas.

Our involvement in the work performed by other auditors of the non-significant components included, amongst others, discussion and review of the work performed by these component auditors for significant risk areas including impairment.

By performing the procedures above at components level, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

The Group performed an impairment test for all the cash generating units ("CGUs"). We focused on this area due to:

- The size of the goodwill and other non-financial assets; and
- The assessment of the recoverable amount of the CGUs involves complex and subjective judgements about the future results of the business and the applicable discount rates to be used.

In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the following CGUs:

- AS Vopak E.O.S. (VEOS) CGUs due to the fact that there was material impairment during the period; and
- First Container Terminal (FCT), Ust-Luga Container Terminal (ULCT) and Petrolesport Terminal (PLP) CGUs as a reasonably possible change in the key assumptions would cause the carrying amounts of these CGUs to exceed their recoverable amounts.

The expected cash flows (budgets) for the year 2018 and the remaining assumptions used for the CGUs' value in use calculations have been approved by the Company's Board of Directors. Certain assumptions made by the Board of Directors in the determination of the CGUs' value in use calculations were considered to be key estimates.

Based on the results of the impairment tests no impairment losses were recognised other than the impairment loss amounting to US\$ 11,400 thousand for Logistika-Terminal (LT) CGU that was a result of its classification as an asset held for sale and its measurement at the lower of its carrying amount and fair value less cost to sell.

For the FCT and ULCT CGUs, it was determined that despite the fact that the impairment test has shown a recoverable amount higher than the carrying amount of the CGU no reversal of previously recognised impairment was necessary because there is no observable external or internal information to support reversal as required by IAS 36 "Impairment of Assets"; and the tests are still sensitive to the change of certain key parameters.

For VEOS CGU, an impairment charge amounting to US\$ 71,578 thousand was recognised through the share of profit/(loss) of the joint venture, reducing the carrying amount of the investment in the joint venture to US\$ 7,341 thousand. Due to the significant judgement and subjectivity in relation to the 2018 expectation, it is reasonably possible on the basis of existing knowledge that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the CGU and the investment in joint venture.

Refer to Notes 4, 26 and 27 to the consolidated financial statements for the related disclosures.

How our audit addressed the key audit matter

We evaluated the valuation inputs and assumptions, methodologies and calculations adopted by the Company's Board of Directors in determining the CGUs' recoverable amounts. In order to assist us in our audit we involved PwC valuation experts that have the knowledge and experience in the industry and country of operation to assist us in evaluating methodology, models and assumptions used.

We evaluated and challenged the composition of the future cash flow forecasts in the model including comparing them to the latest budgets approved by the Board of Directors.

We challenged:

- The Board of Directors' key assumptions for the long term growth rates of key inputs, such as volume and price and compared them to historical results, economic and industry forecasts;
- The discount rate applied to these cash flows, by assessing the weighted average cost of capital, cost of debt and considering territory specific factors; and
- The macroeconomic assumptions used by the Board of Directors, by comparing them to market benchmarks and publicly available information.

For VEOS CGU, we have challenged the Board of Directors regarding the outcomes within the next financial year that could lead to a material adjustment to the carrying amount of the CGU.

For FCT and ULCT CGUs, we have challenged the Board of directors on the no reversal of previously recognised impairment.

We further challenged the Board of Directors on the adequacy of their sensitivity calculations over the CGUs' recoverable amount and determined the assumptions that created the most variability; being assumptions for throughput volume, price per unit, growth rates, and discount rates. For certain terminals, revenue from other cargoes and container storage times are also relevant.

We lastly evaluated the adequacy of the disclosures made in Notes 4, 26 and 27 of the consolidated financial statements, including those regarding the key assumptions and sensitivities to changes in such assumptions.

Based on the evidence obtained, we found that the methodologies, assumptions, data used within the models and disclosures are appropriate.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report (which includes the Corporate Governance Statement) which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of ISAs.

Appointment of the auditor and period of engagement

We were first appointed as auditors of the Company in 2008 by shareholder resolution for the audit of the financial statements for the period ended 31 December 2008. Our appointment has been renewed annually, since then, by shareholder resolution. In 2011 the Company was listed in the Main Market of the London Stock Exchange and accordingly the first financial year after the Company qualified as an EU PIE was the year ended 31 December 2012. Since then, the total period of uninterrupted engagement appointment was 6 years.

Consistency of the additional report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit and Risk Committee of the Company, which we issued on 12 March 2018 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of non-audit services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors' Law of 2017 were provided. In addition, there are no non audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other legal requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

Tasos Nolas

Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited

Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

Limassol, 13 March 2018

PARENT COMPANY FINANCIAL STATEMENTS





DIRECTORS' REPORT AND PARENT COMPANY FINANCIAL STATEMENTS
 31 DECEMBER 2017

TABLE OF CONTENTS

Board of Directors and other officers	1
Management Report	3
Directors' Responsibility Statement	16
Statement of comprehensive income for the year ended 31 December 2017	17
Balance sheet as at 31 December 2017	18
Statement of changes in equity for the year ended 31 December 2017	19
Statement of cash flows for the year ended 31 December 2017	20
Notes to the financial statements	21
1. General information	21
2. Summary of significant accounting policies	21
3. Financial risk management	28
4. Critical accounting estimates and judgments	30
5. Finance income – net	31
6. Administrative expenses	31
7. Other gains/(losses) – net	31
8. Staff costs	32
9. Finance costs	32
10. Income tax expense	32
11. Financial instruments by category	32
12. Credit quality of financial assets	33
13. Property, plant and equipment	33
14. Investments in subsidiaries	33
15. Investments in joint ventures	34
16. Loans receivable	34
17. Trade and other receivables	35
18. Cash and bank balances	35
19. Share capital, share premium and dividends	35
20. Trade and other payables	36
21. Contingencies and commitments	36
22. Related party transactions	37
23. Events after the balance sheet date	39
Independent Auditor's Report	40

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Mr. Morten Henrick Engelstoft (appointed 31 October 2016)

(Mrs. Iana Boyd Penkova and Mrs. Olga Gorbarenko are the alternates to Mr. Morten Henrick Engelstoft)

Chairman of the Board of Directors

Non-Executive Director

Member of Remuneration and Nomination Committees

Mr. Nikita Mishin (appointed 15 December 2008)

(Mr. Mikhail Loganov is the alternate to Mr. Nikita Mishin)

Vice-Chairman of the Board of Directors

Non-Executive Director

Member of Remuneration and Nomination Committees

Capt. Bryan Smith (appointed 19 August 2008)

Senior Independent Non-Executive Director

Chairman of Remuneration and Nomination Committees

Mrs. Britta Dalunde (appointed 12 May 2017)

Independent Non-Executive Director

Chairman of Audit and Risk Committee

Mrs. Inna Kuznetsova (appointed 01 January 2018)

Independent Non-Executive Director

Member of Audit and Risk, Nomination and Remuneration Committees

Mr. Lambros Papadopoulos (appointed 01 January 2018)

Independent Non-Executive Director

Member of Audit and Risk Committee

Mr. Soren Jakobsen (appointed 02 March 2018)

(Mrs. Olga Gorbarenko is the alternate to Mr. Soren Jakobsen)

Non-Executive Director

Member of Audit and Risk, Nomination and Remuneration Committees

Mrs. Elia Nicolaou (appointed 12 May 2017)

Non-Executive Director

Member of Remuneration and Nomination Committees

Mr. Konstantin Shirokov (appointed 15 December 2008)

Non-Executive Director

Member of Audit and Risk Committee

Mr. Alexander Iodchin (appointed 15 August 2008)

Executive Director

Mr. Mikhail Loganov (appointed 15 December 2008)

Executive Director

Mrs. Laoura Michael (appointed 23 January 2013)

(Mr. Nicholas Charles Terry is the alternate to Mrs. Laoura Michael)

Non-Executive Director

Mr. Michalakis Christofides (appointed 30 July 2014)

Non-Executive Director

Mr. Vadim Kryukov (appointed 30 July 2014)

Non-Executive Director

Mr. Nicholas Charles Terry (appointed 31 October 2016)

(Mrs. Laoura Michael is the alternate to Mr. Nicholas Charles Terry)

Non-executive Director

Mrs. Iana Boyd (appointed 29 January 2018)

Non-executive Director

BOARD OF DIRECTORS AND OTHER OFFICERS (CONTINUED)

Board of Directors (continued)

Mr. Tiemen Meester (resigned on 14 February 2017)

Mrs. Siobhan Walker (resigned on 12 May 2017)

Dr. Alexander Nazarchuk (resigned on 12 May 2017)

Mr. Gerard Jan van Spall (resigned on 29 January 2018)

Mr. Peder Sondergaard (resigned on 01 February 2018)

Board support

The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures. Also a procedure is in place to enable Directors, if they so wish, to seek independent professional advice at the Company's expense.

Company Secretary

Team Nominees Limited

20 Omirou Street

Ayios Nicolaos

CY-3095 Limassol

Cyprus

Registered office

20 Omirou Street

Ayios Nicolaos

CY-3095 Limassol

Cyprus

MANAGEMENT REPORT

1. The Board of Directors presents its report together with the audited financial statements of Global Ports Investments Plc (hereafter also referred to as "GPI" or the "Company") for the year ended 31 December 2017. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred as "IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities and nature of operations of the Company

2. The principal activities of the Company, which are unchanged from the previous year, is the holding of investments including any interest earning activities. The subsidiaries and joint-ventures of the Company (together with the Company the "Group") are engaged in the operation of container and oil products terminals in Russia and the Baltics. The Group offers its customers a wide range of services for their import and export logistics operations.

Changes in group structure

3. During the year ended 31 December 2017 the management of the Group continued its efforts in optimisation of the Group structure. LLC Rolis was sold by JSC Logistica-Terminal to NCC Pacific Investments Ltd. T.O. Services Ltd, LLC Kran-1, LLC Kran-2, LLC Kran-3 were liquidated. LLC Shahovo-19 merged with LLC Shahovo-18. LLC ZASM was sold to LLC Farwater. The management launched the liquidation of LLC Container-Depot East and LLC Cargo Connexion East which was finalised in February-March 2018.
4. There were no other material changes in the group structure.

Review of developments, position and performance of the Group's business

5. The strong recovery in the Russian container market continued in the second half of 2017, posting 16%* growth in volumes for the full year. This growth was principally driven by a revival in imports, due to improved consumer demand, along with increased containerisation of exports.
6. Against this backdrop, the Group continued to implement its strategy of harnessing the recovery of the container market, developing additional revenue streams, improving operational efficiency, maximising free cash flow generation and deleveraging.
7. The growth of Global Ports' Consolidated Marine Container Throughput accelerated to 11.8%* in the second half of 2017, resulting in 6.8%* growth for 2017 as a whole. This acceleration in growth has continued into 2018 with a 23%* increase in Consolidated Marine Container Throughput in January–February 2018, significantly outpacing the Russian container market growth of 16%* for the same two-month period.
8. The Group also delivered a record 21.9%* year-on-year increase in Consolidated Marine Bulk Throughput in 2017 which reached an all-time high of 2.7 million tonnes*.
9. Based on these operational achievements, Global Ports generated Revenue of US\$ 330.5 million, Adjusted EBITDA of US\$ 201.6 million*, Gross profit of US\$ 182.0 million and strong Free Cash Flow of US\$ 145.9 million*. The Group reduced Total Debt by a further US\$ 70.2 million* over the period.
10. The profit of the Company for the year ended 31 December 2017 was US\$ 1,555 thousand (2016: net loss US\$ (294,375) thousand). On 31 December 2017 the total assets of the Company were US\$ 736,092 thousand (2016: US\$ 736,727 thousand) and the net assets were US\$ 708,227 thousand (2016: US\$ 706,672 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.
11. In December 2017 Moscow Arbitrage Court has approved the terms of a settlement agreement between the Russian Federal Antimonopoly Service (FAS) and the Group's VSC, PLP and FCT terminals with respect to the findings of FAS in April 2017 that these terminals (as well as a number of other Russian terminal operators) was in breach of antimonopoly laws in relation to the pricing of stevedoring services in Russian ports. The Group challenged the FAS findings with respect to each of FCT, VSC and PLP and appealed against the orders in court. The terms of the settlement will not have any material impact on the Group's financial position or cash flow and will not negatively affect operating activities in any significant way.
12. Certain non-IFRS financial measures and operational information above which is derived from the management accounts is marked in this announcement with an asterisk [*]. Terms used above are defined as follows:

Adjusted EBITDA (a non-IFRS financial measure) for Global Ports Group is defined as profit for the period before income tax expense, finance (income)/costs—net, depreciation of property, plant and equipment, amortisation of intangible assets, share of profit/(loss) of joint ventures accounted for using the equity method, other gains/(losses)—net and impairment of goodwill and property, plant and equipment and intangible assets.

Consolidated Marine Bulk Throughput is defined as combined marine bulk throughput by consolidated terminals: PLP, VSC, FCT and ULCT.

Consolidated Marine Container Throughput is defined as combined marine container throughput by consolidated marine terminals: PLP, VSC, FCT and ULCT.

Free Cash Flow (a non-IFRS financial measure) is calculated as Net cash from operating activities less Purchase of property, plant and equipment.

Total Debt (a non-IFRS financial measure) is defined as a sum of current borrowings, non-current borrowings and derivative financial instruments.

MANAGEMENT REPORT (CONTINUED)

Risk management process, principal risks and uncertainties

13. GPI is exposed to a variety of risks that can have financial, operational and compliance impacts on its business performance, reputation and licence to operate. The Board recognises that creating shareholder value involves the acceptance of risk. Effective management of risk is therefore critical to achieving the corporate objective of delivering long-term growth and added value to our shareholders.
14. Global Ports has been developing and embedding Enterprise Risk Management system (the ERM) that is designed to identify, assess, respond monitor and, where possible, mitigate or eliminate threats to the business caused by changes in the external and internal business, financial, regulatory and operating environment.
15. Global Ports bases its risk management activities on a series of well-defined risk management principles, derived from experience, leading practice, and corporate governance regimes. The Company updates and improves its risk management framework on a regular basis to remain competitive in a changing and uncertain environment. Within 2017 a better overview and summary of major risks facing the Group was developed and presented to the Board. It facilitates the analysis of risk ratings and their trends.
16. The GPI Board has overall oversight responsibility for the GPI's risk management and it systematically monitors and assesses the risks attributable to the Group's performance and delivery of the GPI strategy. After identifying and assessing a risk, the Group selects and deploys the appropriate risk response aimed at reducing the likelihood of its occurrence and/or potential adverse impact.
17. The GPI Board delegates to the Chief Executive Officer responsibility for effective and efficient implementation and maintenance of the risk management system. Day-to-day responsibility for the risk management lies with the management team. The Audit and Risk Committee is authorised by the Board to monitor, review and report on the organization, functionality and effectiveness of the Group's ERM system.
18. Global Ports is exposed to a variety of risks which are listed below. The order in which the risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects.
19. Not all of these risks are within the Company's control, and the list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing external and internal environment that could have a material adverse effect on the Group's ability to achieve its business objectives and deliver its overall strategy.
20. Further information on our risk management system including a detailed description of identified risk factors is contained in the notes to the Financial Statements attached to this report.
21. The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the financial statements.
22. The Group's contingencies are disclosed in Note 21 to the financial statements.

Risk factor	Risk management approach
Strategic risks	
Market conditions:	
Global Ports' operations are dependent on the global macroeconomic environment and resulting trade flows, including in particular container volumes.	The Group has reacted to the declining throughput in the container market by: <ul style="list-style-type: none">- Focusing on quality service;- Offering operational flexibility to the clients;- Effective management of costs; and- Adopting new revenue streams. In addition, the Group aims to position itself to lead a future market recovery through superior service and cost discipline.
Container market throughput is closely correlated to the volume of imported goods, which in turn is driven by domestic consumer demand.	
The Group remains exposed to the risk of contraction in the Russian economy which if it were to occur could further dampen consumer demand and lead to a deterioration in the container market which could have a materially adverse impact on the Group.	

Risk factor	Risk management approach
Competition:	The Group actively monitors the competitive landscape and adjusts its commercial strategy accordingly, i.e. the Group builds long-term relationships with top customers based on a global approach to account management and contractual agreements incentivising growth of throughput.
In recent years, the Russian market has observed significant new container handling capacity coming on-stream, for example the new port terminal at Bronka, which competes with the Group's ports in the Baltic Sea Basin.	The Group's focus on service quality is a key differentiator to its competition and the Group believes this is one of its key competitive advantages.
Additionally, strategic international investors may develop or acquire stakes in existing competitor Russian container terminals, which could bring new expertise into the market and divert clients and cargoes away from the Group.	The Group has made long-term investments in its terminals and modern equipment to ensure competitive levels of service. It operates on a long-term horizon and its terminals represent core infrastructure in Russia that will continue to operate for the next 10-20 years or beyond. Because the Group possesses modern, up-to-date facilities and available capacity, it requires only minimal additional capital expenditure in the short to medium term thus preserving its ability to offer capacity to the market when necessary without sizeable additional investments.
Political, economic and social stability: Instability in the Russian economy as well as social and political instability could create an uncertain operating environment and affect the Group's ability to sell its services due to significant economic, political, legal and legislative risks.	The Group has adapted to the macroeconomic challenges posed since the second half of 2014. Its approach of effective cost management, focus on deleveraging and refinancing of its debt portfolio by switching all borrowings to fixed rates and moving to longer maturities are designed to make the Group more resilient to short term economic challenges in Russia as well as the wider regional and global environment.
Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively and/or impact its profitability.	The Group has developed a system to monitor compliance with restrictions posed by international sanctions.
The Group may also be adversely affected by US, EU and other government sanctions against Russian business whose measures have had and may continue to have an adverse effect on the Russian economy and demand for commodities. Ongoing sanctions could also adversely impact the Group's ability to obtain financing on favourable terms and to deal with certain persons and entities in Russia or in other countries.	The Group continues to maintain an international base of shareholders, bondholders and business partners.
Operational risks	The Group is not aware of any specific sanctions risks related to its ownership or operations.
Leases of terminal land:	The Group believes it has a stable situation at present regarding its land leases and its terminals have been in operation for a number of years. The Group owns the freehold on 66% of the total land of its terminals and 70% of the land of its container and inland terminals in Russia. The rest of the Group's land is held under long-term leases (up-to 49 years).
Customer Profile and Concentration:	The Group conducts extensive and regular dialogue with key customers and actively monitors changes that might affect our customers' demand for our services.
The Group is dependent on a relatively limited number of major customers (shipping lines etc.) for a significant portion of its business. These customers are affected by conditions in their market sector which can result in contract changes and renegotiations as well as spending constraints, this is further exacerbated by carrier consolidation process.	The Group has a clear strategy to reduce its dependence on its major customers, targeting new potential customers and new cargo segments. The Group is also growing its share of non-container revenues through successfully building its presence in marine bulk cargo like coal (2017: share of non-container revenue was 23% and 19% in 2016).
Reliance on third parties:	The Group strives to maintain a continuous dialog with third parties across the supply chain. In addition, its geographic diversification provides it with some flexibility in its logistics, should bottlenecks develop in one area.

MANAGEMENT REPORT (CONTINUED)

Risk management process, principal risks and uncertainties (continued)

Risk factor	Risk management approach
<u>Oil products:</u> The Group's oil products business could be affected by changes in Russia's exports of oil products and handling of such exports at its oil products terminal in Estonia, a decline in global demand for oil products or in Russian oil product export volumes or any change in trade relationships with Estonia.	The Group believes, like most international forecasters, that the global demand for oil products remains cyclical and might grow again over the medium term.
<u>Tariff regulation:</u> Tariffs for certain services at certain of the Group's terminals have been in the past regulated by the Russian Federal Antimonopoly Service and, as a result, the tariffs charged for such services were, and may potentially in the future be, subject to a maximum tariff rate and/or fixed in Russian roubles as PLP, VSC, and FCT, like many other Russian seaport operators, are classified as natural monopolies under Russian law.	The Group continues to monitor for any legislative proposals and regulatory actions that could lead to changes to the existing tariff regulations. It seeks a proactive dialog with the relevant Russian federal authorities. It believes it is as well placed as any market participant to adapt to any – future changes in tariff regulation.
<u>Human resources management:</u> The Group's competitive position and prospects depend on the expertise and experience of its key management team and its ability to continue to attract, retain and motivate qualified personnel. Industrial action or adverse labour relations could disrupt the Group's operating activities and have an adverse effect on performance results.	The Group is committed to recruiting and engaging Russian and international managers and experts to meet its needs. The Group offers competitive salaries and benefits to employees at all levels to foster and retain top talent. In addition the Group pays special attention to professional development as well as engagement in socially responsible business practices and supporting local communities. The Group strives to maintain a positive working relationship with labour unions at its facilities. Moreover, it pursues overall labour policies designed to provide a salary and benefit package in line with the expectations of our employees.
<u>Health, safety, security and environment:</u> Accidents involving the handling of hazardous materials and oil products at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities. The risk of safety incidents is inherent in the Group's businesses. The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control.	The Group has implemented clear environmental and safety policies designed around international best practices and benchmark using such measures as GPI Global Minimum Requirements. Safety is one of the Group's top priorities. A safety strategy and annual action plan have been developed, aiming to build a sustainable safety culture covering the whole Group. The detailed roadmap is designed to ensure sustainable implementation of safety culture over the medium term. Similarly, GPI works with all its stakeholders to maintain high levels of security around port facilities and vessel operations to minimise the risk of terrorist attack.
<u>Regulatory risks</u> <u>Regulatory compliance:</u> The Group is subject to a wide variety of regulations, standards and requirements and may face substantial liability if it fails to comply with existing regulations applicable to its businesses. The Group's terminal operations are subject to extensive laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials, environmental protection and health and safety.	The Group strives to be in compliance at all times with all regulations governing its activities and devotes considerable management and financial resources to ensure compliance.

Risk factor	Risk management approach
Changes in regulations:	The Group maintains a constructive dialog with relevant federal, regional and local authorities regarding existing and planned regulations. The Group does not have the power to block any or all regulations it may judge to be harmful, but this dialog should ensure it has time to react to changes in the regulatory environment.
Compliance and shareholder risk	
Conflict of interests:	The Group's corporate governance system is designed to maximise the company's value for all shareholders and ensure the interests of all stakeholders are taken into account. The Group's LSE listing ensures our compliance with the highest international standards. In addition, the Board has highly experienced members, including strong independent directors.
Legal and tax risks:	The Group maintains a strong and professional legal function designed to monitor legal risks, avoid legal actions where possible and carefully oversee any legal actions that may occur.
	The Group performs ongoing monitoring of changes in Russian and international tax legislation and court practice and develops the Group's legal and tax position accordingly.
Financial risks	
FOREX risks:	Currently, a significant part of the Group's revenue, and a major part of the Group's debt is denominated in U.S. dollars, whereas most of the Group's operating expenses are and will continue to be denominated and settled in Russian roubles. The Group uses several different instruments and approaches to minimise future risks from volatility in the value of the Russian rouble and US dollar. To date, this strategy has proved effective. Should the Group have to switch the currency of its tariffs to RUR, it will need to convert the existing debt into the same currency to avoid significant foreign exchange risks arising from such a mismatch.
Credit risk:	The Group closely tracks its accounts receivables overall and the creditworthiness of key customers and suppliers.

MANAGEMENT REPORT (CONTINUED)

Risk management process, principal risks and uncertainties (continued)

Risk factor	Risk management approach
<u>Debt, leverage and liquidity:</u> The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects.	The Group has been able to reduce its total debt level, as planned, in 2017 and continued reduction of the debt above and beyond minimum repayment requirements remains a management priority in 2018.
Failure to promptly monitor and forecast compliance with loan covenants both at the Group and individual terminal levels may result in covenant breaches and technical defaults.	Liquidity risk is carefully monitored, with regular forecasts prepared for the Group and its operating entities.
If the Group is unable to access funds (liquidity) it may be unable to meet financial obligations when they fall due, or on an ongoing basis, to borrow funds in the market at an acceptable price to fund its commitments.	Although the risk of liquidity shortfalls within the following 18-24 months has been significantly reduced via extensions of debt maturities through public debt issuances in 2016, the liquidity position is carefully monitored in case of further deterioration of financial performance.
	The Group regularly stress tests scenarios when different negative trends that could affect cash flows are identified.
<u>Information technology and security:</u> The Group's container terminals rely on IT and technology systems to keep their operations running efficiently, prevent disruptions to logistic supply chains, and monitor and control all aspects of their operations.	The Group has centralised its IT function in recent years and believes this is an important step in ensuring both the efficiency and consistency of the Group's security protocols implementation.
Any IT glitches can create major disruptions for complex logistic supply chains.	The Group has further enhanced its IT security and security awareness during the year. As part of its ongoing response to the threat of cyber-attacks, the Group is currently rolling out additional enhancements to its threat detection systems across all subsidiaries.
Any prolonged failure or disruption of these IT systems, whether the result of human error, deliberate data breach or external cyber threat could create major disruptions in terminal operations. This could dramatically affect the Group's ability to render its services to customers, leading to reputational damage, disruption to business operations and an inability to meet its contractual obligations.	The Group continuously improves the cyber threats awareness and training among its employees and develops the business continuity plans in case of any disruptions.

Internal control and risk management systems in relation to the financial reporting process

23. The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations.
24. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
25. The Audit and Risk Committee of the Board of directors of the Company reviews certain high-risk areas at least once a year, including the following:
 - Significant accounting estimates; and
 - Material changes to the accounting policies.
26. Reporting from various Group entities to the centralised unit is supervised on an ongoing basis and procedures have been established for control and checking of such reporting. Procedures have also been set up to ensure that any errors are communicated to and corrected by the reporting entities. The internal controls are subject to ongoing reviews, including in connection with the regular control inspections at subsidiaries conducted by the central unit. The results from these reviews are submitted to the executive management, the Audit and Risk Committee and Board of Directors. The internal financial reporting ensures an effective process to monitor the Company's financial results, making it possible to identify and correct any errors or omissions. The monthly financial reporting from the respective entities is analysed and monitored by the centralised department in order to assess the financial and operating performance as well as to identify any weaknesses in the internal reporting, failures to comply with procedures and the Group accounting policies. The Audit and Risk Committee follows up to ensure that any internal control weaknesses are mitigated and that any errors or omissions in the financial statements identified and reported by the auditors are corrected, including controls or procedures implemented to prevent such errors or omissions.

Use of financial instruments by the Group

27. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results. Risk management is carried out by a centralised financial department as well as financial departments in operating entities under policies approved by the Board of Directors. These departments identify, evaluate and take actions to mitigate financial risks in close co-operation with the operating units. The Board provides principles for overall risk management covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

28. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in the currency different from the functional currency of each of the entities of the Group.

29. The revenues of Russian operations are mainly priced in US dollars and Russian roubles, whereas most of expenses are denominated and settled in Russian roubles.

30. The Group uses from time to time foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk.

31. The Group will continue to review its borrowing policy in order to maintain a balance between term and interest rate of available financing and its currency.

32. Currently the long-term debt of the Group is denominated in US dollars and Russian roubles. Most of rouble-denominated debt is effectively swapped to USD-debt with a lower interest rate.

33. The US dollar and Euro interest rates are relatively more attractive compared to the Russian rouble interest rate.

(b) Cash flow and fair value interest rate risk

34. The Group is not significantly exposed to changes in market interest rates as substantially all of its borrowings portfolio consists of fixed rate debt.

35. However, the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.

36. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable and economically feasible.

(c) Credit risk

37. Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans receivable (Note 16) and cash and cash equivalents (Note 18). The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. However, the Group's business is heavily dependent on several large key customers accounting for substantial part of the Group's revenue. Cash and cash equivalents are placed in reliable banks with good history.

(d) Liquidity risk

38. Management controls current liquidity based on expected cash flows and expected revenue receipts.

39. Cash flow forecasting is performed at the level of operating entities of the group and at consolidated level by the centralised department. The Group's finance department monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs as well as scheduled debt service while maintaining sufficient headroom to ensure that the Group does not breach covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration potential variations in operating cash flows due to market conditions, the Group's debt repayments and covenant compliance. Taking into account expected levels of operating cash flows, availability of cash and cash equivalents and long-term nature of the debt portfolio, the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

(e) Capital risk management

40. The Group's main objective when managing capital is to maintain the ability to continue as a going concern in order to ensure the profitability of the Group, maintain optimum equity structure and reduce its cost of capital.

41. Defining capital, the Group uses the amount of equity and the Group's borrowings.

42. The Group manages the capital based on borrowings to total capitalisation ratio. Borrowings include lease liabilities, loan liabilities and public bonds.

43. Total capitalisation is calculated as the sum of the total Group borrowings and equity at the date of calculation. The management does not currently have any specific target for the rate of borrowings to total capitalisation.

MANAGEMENT REPORT (CONTINUED)

Future developments of the Company

44. The Board of Directors does not expect any significant changes in the activities of the Company in the foreseeable future.

Results

45. The Company's results for the year are set out on page 17.

Dividends

46. Pursuant to the Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depository Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US dollars. If dividends are not paid in US dollars, they will be converted into US dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

47. The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries and joint ventures to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions (shareholder agreements, bank borrowings covenants, terms of the issuance of the public debt instruments). The payment of such dividends by its subsidiaries and joint-ventures is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries and joint-ventures is restricted to the total accumulated retained earnings of the relevant subsidiary or joint-venture, determined according to the law applicable to each entity.

48. The Company has a Dividend Policy in place which provides for the payment of not less than 30% of any imputed consolidated net profit for the relevant financial year of the Group. Imputed profit is calculated as the consolidated net profit for the period of the Group attributable to the owners of the Company as shown in the Company's consolidated financial statements for the relevant financial year prepared under EU IFRS and in accordance with the requirements of the Cyprus Companies Law, Cap. 113, less certain non-monetary consolidation adjustments. The Company's dividend policy is subject to modification from time to time as the Board of Directors may deem appropriate.

49. In the year 2015 following the revision of current market situation, market prospects and prioritising the deleveraging strategy over dividend distribution, which should ensure the long-term robustness of the Group's finances, the Board suspended the payment of the dividends in the mid-term. The Board continues to monitor the container market for recovery as well as for levels of volatility in order to identify the appropriate timing for a resumption of the payment of a dividend, always consistent with sustaining conservative leverage ratios.

50. During the years 2016 and 2017 the Company did not declare or pay any dividends.

51. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2017.

Share capital

Authorised share capital

52. The authorised share capital of the Company amounts to US\$ 175,000,000.00 divided into 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US\$ 0.10 each.

Issued share capital

53. The issued share capital of the Company amounts to US\$ 57,317,073.10 divided into 422,713,415 ordinary shares and 150,457,316 ordinary non-voting shares with a par value of US\$ 0.10 each.

54. The ordinary shares and the ordinary non-voting shares rank pari passu in all respects save that, the ordinary non-voting shares do not have the right to receive notice, attend or vote at any general meeting, nor to be taken into account for the purpose of determining the quorum of any general meeting.

Rules for amending articles

55. The Articles of association of the Company may be amended from time to time by the special resolution of the General Meeting of the shareholders.

The role of the Board of Directors

56. The Company is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the short- and long-term successful performance of the Group for the benefit of the shareholders as a whole.

57. The Board of Directors' role is to provide entrepreneurial leadership to the Group through setting the corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Board sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board ensures the Group maintains a sound system of internal control and enterprise risk management to safeguard the Group's assets and shareholders' investments in the Group.

Members of the Board of Directors

58. The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than three years. Following the best practice guidance, the members of the Board of Directors are being re-elected on an annual basis. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need to refresh the Board on a regular basis.

59. The Board currently has 16 members and they were appointed as shown on pages 1 and 2.

60. On 14 February 2017 Mr. Tiemen Meester resigned from the Board and Mr. Peder Sondergaard replaced him. On 12 May 2017 Dr. Alexander Nazarchuk and Mrs. Siobhan Walker resigned from the Board and Mrs. Britta Dalunde and Mrs. Elia Nicolaou replaced them.

61. All other Directors were members of the Board throughout the year ended 31 December 2017.

62. On 01 January 2018 Mrs. Inna Kuznetsova and Mr. Lambros Papadopoulos joined the Board of Directors.

63. On 29 January 2018 Mr. Gerard Jan Van Spall resigned from the Board and Mrs. Iana Boyd replaced him on the same day. On 01 February 2018 Mr. Peder Sondergaard resigned from the Board and Mr. Soren Jakobsen replaced him on 02 March 2018.

64. There is no provision in the Company's Articles of Association for retirement of Directors by rotation. However in accordance with the Terms of Reference of the Board of Directors and the resolutions adopted by the Shareholders at the Annual General Meetings held 29 April 2015 and 12 May 2017 and Extraordinary General Meetings held on 12 December 2017, 29 January 2018 and 02 March 2018 all present directors, except for Capt. Bryan Smith, will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company. Capt. Bryan Smith will step down from the Board of Directors at the next AGM as his nine years term as Independent Non-Executive Director ended.

65. Team Nominees Limited has been acting as the Company Secretary since its incorporation in February 2008. Mr. Alexander Iodchin has been acting as the Board Secretary since December 2008.

66. The changes in the composition of the committees of the Board of Directors are described below.

67. Mr. Tiemen Meester was the Chairman of the Board until 14 February 2017. Mr. Peder Sondergaard was the Chairman of the Board from 10 April 2017 until 01 February 2018. Mr. Morten Henrick Engelstoft was elected the Chairman of the Board of Directors on 26 February 2018. There were no other significant changes in the responsibilities of the Directors during 2017.

Directors' interests

68. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2017 and 31 December 2016 are shown below:

Name	Type of holding	Shares held at 31 December 2017	Shares held at 31 December 2016
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	42,267,114 ordinary shares	42,267,114 ordinary shares
		16,477,011 ordinary non-voting shares	16,477,011 ordinary non-voting shares
Britta Dalunde	Through holding of the GDRs	7,000 GDRs representing 21,000 ordinary shares	NIL

Board performance

69. The Board meets at least four times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

70. In 2017 the Board met formally 25 (2016: 21) times to review current performance and to discuss and approve important business decisions.

71. In 2017 the Board met to discuss and approve important business decisions:

- FY2016 financial statements, 1H2017 interim financial statements and Annual Report;
- Changes in Group management and the Board of Directors;
- Remuneration guidelines;
- Review of segments financial and operational performance;
- Consideration of 2018 financial budget, major risks and uncertainties, commercial strategy, corporate social responsibility matters, internal control framework;
- Consideration and approval of the intragroup financing and organisational restructurings;
- Consideration and approval of major capital expenditures and operating expenditures; and
- Consideration and approval of various resolutions related to the operations of the Company's subsidiaries and joint-ventures.

MANAGEMENT REPORT (CONTINUED)

Board performance (continued)

72. The number of Board and Board Committee meetings held in the year 2017 and the attendance of directors during these meetings was as follows:

	Board of Directors		Nomination Committee		Remuneration Committee		Audit and Risk Committee	
	A	B	A	B	A	B	A	B
Alexander Iodchin	25	25	–	–	–	–	–	–
Bryan Smith	25	25	7	7	10	10	–	–
Nikita Mishin	17	25	4	7	6	10	–	–
Alexander Nazarchuk	7	7	3	3	3	3	–	–
Mikhail Loganov	13	25	–	–	–	–	–	–
Konstantin Shirokov	25	25	–	–	–	–	10	10
Siobhan Walker	4	7	–	–	–	–	3	3
Morten Henrick Engelstoft	25	25	7	7	10	10	10	10
Tiemen Meester	–	–	–	–	1	1	–	–
Laura Michael	25	25	–	–	–	–	–	–
Gerard Jan van Spall	25	25	–	–	–	–	–	–
Nicholas Charles Terry	25	25	–	–	–	–	–	–
Vadim Kryukov	25	25	–	–	–	–	–	–
Michalakis Christofides	25	25	–	–	–	–	–	–
Peder Sondergaard	25	25	7	7	9	9	–	–
Britta Dalunde	18	18	–	–	–	–	7	7
Elia Nicoalou	17	18	3	4	6	7	–	–

A = Number of meetings attended.

B = Number of meetings eligible to attend during the year.

73. The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance can be conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman of the Board. The Board did not engage any external advisors for evaluation of its performance in the years 2016 and 2017.

The Board diversity

74. The Company does not have a formal Board diversity policy to aspects such as age, gender or educational and professional backgrounds, but following the best practice while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.

75. As of the date of publication of these financial statements the Board has 5 females representing approximately 30% from the total number of directors. The average age of directors is 49 years ranging from 32 to 72 years. The Board members have the following educational backgrounds: port and transportation industry, accounting and financial, banking sector and legal. The Board has a necessary balance of skills and expertise to run the Company and the Group. There are 7 nationalities present in the Board and the majority of the Board members reside in Cyprus.

The Board committees

76. Since December 2008 the Board of Directors established the operation of three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee.

77. The Audit and Risk Committee comprises of five Non-Executive Directors, three of whom are independent, and meets at least four times a year. The Audit and Risk Committee is chaired by Mrs. Britta Dalunde (an Independent Non-Executive Director) who replaced Mrs. Siobhan Walker on 12 May 2017 and the other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Lambros Papadopoulos (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Konstantin Shirokov and Mr. Soren Jakobsen (appointed as of 02 March 2018). Mr. Morten Henrick Engelstoft resigned from the Audit and Risk Committee on 26 February 2018 following his appointment as the Chairman of the Board of Directors.

78. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls, risk management systems and the work of the Internal Auditor; (ii) external and internal auditors' reports; and (iii) the terms of appointment and remuneration of the external auditors. The Committee supervises and monitors the financial reporting process and the submission of financial information by the Company and makes recommendations or proposals to ensure its integrity. The Committee informs the board of the outcome of the external audit and explain how the audit contributed to the integrity of financial reporting and what the role of the committee was in that process. The Committee recommends the Board on appointment, re-appointment and removal of the external auditor, reviews and monitors its independence, objectivity and effectiveness of the audit process. The Committee implements the policy on the engagement of the external auditors to perform non-audit services. In addition, the Committee supervises, monitors, and advises the Board of Directors on effectiveness of risk management and internal control systems and the implementation of Code of Ethics and Conduct, Authority Matrix and various other internal policies and regulations.

79. In the year 2017 the Audit and Risk Committee met 10 times to review and discuss *inter alia* (on top of the topics listed above):

- (a) Review of the press releases containing financial information;
- (b) Consideration and approval of audit schedules and review of the impairment models and the impact of the new IFRS standards on the Company's financial statements;
- (c) Review of the major risks, including but not limited to strategic, fraud and compliance, commercial, operational, financial, human resources, environmental and other risks;
- (d) Review of internal control framework and its deficiencies, consideration of management proposals on its further development and improvement;
- (e) Review of IT security setup, budgeting process, sanctions monitoring and compliance process, corporate social responsibility report, whistle-blowing system;
- (f) Making proposals to the Board of Directors to approve the amended and restated Terms of Reference of the Committee and on the new composition of the Committee;
- (g) Consideration of various reports from the management and external consultants;
- (h) Consideration of various updated and restated Group Policies; and
- (i) Consideration of the authority matrix framework.

80. The Nomination Committee as of the date of this report comprises six Directors, two of whom are independent. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Nikita Mishin, Mrs. Elia Nicolaou (appointed on 12 May 2017), Mr. Morten Henrick Engelstoft and Mr. Soren Jakobsen (appointed on 02 March 2018). Dr. Alexander Nazarchuk and Mr. Peder Sondergaard resigned from the position of the members of the Nomination Committee in May 2017 and February 2018 respectively.

81. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors as well as the Senior Management of the companies of the Group and to review on a regular basis the structure, size, diversity and composition of the Board of Directors of the Company. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board and Senior Management given the Company's and Group's stage of development and makes recommendations to directors as to any changes. The Committee also considers future appointments in respect to the composition of the Board of Directors and Senior Management as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee. The Committee relies on both independent search consultancy and internal sources in making the proposals for the Board and Senior Management appointments.

82. In 2017 the Nomination Committee met seven times to discuss and recommend to the Board the appointment of senior management of the Group companies and also to recommend the Directors the candidates to the Board and discuss and recommend the composition of the Board Committees. In the year 2018 one of the key focuses of the work of Nomination Committee will be the succession planning for the Board and the Senior Management.

83. The Remuneration Committee as of the date of this report comprises six Directors, two of whom are independent. The Committee meets at least once each year. Currently the Remuneration Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Nikita Mishin, Mrs. Elia Nicolaou (appointed on 12 May 2017), Mr. Morten Henrick Engelstoft and Mr. Soren Jakobsen (appointed on 02 March 2018). Dr. Alexander Nazarchuk and Mr. Peder Sondergaard resigned from the position of the members of the Remuneration Committee in May 2017 and February 2018 respectively.

84. The Committee is responsible for determining and reviewing the remuneration of the executive directors, Chairman and the Senior Management and the Company's remuneration policies. The remuneration of independent Directors is a matter for the chairman of the Board of Directors and is subject to approval of the shareholders. Remuneration of the executive directors in their executive capacity is subject to the Board approval. No director or manager may be involved in any decisions and discussions as to his or her own remuneration.

85. In 2017 the Remuneration Committee met 10 times to discuss and recommend to the Board the Group management remuneration guidelines and the remuneration of the new Board members and the Senior Management of the Group.

MANAGEMENT REPORT (CONTINUED)

Corporate governance

86. The Company is not subject to the provisions of UK Corporate Governance Code, but follows internationally recognised best practices customary to the public companies having standard listing and admitted to trading at London Stock Exchange.
87. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012, 2015 and 2016 important policies and procedures. The Group is regularly reviewing and updating its policies and procedures. The new Code of Ethics was approved by the Board of Directors on 08 December 2016 and was introduced in the companies of the Group in the course of the year 2017. On 03 October 2017 the Board of Directors approved the revised Terms of reference of the Audit and Risk Committee and Charity and Sponsorship Policy.
88. The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, *inter alia*:
 - Appointment policy;
 - Terms of reference of the Board of Directors;
 - Terms of reference of the Audit and Risk Committee;
 - Terms of reference of the Nomination Committee;
 - Terms of reference of the Remuneration Committee;
 - Code of Ethics and Conduct;
 - Antifraud policy;
 - Anti-Corruption Policy;
 - Foreign Trade Controls Policy;
 - Insurance Standard;
 - Charity and Sponsorship Policy; and
 - Group Securities Dealing Code.
89. In order to further strengthen the corporate governance and clearly set the management authority limits within the Group the Board of Directors approved the Authority Matrix framework at the end of the year 2016. This framework is based on the Board of Directors reserved matters, which are set in the Terms of reference of the Board of Directors and Shareholder's reserved matters as set out in Company's Charter. All other matters are reserved for the management. The implementation of this framework within the Group started in the year 2017 and will continue in the year 2018.
90. In the course of the year ended 31 December 2017 in order to further strengthen the corporate governance procedures and streamline the reporting of negligence, non-compliance or any other kind of wrongdoing the Group established a hotline mail-box and telephone line. It is an important mechanism enabling staff and other members of the Group as well as third parties to voice concerns in a responsible and effective manner.

Board and management remuneration

91. Non-Executive Directors serve on the Board pursuant to the letters of appointment. Such letters of appointment specify the terms of appointment and the remuneration of Non-Executive Directors.
92. Levels of remuneration for the Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties.
93. The shareholders of the Company approved the remuneration of the members of the Board on 29 April 2013, 12 May 2017, 11 December 2017, 29 January 2018 and 02 March 2018.
94. The Directors did not waive or agreed to waive any emoluments from the company or any company of the Group during the period under review or future emoluments.
95. The performance based part of the remuneration of the senior (key) management is based on the Key Rules of Awarding and Payment of Performance Based Bonuses of GPI Group adopted by the Board on 15 June 2016 and regularly updated.
96. Neither the Board members, nor the management have long-term incentive schemes.
97. Refer to Note 22 to the financial statements for details of the remuneration paid to the members of the Board and key management.

Corporate social responsibility report

98. The Corporate Social Responsibility Report is drawn up as a separate report and will be made public at the Company's website (the address of which, at the date of publication of this report, is www.globalports.com) within six months from the balance sheet date.

Events after the balance sheet date

99. The events after the balance sheet date are disclosed in Note 23 to the financial statements.

Research and development activities

100. The Group is not engaged in research and development activities.

Branches

101. The Group did not have or operate through any branches during the year.

Treasury shares

102. The Company did not acquire either directly or through a person in his own name but on behalf of the Company any of its own shares.

Going concern

103. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the parent company financial statements based on the fact that, after making enquiries and following a review of the Group's principle risks and uncertainties, budget for 2018 and the latest forecasts over a period of 5-7 years reflecting its business and investment cycles, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to meet its liabilities as they fall due and to continue in operation for the foreseeable future.

Auditors

104. The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution approving their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Konstantin Shirokov
Director

Alexander Iodchin
Director

13 March 2018

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of Global Ports Investments Plc ("Company") is responsible for preparation and fair presentation of these parent company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap.113.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Each of the Directors confirms to the best of his or her knowledge that these parent company financial statements which are presented on pages 17 to 39 have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit of the Company.

By Order of the Board

Konstantin Shirokov

Director

Limassol

13 March 2018

Alexander Iodchin

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of US dollars)	Note	For the year ended 31 December	
		2017	2016
Revenue	22	20	–
Dividend income	22	7,494	5,281
Finance income – net	5	401	2,432
Administrative expenses	6	(5,427)	(5,617)
Other gains/(losses) – net	7	1,226	758
Impairment of investments in subsidiaries and joint ventures	4	(961)	(296,030)
Operating profit/(loss)		2,753	(293,176)
Finance costs	9	(1,197)	(1,197)
Profit/(loss) before income tax		1,556	(294,373)
Income tax expense	10	(1)	(2)
Profit/(loss) for the year		1,555	(294,375)
Other comprehensive income		–	–
Total comprehensive profit/(loss) for the year		1,555	(294,375)

The notes on pages 21 to 39 are an integral part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2017

(in thousands of US dollars)	Note	At 31 December	
		2017	2016
ASSETS			
Property, plant and equipment	13	66	–
Investments in subsidiaries	14	638,899	630,499
Investments in joint ventures	15	94,978	94,969
Loans receivable	16	–	946
Non-current assets		733,943	726,414
Loans receivable	16	251	5,258
Trade and other receivables	17	259	4,179
Cash and cash equivalents	18	1,639	876
Current assets		2,149	10,313
TOTAL ASSETS		736,092	736,727
EQUITY AND LIABILITIES			
Share capital	19	57,317	57,317
Share premium	19	923,511	923,511
Capital contribution		101,300	101,300
Accumulated losses		(373,901)	(375,456)
Total equity		708,227	706,672
Borrowings	22	21,000	22,197
Non-current liabilities		21,000	22,197
Trade and other payables	20	6,865	7,858
Current liabilities		6,865	7,858
Total liabilities		27,865	30,055
TOTAL EQUITY AND LIABILITIES		736,092	736,727

On 13 March 2018 the Board of Directors of Global Ports Investments Plc authorised these financial statements for issue.

Konstantin Shirokov
Director

Alexander Iodchin
Director

The notes on pages 21 to 39 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of US dollars)	Share capital	Share premium	Capital contribution	Retained earnings*	Total
Balance at 1 January 2016	57,317	923,511	101,300	(81,081)	1,001,047
Comprehensive loss					
Loss for the year	–	–	–	(294,375)	(294,375)
Balance at 31 December 2016/1 January 2017	57,317	923,511	101,300	(375,456)	706,672
Comprehensive income					
Profit for the year	–	–	–	1,555	1,555
Balance at 31 December 2017	57,317	923,511	101,300	(373,901)	708,227

* Retained earnings is the only reserve that is available for distribution.

The notes on pages 21 to 39 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of US dollars)	Note	For the year ended 31 December	
		2017	2016
Cash flows from operating activities			
Profit/(loss) before tax		1,556	(294,373)
Adjustments for:			
Depreciation of property, plant and equipment	13	1	20
Impairment of investments in subsidiaries and joint ventures	14,15	961	296,030
Dividend income	22	(7,494)	(5,281)
Finance income	5	(328)	(2,720)
Finance costs	9	1,197	1,197
Amortisation of financial guarantee	7	(1,300)	(837)
Foreign exchange (gains)/losses and other non-monetary items		(158)	413
Operating cash flows before working capital changes		(5,565)	(5,551)
Changes in working capital:			
Trade and other receivables		57	(264)
Trade and other payables		306	29
Cash used in operating activities		(5,202)	(5,786)
Tax paid		–	(2)
Net cash used in operating activities		(5,202)	(5,788)
Cash flows from investing activities			
Investments in subsidiaries	14,18	(9,713)	(22,155)
Repayment of original cost of subsidiaries	14	352	30,330
Purchase of investments in joint ventures	15	(9)	–
Purchase of property, plant and equipment		(67)	–
Loans advanced to related parties	22	(7,500)	(10,628)
Loan repayments received from related parties		13,433	3,012
Interest received		415	254
Dividends received		11,445	5,281
Net cash from investing activities		8,356	6,094
Cash flows from financing activities			
Interest paid	22	(2,394)	–
Net cash used in financing activities		(2,394)	–
Net increase in cash and cash equivalents		760	306
Cash and cash equivalents at beginning of the year		876	573
Exchange gains/(losses) on cash and cash equivalents		3	(3)
Cash and cash equivalents at end of the year	18	1,639	876

The notes on pages 21 to 39 are an integral part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. General information

Country of incorporation

Global Ports Investments Plc (hereafter the "Company" or "GPI") was incorporated on 29 February 2008 as a private limited liability company and is domiciled in Cyprus in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The address of the Company's registered office is 20 Omirou Street, Limassol, Cyprus.

On 18 August 2008, following a special resolution passed by the shareholders, the name of the Company was changed from "Global Ports Investments Ltd" to "Global Ports Investments Plc" and the Company was converted into a public limited liability company in accordance with the provisions of the Companies Law, Cap. 113.

During the first half of 2011 the Company has successfully completed an initial public offering ("IPO") of its shares in the form of global depositary receipts ("GDRs"). The Company's GDRs (one GDR representing 3 ordinary shares) are listed on the Main Market of the London Stock Exchange under the symbol "GLPR".

Towards end of 2017 the Company was informed by its shareholder, Transportation Investments Holding Limited ("TIHL") (see also Note 22), that it has entered into an agreement to sell its 30.75% stake in Global Ports to Management Company "Delo" LLC, one of the largest private transportation and logistics holding companies in Russia. The agreement remains subject to various conditions, including antitrust clearances and other customary arrangements.

Approval of the parent company financial statements

These parent company financial statements were authorised for issue by the Board of Directors on 13 March 2018.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding of investments, including any interest earning activities.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

The financial statements have been prepared under the historical cost convention.

The Company has prepared these separate financial statements of the parent company for compliance with the requirements of the Cyprus Income Tax Law and the Disclosure Rules as issued by the Financial Services Authority of the United Kingdom.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2017 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting and IFRS 14 "Regulatory Deferral Accounts".

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Consolidated financial statements

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU for the Company and its subsidiaries (the "Group"). A copy of the consolidated financial statements is available at the Company's registered office and at the Company's website at www.globalports.com.

Users of these separate financial statements of the parent company should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2017 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

New Standards, interpretations and amendments adopted by the Company

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning 1 January 2017. This adoption did not have a material effect on the accounting policies of the parent Company.

- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). As a result of this amendment, the Company has disclosed a reconciliation of movements in liabilities arising from financing activities.
- Annual Improvements to IFRSs 2014-2016 cycle – amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017). The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.

New standards and interpretations not yet adopted by the Company

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on these financial statements, except the following set out below:

(a) Adopted by the European Union

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
 - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
 - Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI.
 - Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
 - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
 - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
 - IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
 - Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

While the Company has yet not finalised a detailed assessment of the classification and measurement of the financial instruments it holds the Company does not expect the new guidance to have a material impact on the classification and measurement of its financial assets.

After taking into consideration the risk profile of its trade and loan receivables, financial guarantees, their repayment terms, the history and probability of default (including assessment of their capability to meet their obligations to the group) and the expected loss in case of default the company does not expect that there will be material impairment loss.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities.

The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Company has not yet finalised a detailed assessment of the effect of the implementation of this standard. According to preliminary estimates the implementation of the standard will not materially affect the financial position and the result of operations of the Company.

- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.
- IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

While the Company has not yet finalised a detailed assessment of the potential impact of this standard, the Company does not expect any material effect on its financial statements.

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach). The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. In addition, the amended Standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard—IAS 39. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility.
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018 for amendments to IFRS 1 and IAS 28). The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity, associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis.

(b) Other accounting standards that have not been endorsed by EU or are not considered to be relevant to the Company

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary.
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Prior to the amendments, there was no specific guidance on transfers into, or out of, investment properties under construction in IAS 40. The amendment clarifies that there was no intention to prohibit transfers of a property under construction or development, previously classified as inventory, to investment property when there is an evident change in use. IAS 40 was amended to reinforce the principle of transfers into, or out of, investment property in IAS 40 to specify that a transfer into, or out of investment property should only be made when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. Such a change in use should be supported by evidence.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). The EU endorsement is postponed as IASB effective date is deferred indefinitely. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the interpretation.
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of Company's insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the Company of contracts (the contractual service margin). Insurers will be recognising the profit from a Company of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a Company of contracts is or becomes loss-making, an entity will be recognising the loss immediately.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The Amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. An entity applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. An entity applies the Amendments retrospectively for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). For financial instruments which contain a prepayment amount that may result in negative compensation, the Amendments propose that such a financial asset would be eligible to be measured at amortised cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held.

The Board of Directors assesses the impact of new standards and interpretations at the point when these are endorsed by the European Union. As a result the impact of the above new standards and interpretations that have not been endorsed by the European Union has not been assessed.

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

(i) Interest income

Interest income is recognised when it is probable that benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized on a time-proportion basis using the effective interest method. When a loan receivable is impaired, the Company reduces the carrying amount to its recoverable amount being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

Employee benefits

The Company and the employees contribute to the Cyprus Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States dollars (US\$), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance cost". Foreign exchange gains and losses that relate to loans receivable and cash and cash equivalents are presented in profit or loss within "finance income". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains/(losses) – net".

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax is calculated in the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
(CONTINUED)

2. Summary of significant accounting policies (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Motor vehicles	20
Office equipment	50

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in "other gains/(losses) – net" in profit or loss.

Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity whom the Company is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In its parent company financial statements, the Company carries the investments in subsidiaries at cost less any impairment.

The Company recognizes dividend income from investments in subsidiaries to the extent that the Company receives distributions from subsidiaries which constitute return on the cost of investment. Capital reductions and dividend distributions by subsidiaries which constitute return of cost of investment as opposed to return on cost of investment are recognised as a reduction in the cost of investment in subsidiary.

Investments in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangements. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. In its parent company financial statements the Company carries its investments in joint ventures at cost less any impairment.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Loans and receivables

The Company classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents, trade and other receivables and loans to related and third parties.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Loans and receivables are initially recognised at fair value plus transaction costs. For loans provided to related parties other than its direct subsidiaries, the difference between the fair value of the loans and their carrying amount on inception is recognized in profit or loss. For loans provided to direct subsidiaries the difference is included in the cost of the investment. Loans and receivables are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Loans and receivables (continued)

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor/borrower, probability that the debtor/borrower will enter bankruptcy or financial difficulty, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income against "other gains/(losses) – net".

Share capital, share premium and capital contribution

Ordinary shares are classified as equity.

Any excess of the fair value of consideration received over the par value of shares issued is recognized as share premium. Share premium is subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Capital contribution represents contributions by the shareholders directly in the reserves of the Company. The Company does not have any contractual obligation to repay these amounts.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are appropriately authorised and are no longer at the discretion of the Company.

More specifically, interim dividends are recognised as liability in the period in which these are approved by the Board of Directors and in the case of final dividends, they are recognised in the period in which these are approved by the Company's shareholders.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are only used to cover those expenses which they had been set up for. Other possible or present obligations that arise from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. For financial guarantees provided to related parties other than its direct subsidiaries the difference between the fair value of the financial guarantee and the fee received is treated as an expense. For financial guarantees provided to direct and indirect subsidiaries the difference between the fair value of the financial guarantee and the fee received is included in the cost of the investment. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in profit or loss the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to profit or loss in "other gains/(losses) - net".

Derivatives

Derivative financial instruments which comprise mainly options for shares are initially recognised in the balance sheet at fair value (excluding transaction costs) and are subsequently remeasured at their fair value. They are classified as financial assets at fair value through profit or loss and they are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. The resulting gain or loss is recorded in the income statement within "other gains/(losses) - net". Transaction costs arising on entering into derivatives are recognised in the income statement as incurred. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in bank, cash in hand and deposits held at call with banks, with original maturities of three months or less.

3. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities (mainly loans receivable, trade and other receivables, cash and cash equivalents and borrowings) that are denominated in a currency that is not the Company's functional currency.

Had Euro exchange rate strengthened/weakened by 15% (2016: 15%) against the US dollar and all other variables remained unchanged, the post-tax profit of the Company for the year ended 31 December 2017, would have increased/(decreased) by US\$ 23 thousand (2016: US\$ 532 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of dividends receivable, loans receivable, cash in bank and payables denominated in Euros.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(ii) Cash flow and fair value interest rate risk

The Company is exposed to cash flow interest rate risk arising from changes in market interest rates of cash and cash equivalents. In addition, the Company is exposed to fair value interest rate risk as all its loans receivable and borrowings are at fixed rates.

Had market interest rates on Euro and United States dollar denominated floating interest bearing cash and cash equivalents shift by 100 basic points and all other variables remained unchanged, the post-tax profit of the Company would not significantly change for the years ended 31 December 2017 and 31 December 2016. In addition, as all of the Company's fixed rate loans receivable are carried at amortised cost, any reasonably possible change in the interest rates as of 31 December 2017 and 31 December 2016 would not have any significant impact on the Company's post tax profit. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

(b) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of loans receivable, dividends receivable, other receivables and cash and cash equivalents.

The majority of receivables are with related parties. Management believes that there is no significant risk of loss to the Company. Finally, see Note 12 for credit quality of cash and cash equivalents.

(c) Liquidity risk

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(in thousands of US dollars)	Less than 1 year	1-2 years	2-5 years	Over 5 years	Total
As of 31 December 2017					
Trade and other payables	1,827	–	–	–	1,827
Financial guarantee*	1,018,804	–	–	–	1,018,804
Borrowings	–	–	21,000	–	21,000
Total	1,020,631	–	21,000	–	1,041,631
As of 31 December 2016					
Trade and other payables	1,521	–	–	–	1,521
Financial guarantee*	1,061,421	–	–	–	1,061,421
Borrowings	–	22,197	–	–	22,197
Total	1,062,942	22,197	–	–	1,085,139

* Full amount payable if the loans and bonds guaranteed are non-performing (Note 22 (l)).

Management controls current liquidity based on expected cash outflows and expected receipts from dividends and interest.

(d) Capital risk management

The Company's main objective when managing capital is to maintain the ability to continue as a going concern in order to ensure the profitability of its operations, maintain optimum equity structure and reduce its cost of capital.

The Company monitors capital based on borrowings to total capitalization ratio. Total capitalization is calculated as the sum of the total borrowings and equity at the date of calculation.

(e) Fair value estimation

Fair value is the amount at which a financial asset could be exchanged or a liability settled in a transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The fair value of financial liabilities and assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to for similar financial instruments.

The estimated fair values of financial instruments have been determined by the Company, using available market information, where it exists, and appropriate valuation methodologies and assistance of experts. However, judgment is necessarily required to interpret market data to determine the estimated fair value.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management (continued)

Financial risk factors (continued)

Fair value is the amount at which a financial asset could be exchanged or a liability settled in a transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group, using available market information, where it exists, and appropriate valuation methodologies and assistance of experts. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore do not always represent the fair values of financial instruments. The Group has used all available market information in estimating the fair value of financial instruments.

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables approximate their fair values.

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows, discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of trade and other payables which are due within twelve months approximate their fair values.

The disclosure of the fair value of financial instruments carried at amortised cost is determined by using the following valuation methods:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group's specific estimates.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Estimated impairment of investments

The Company reviews investments, long-lived assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated recoverable amount is less than the carrying amount of the asset or group of assets, the asset is not recoverable and the Company recognises an impairment loss for the difference between the estimated recoverable amount and the carrying value of the asset or group of assets. Events that can trigger assessments for possible impairments include, but are not limited to (a) significant decreases in the market value of an asset, (b) significant changes in the extent or manner of use of an asset, and (c) a physical change in the asset. Models are prepared based on the Company's best estimates and latest budgets available as at the year end. Estimating discounted future cash flows requires making judgments about long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain as they require assumptions about volumes, prices for the products and services, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period.

The recoverable amounts of the Arytano Holdings Limited (FCT, PLP and ULCT CGUs), NCC Pacific Investments Limited (VSC CGU), Multi Link Terminals Limited (MD CGU) and Intercross Investments B.V. (VEOS CGU) were determined based on value in use derived from discounted future cash flows models (refer to notes 14 and 15 for the definition of the CGUs of the Company). Except for ULCT, cash flow projections cover a period of five years based on the assumptions of the next 12 months. In case of ULCT cash flow projections cover an eight year period reflecting as management considers that this terminal is still at a development stage. Cash flows beyond that five-year (eight-year period in case of ULCT) period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared for Russian CGUs a terminal growth rate of 3% has been applied (2016: 3%). For projections prepared for VEOS as at 31 December 2017 a terminal growth rate of 2% was applied (2015: 2%). The discount rate applied for Russian CGUs in projections prepared as at 31 December 2017 is 10.4% (2016: 11.2%) and for VEOS the discount rate is 9.0% (2016: 8.6%).

Key assumptions for all CGUs are throughput volume, price per unit, growth rates, and discount rates. The projected volumes reflect past experience adjusted by the management view on the prospective market developments. For VEOS CGU, given the high degree of volatility in the performance of VEOS in recent years as well as the perceived risk profile of the terminal operations there is significant judgement and subjectivity in relation to expectations for 2018. For Russian CGUs volume growth is estimated to be in line with the long-term market development, position of each terminal on the market and its pricing power. As supported by historical market performance and in view of relatively low containerisation level in Russia, the long-term average throughput growth rate for the Russian container market is higher than in developed markets. Based on the results of the impairment testing above no impairment was recognised in 2017.

There was no impairment for all of the Company's investments in subsidiaries and joint ventures except for its investment in NCC Group Limited (ex-parent holding of NCC Group acquired by the Company in 2013) amounting to US\$ 961 thousand. The recoverable amount of NCC Group Limited was determined based on its net asset value which approximates its fair value less cost to sell.

For all investments, except Arytano Holdings Limited, management believes that any reasonable possible change in the key assumptions would not cause the carrying amounts to exceed the recoverable amounts. Finally, the Board of Directors believes that there are no indications for reversal of impairments recognised in previous periods.

In relation to the investment in Arytano Holdings Limited, the recoverable amount calculated based on value in use exceeded the carrying value by US\$ 187 million. A decrease of handling volumes by approximately 4% each year as opposed to volume projections used by the management or a decrease in the average revenue per TEU by approximately 3% each year as opposed to the used in projections would remove the remaining headroom. Reasonable changes in other key parameters do not result in the elimination of the existing remaining headroom.

Critical judgments in applying the Company's accounting policies

There were no critical judgments in applying the Company's accounting policies.

5. Finance income – net

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Interest income on cash balances	3	–
Interest income on loans to related parties (Note 22(c))	325	2,720
Net foreign exchange gains/(losses) on cash and cash equivalents and loans receivable*	73	(288)
Total	401	2,432

* The total net foreign exchange loss recognised in the statement of comprehensive income amounted to US\$ 1 thousand (2016: losses US\$ 369 thousand). Refer also to Note 7.

6. Administrative expenses

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Legal, consulting and other professional services	2,185	2,539
Staff costs (Note 8)	1,325	899
Travelling expenses	630	795
Taxes other than on income	443	439
Auditors' remuneration	477	549
Advertising and promotion	38	22
Insurance	88	90
Bank charges	19	29
Depreciation of property, plant and equipment (Note 13)	1	20
Operating lease rentals	19	18
Other expenses	202	217
Total	5,427	5,617

The auditors' remuneration stated above include fees of US\$ 249 thousand (2016: US\$ 258 thousand) for statutory audit services and US\$ 60 thousand (2016: US\$ 99 thousand) for other assurance services charged by the Company's statutory audit firm.

The legal and consulting fees stated above include fees of US\$ 4 thousand (2016: US\$ 72 thousand) for tax consultancy services charged by the Company's statutory audit firm.

7. Other gains/(losses) – net

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Net foreign exchange transaction losses on non-financing activities	(74)	(81)
Amortisation of financial guarantee (Note 22(l))	1,300	837
Other gains/(losses) – net	–	2
Total	1,226	758

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
(CONTINUED)

8. Staff costs

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Salaries	1,274	864
Social insurance costs	39	30
Other staff costs	12	5
Total	1,325	899
Average number of staff employed during the year	5	4

9. Finance costs

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Interest expense on loans from related parties (Note 22)	1,197	1,197
Total	1,197	1,197

10. Income tax expense

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Corporation tax	-	2
Defence contribution	1	-
Total income tax	1	2

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Profit/(loss) before tax	1,556	(294,373)
Tax calculated at the applicable corporation tax rate of 12.5%	194	(36,797)
Tax effect of expenses not deductible for tax purposes	931	37,603
Tax effect of allowances and income not subject to tax	(1,105)	(660)
Group relief	(20)	(144)
Defence contribution	1	-
Tax charge	1	2

The Company is subject to corporation tax on taxable profits at the rate of 12.5%.

Under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 30%.

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 17%. In certain cases dividends received from other Cyprus tax resident Companies may also be subject to special contribution for defence.

11. Financial instruments by category

(in thousands of US dollars)	As at 31 December	
	2017	2016
<i>Loans and receivables</i>		
Financial assets as per balance sheet	-	946
Non-current loan receivables	251	5,258
Current loan receivables	-	3,863
Trade and other receivables	1,639	876
Total	1,890	10,943
<i>Financial liabilities measured at amortised cost</i>		
Financial liabilities as per balance sheet	6,718	7,733
Trade and other payables	21,000	22,197
Borrowings (Note 22(j))	27,718	29,930
Total		

12. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Counterparties without external rating		
Group 1	59	6,035
Group 2	—	3,863
Group 3	192	169
Total	251	10,067

Group 1 – Loans receivable from related parties with no defaults in the past.

Group 2 – Dividends receivable from related parties.

Group 3 – Other receivables with no defaults in the past.

(in thousands of US dollars)	As at 31 December	
	2017	2016
Cash and bank		
A1 (Moody's)	—	46
A3 (Moody's)	1,612	—
Aa3 (Moody's)	19	—
Baa2 (Moody's)	—	810
Caa1 (Moody's)	8	—
Caa2 (Moody's)	—	20
Total	1,639	876

13. Property, plant and equipment

(in thousands of US dollars)	Motor vehicles and other equipment	
	2017	2016
At 1 January 2016		
Cost	110	
Accumulated depreciation	(90)	
Net book amount	20	
Depreciation charge for 2016	(20)	
Closing net book amount at 31 December 2016	—	
At 31 December 2016/1 January 2017		
Cost	110	
Accumulated depreciation	(110)	
Net book amount	—	
Additions	67	
Depreciation charge for 2017	(1)	
Closing net book amount at 31 December 2017	66	
At 31 December 2017		
Cost	67	
Accumulated depreciation	(1)	
Net book amount	66	

14. Investments in subsidiaries

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
At beginning of year	630,499	849,731
Additions	9,713	99,954
Fair value of guarantees (Note 22(l))	—	7,174
Dividends set off against cost of investment *	(352)	(30,330)
Impairment charge (Note 4)	(961)	(296,030)
At end of year	638,899	630,499

* Dividends received by a subsidiary of the Company have been recognized by the Company as a reduction of the cost of investment because the Company has asserted that those amounts constitute a return of the original cost of the Company in this subsidiary.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
(CONTINUED)

14. Investments in subsidiaries (continued)

The Company's direct interests in subsidiaries, all of which are unlisted, were as follows:

Name	Principal activity	Country of incorporation	2017 % holding	2016 % holding
Arytano Holdings Limited	Holding company	Cyprus	100	100
Intercross Investments B.V.	Holding company	Netherlands	100	100
NCC Pacific Investments Limited	Holding company	Cyprus	100	100
NCC Group Limited	Holding company	Cyprus	100	100
Global Ports Advisory Eesti OU	Consulting company	Estonia	100	100
Global Ports Management OOO	Management and consulting company	Russia	100	100
National Container Holding Company Limited*	Holding company	Cyprus	0.005	0.005

* National Container Holding Company Limited is accounted for as a subsidiary because the Company has indirect control, since its subsidiaries hold the remaining shareholding.

The principal activities of the indirect subsidiaries and joint ventures held by the direct subsidiaries listed above, which represent separate CGUs, are the operation of four container terminals in Russia (Petrolesport (PLP), First Container Terminal (FCT), Ust-Luga Container Terminal (ULCT) and Vostochnaya Stevedoring Company (VSC)); a Logistika-Terminal (LT) – inland terminal (classified as assets held for sale in the consolidated financial statements of the Group); and an oil product terminal AS Vopak E.O.S (VEOS). All of the above terminals are 100% subsidiaries except ULCT (a subsidiary which the Group controls 80%) and VEOS (a 50% joint venture).

15. Investments in joint ventures

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
At beginning of year	94,969	94,969
Additions	9	–
At end of year	94,978	94,969

The Company's interests in joint ventures, all of which are unlisted, are as follows:

Name	Principal activity	Country of incorporation	2017 % holding	2016 % holding
CD Holding OY	Holding company	Finland	75	75
Multi-Link Terminals Limited	Holding company	Ireland	75	75
M.L.T Container Logistics Ltd	Holding company	Cyprus	75	75

The principal activities of the joint ventures listed above are the operation of two container terminals in Finland, a container terminal in Russia (Moby Dik) and an inland container terminal in Russia (Yanino Logistics Park (YLP)).

16. Loans receivable

(in thousands of US dollars)	As at 31 December	
	2017	2016
Loans to related parties (Note 22(h))	–	946
Total non-current	–	946
Loans to related parties (Note 22(h))	59	5,089
Loans to third parties	192	169
Total current	251	5,258
Total loans receivable	251	6,204

All non-current loans receivable are due within five years from the balance sheet date.

The fair values of non-current receivables are as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Loans to related parties	–	946
Total	–	946

The fair values of loans receivable as at 31 December 2017 were based on discounted cash flows using a discount rate based upon market interest rates prevailing for similar instruments at the balance sheet date, amounting to 2.48% for Euro loans. The discount rate equals the weighted average of external bank borrowings obtained by subsidiaries of the Group plus appropriate margin reflecting the credit rating of the borrower. The fair values are within level 2 of the fair value hierarchy.

The weighted average effective interest rates on loans receivable at the balance sheet date were as follows:

	2017 %	2016 %
Loans to related parties	3.8	5.4

The carrying amounts of the Company's loans receivable are denominated in the following currencies:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Currency:		
US dollar	—	4,882
Euro	251	1,322
Total	251	6,204

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security. None of the loans receivable is either past due or impaired.

17. Trade and other receivables

(in thousands of US dollars)	As at 31 December	
	2017	2016
Dividends receivable from related parties (Note 22(i))	—	3,863
Prepayments	259	316
Total trade and other receivables	259	4,179

The fair values of trade and other receivables approximate their carrying amounts. The carrying amount of the Company's trade and other receivables are denominated in Euros.

18. Cash and bank balances

(in thousands of US dollars)	As at 31 December	
	2017	2016
Cash at bank	1,639	876
Total	1,639	876

Cash and cash equivalents are denominated in the following currencies:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Currency:		
US dollar	1,619	856
Euro	20	19
Russian rouble	—	1
Total	1,639	876

Non-cash transaction

There were no principal non-cash transactions during 2017.

The principal non-cash transactions during 2016 year relate to the netting off of loans receivable from NCC Pacific Investments Limited amounting to US\$ 77,799 against payable towards NCC Pacific Investments Limited arose from the issue of shares at a premium during the year (Note 22(h)).

19. Share capital, share premium and dividends

(in thousands of US dollars)	Share capital	Share premium	Total
At 1 January 2016/31 December 2016/31 December 2017	57,317	923,511	980,828

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
(CONTINUED)

19. Share capital, share premium and dividends (continued)

Authorised share capital

The authorised share capital of the Company amounts to US\$ 175,000,000.00 divided into 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US\$ 0.10 each.

Issued share capital

The issued share capital of the Company amounts to US\$ 57,317,073.10 divided into 422,713,415 ordinary shares and 150,457,316 ordinary non-voting shares with a par value of US\$ 0.10 each.

The ordinary shares and the ordinary non-voting shares rank pari passu in all respects save that, the ordinary non-voting shares do not have the right to receive notice, attend or vote at any general meeting, nor to be taken into account for the purpose of determining the quorum of any general meeting.

Dividends

There were no dividends declared or paid in 2016 and 2017.

20. Trade and other payables

(in thousands of US dollars)	As at 31 December	
	2017	2016
Financial guarantee (Note 22(l))	5,038	6,337
Other payables	580	862
Other payables to related parties (Note 22(k))	681	534
Accrued expenses	147	125
Payroll payable	419	-
Total trade and other payables	6,865	7,858

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date. The carrying amount of the Company's trade and other payables are denominated in Euros.

21. Contingencies and commitments

Operating environment

Most of investments of the Company are related to the operations in Russia. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy was growing in 2017, after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards (see Note 4). These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions.

Estonia and Finland represent established market economies with more stable political systems and developed legislation based on EU directives and regulations. However, the situation with the operations in Estonia remained challenging and is characterised by a structural deterioration of the business environment in which the Company's joint venture operates, which is heavily dependent on the flows of Russian oil products.

Guarantees granted to subsidiaries

Refer to Note 22(l) for details of guarantees granted to direct and indirect subsidiaries.

Commitments

There were no material commitments as of 31 December 2017.

22. Related party transactions

The Company is jointly controlled by Transportation Investments Holding Limited ("TIHL"), one of Russia's largest privately owned transportation groups, and APM Terminals B.V. ("APM Terminals"), a global port, terminal and inland services operator.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The following transactions were carried out with related parties:

(a) Revenue

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Subsidiaries	20	-
Total	20	-

(b) Dividend income

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Subsidiaries	630	-
Joint ventures	6,864	5,281
Total	7,494	5,281

(c) Interest income and expenses

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Subsidiaries	260	2,666
Joint ventures	65	54
Total interest income	325	2,720
Subsidiaries	1,197	1,197
Total interest expenses	1,197	1,197

(d) Other gains/(losses) – net

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Subsidiaries (Note 22(l))	1,300	837
Total	1,300	837

(e) Purchases of services

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Subsidiaries	218	211
Total	218	211

(f) Acquisitions/disposals of subsidiaries/joint ventures

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Additions/contributions:		
Subsidiaries	9,713	99,954
Joint ventures	9	-
Total	9,722	99,954
Disposals/distributions of equity:		
Subsidiaries	352	30,330
Total	352	30,330

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
(CONTINUED)

22. Related party transactions (continued)

(g) Key management personnel compensation

The compensation of key management personnel and the total remuneration of the Directors (included in key management personnel compensation above) were as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
Key management compensation:		
Salaries, fees, payroll taxes and other short term employee benefits	1,085	721
Directors' remuneration:		
Fees	408	381
Emoluments in their executive capacity	677	340
Total	1,085	721

(h) Loans to related parties

Loans to subsidiaries:

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
At beginning of year	4,882	72,419
Loans advanced during the year	7,500	10,628
Interest charged	260	2,666
Loan and interest repaid during the year	(12,642)	(2,784)
Set off against payable arose from capital increase in a subsidiary (Note 18)	–	(77,799)
Foreign exchange differences	–	(248)
At end of year	–	4,882

Loans to joint ventures:

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
At beginning of year	1,154	1,611
Interest charged	65	54
Loan and interest repaid during the year	(1,204)	(482)
Foreign exchange differences	44	(29)
At end of year	59	1,154

The loan to related parties bear interest at the rate of 3.8%, is unsecured and is repayable by April 2018.

(i) Prepayments and other receivables

(in thousands of US dollars)	As at 31 December	
	2017	2016
Dividends receivable from subsidiaries (Note 17)	–	3,863
Total	–	3,863

(j) Borrowings from related parties

Loans from subsidiaries:

(in thousands of US dollars)	For the year ended 31 December	
	2017	2016
At beginning of year	22,197	21,000
Loan and interest repaid during the year	(2,394)	–
Interest charged	1,197	1,197
At end of year	21,000	22,197

The borrowings from related parties are USD-denominated, bear interest at the rate of 5.7%, are unsecured and repayable by January 2021. The fair value of borrowings as at 31 December 2017 approximates to their carrying value.

(k) Other payables

(in thousands of US dollars)

	As at 31 December	
	2017	2016
Entities under control of owners of TIHL and APM Terminals (Note 20)	681	534
Total	681	534

(l) Guarantees granted to subsidiaries

During 2015 and 2016 the Company granted an irrevocable public offer to purchase bonds issued by an indirect subsidiary of the Company, in the event a default occurs in respect of those bonds. These bonds had a balance of US\$ 267,820 thousand (including interest accrued) as at 31 December 2017. It also granted an irrevocable guarantee for the cross currency swap arrangement that the indirect subsidiary entered into, relating to the issue of the bonds with a balance of US\$ 208,695 thousand as at 31 December 2017. At inception the fair value of these guarantees was US\$ 2,575 thousand. As at 31 December 2017 the unamortised balance of these guarantees was US\$ 1,614 thousand.

During 2016 the Company granted a corporate guarantee covering the non – performance by an indirect subsidiary of the Company in respect of a bank loan, which had a balance of US\$ 86,156 thousand (including interest accrued) as at 31 December 2017. The guarantee was provided free of charge and is valid until December 2020. At inception the fair value of the guarantee was US\$ 1,011 thousand. As at 31 December 2017 the unamortised balance of these guarantees was US\$ 673 thousand.

During 2016 the Company and its indirect subsidiaries granted guarantee to an indirect subsidiary of the Company, which issued the Eurobonds in the event of default in respect of those bonds with a balance of US\$ 716,549 thousand (including interest accrued) as at 31 December 2017. At inception the fair value of the guarantee was US\$ 3,588 thousand. As at 31 December 2017 the unamortised balance of this guarantee was US\$ 2,751 thousand.

The likelihood of realising any expenditure to settle any of the above guarantees was not considered probable.

23. Events after the balance sheet date

In January 2018 corporate guarantee covering the non – performance by an indirect subsidiary of the Company in respect of a bank loan with a balance of US\$ 86,156 thousand as at 31 December 2017 was terminated (Note 22(l)).

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GLOBAL PORTS INVESTMENTS PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying parent company financial statements (the "financial statements") of Global Ports Investments Plc (the "Company") give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

What we have audited

We have audited the financial statements which are presented in pages 17 to 39 and comprise:

- The balance sheet as at 31 December 2017;
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Overall materiality: USD 7.4 million, which represents 1% of total assets.

We audited the complete financial statements of the Company.

We have identified the impairment assessment of investment in subsidiaries and joint ventures as the key audit matter.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	USD 7.4 million
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	<p>We chose total assets as the benchmark, because, in our view:</p> <ul style="list-style-type: none"> - It is the benchmark against which the performance of the Company (the principal activity of the Company is the holding of investments) is commonly measured by users; and - it is a generally accepted benchmark. <p>We chose 1% which is within the range of acceptable quantitative materiality thresholds in auditing standards.</p>

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above USD 0.48 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our audit scope

Global Ports Investments Plc controls or has joint control over a number of entities situated in a number of territories namely Russia, Estonia, Finland and Cyprus. In establishing the overall approach to the audit, we determined the scope of work that needed to be performed taking into consideration the Company's financial information, its activities and the industry in which the Company operates to ensure that we perform sufficient work to enable us to provide an opinion on the financial statements as a whole.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The Company performed an impairment test for all the cash generating units ("CGUs"). We focused on this area due to: - The size of investments in subsidiaries and joint ventures; and - The assessment of the recoverable amount of the CGUs involves complex and subjective judgements about the future results of the business and the applicable discount rates to be used.	We evaluated the valuation inputs and assumptions, methodologies and calculations adopted by the Board of Directors in determining the CGUs' recoverable amounts. In order to assist us in our audit we involved PwC valuation experts that have the knowledge and experience in the industry and country of operation to assist us in evaluating methodology, models and assumptions used.
In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the investments in Arytano Holdings Limited as a reasonably possible change in the key assumptions would cause its carrying amount to exceed its recoverable amount.	We evaluated and challenged the composition of the future cash flow forecasts in the model including comparing them to the latest budgets approved by the Board of Directors.
The expected cash flows (budgets) for the year 2018 and the remaining assumptions used for the value in use calculation for the investments in subsidiaries and joint ventures have been approved by the Company's Board of Directors. Certain assumptions made by the Board of Directors in the determination of the CGUs' value in use calculation were considered to be key estimates.	We challenged: - The Board of Directors' key assumptions for the long term growth rates of key inputs, such as volume and price and compared them to historical results, economic and industry forecasts; - The discount rate applied to these cash flows, by assessing the weighted average cost of capital, cost of debt and considering territory specific factors; and - The macroeconomic assumptions used by the Board of Directors, by comparing them to market benchmarks and publicly available information.
Based on the results of the impairment tests the Company has recognised an impairment charge amounting to US\$ 961 thousand in relation to the investment in NCC Group Limited.	For the investment in Arytano Holdings Limited, we have also challenged the Board of Directors on the no reversal of previously recognised impairment.
For the investment in Arytano Holdings Limited, it was determined that despite the fact that the test has shown a recoverable amount higher than the carrying amount of the CGU no reversal of previously recognised impairment was necessary because there is no observable external or internal information to support reversal as required by IAS 36 "Impairment of Assets"; and the tests are still sensitive to the change of certain key parameters.	We further challenged the Board of Directors on the adequacy of their sensitivity calculations over the CGUs' recoverable amount and determined the assumptions that created the most variability; being assumptions for throughput volume, price per unit, growth rates, and discount rates.
Refer to Notes 4 and 14 to the financial statements for the related disclosures.	We lastly evaluated the adequacy of the disclosures made in Note 4 and 14 of the financial statements, including those regarding the key assumptions and sensitivities to changes in such assumptions as required.
	Based on the evidence obtained, we found that the methodologies, assumptions, data used within the models and disclosures are appropriate.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GLOBAL PORTS INVESTMENTS PLC
(CONTINUED)

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report (which includes the Corporate Governance Statement) which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of ISAs.

Appointment of the auditor and period of engagement

We were first appointed as auditors of the Company in 2008 by the members of the Company for the audit of the financial statements for the year ended 31 December 2008. Our appointment has been renewed annually, since then, by shareholder resolution. In 2011 the Company was listed in the Main Market of the London Stock Exchange and accordingly the first financial year after the Company qualified as an EU PIE was the year ended 31 December 2012. Since then, the total period of uninterrupted engagement appointment was 6 years.

Consistency of the additional report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit and Risk Committee of the Company, which we issued on 12 March 2018 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of non-audit services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors' Law of 2017 were provided. In addition, there are no non audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

Other legal requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU regulations 537/2014 section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

Tasos Nolas

Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountant and Registered Auditor

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

Limassol, 13 March 2018

ADDITIONAL INFORMATION





DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

This Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Board of Directors of Global Ports Investments Plc

DEFINITIONS

Terms that require definitions are marked with capital letters and the definitions of which are provided below in alphabetical order.

Adjusted EBITDA (a non-IFRS financial measure) for Global Ports Group is defined as profit for the period before income tax expense, finance (income)/costs—net, depreciation of property, plant and equipment, amortisation of intangible assets, share of profit/(loss) of joint ventures accounted for using the equity method, other gains/(losses)—net and impairment of goodwill and property, plant and equipment and intangible assets.

Adjusted EBITDA Margin (a non-IFRS financial measure) is calculated as Adjusted EBITDA divided by revenue, expressed as a percentage.

Average Storage Capacity is a storage capacity available at Vopak E.O.S. oil products terminals, averaged for the beginning and end of the year.

Baltic Sea Basin is the geographic region of northwest Russia, Estonia and Finland surrounding the Gulf of Finland on the eastern Baltic Sea, including St. Petersburg, Ust-Luga, Tallinn, Helsinki and Kotka.

Cash Costs of Sales (a non-IFRS financial measure) are defined as cost of sales, adjusted for depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets.

Cash Administrative, Selling and Marketing expenses (a non-IFRS financial measure) are defined as administrative, selling and marketing expenses, adjusted for depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets.

CD Holding group consists of Yanino Logistics Park (an inland terminal in the vicinity of St. Petersburg), CD Holding and some other entities. The results of CD Holding group are accounted in the Global Ports' financial information using equity method of accounting (proportionate share of net profit shown below Adjusted EBITDA).

Consolidated Marine Container Throughput is defined as combined marine container throughput by consolidated marine terminals: PLP, VSC, FCT and ULCT.

Consolidated Marine Bulk Throughput is defined as combined marine bulk by consolidated terminals: PLP, VSC, FCT and ULCT.

Consolidated Inland Container Throughput is defined as combined container throughput by consolidated inland terminals: LT.

Consolidated Inland Bulk Throughput is defined as combined bulk throughput by consolidated inland terminals: LT.

Container Throughput in the Russian Federation Ports is defined as total container throughput of the ports located in the Russian Federation, excluding half of cabotage cargo volumes. Respective information is sourced from ASOP ("Association of Sea Commercial Ports", www.morport.com).

Far East Basin is the geographic region of southeast Russia, surrounding the Peter the Great Gulf, including Vladivostok and the Nakhodka Gulf, including Nakhodka on the Sea of Japan.

First Container Terminal (FCT) is located in the St. Petersburg harbour, Russia's primary gateway for container cargo and is one of the first specialised container terminals to be established in the USSR. The Global Ports Group owns a 100% effective ownership interest in FCT. The results of FCT are fully consolidated.

Finnish Ports segment consists of two terminals in Finland, MLT Kotka and MLT Helsinki (in the port of Vuosaari), in each of which Container Finance currently has a 25% effective ownership interest. The results of the Finnish Ports segment are accounted in the Global Ports' financial information using equity method of accounting (proportionate share of net profit shown below EBITDA).

Free Cash Flow (a non-IFRS financial measure) is calculated as Net cash from operating activities less Purchase of PPE.

Functional Currency is defined as the currency of the primary economic environment in which the entity operates. The functional currency of the Company and certain other entities in the Global Ports Group is US dollars. The functional currency of the Global Ports Group's operating companies for the years under review was (a) for the Russian Ports segment, the Russian rouble, (b) for Oil Products Terminal segment, and for the Finnish Ports segment, the Euro.

Gross Container Throughput represents total container throughput of a Group's terminal or a Group's operating segment shown on a 100% basis. For the Russian Ports segment it excludes the container throughput of the Group's inland container terminals—Yanino and Logistika Terminal.

Logistika Terminal (LT) is an inland container terminal providing a comprehensive range of container freight station and dry port services at one location. The terminal is located to the side of the St. Petersburg–Moscow road, approximately 17 kilometres from FCT and operates in the Shushary industrial cluster. The Global Ports Group owns a 100% effective ownership interest in LT. The results of LT are fully consolidated.

MLT Group consists of Moby Dik (a terminal in the vicinity of St. Petersburg) and Multi-Link Terminals Oy (terminal operator in Vuosaari (near Helsinki, Finland) and Kotka, Finland). The results of MLT group are accounted in the Global Ports' financial information using equity method of accounting (proportionate share of net profit shown below EBITDA).

DEFINITIONS (CONTINUED)

Moby Dik (MD) is located on the St. Petersburg ring road, approximately 30 kilometers from St. Petersburg, at the entry point of the St. Petersburg channel. It is the only container terminal in Kronstadt. The Global Ports Group owns a 75% effective ownership interest in MD, Container Finance LTD currently has a 25% effective ownership interest. The results of MD are accounted in the Global Ports' financial information using equity method of accounting (proportionate share of net profit shown below EBITDA).

Net Debt (a non-IFRS financial measure) is defined as a sum of current borrowings and non-current borrowings, derivative financial instruments less cash and cash equivalents and bank deposits with maturity over 90 days.

Oil Products Terminal segment consists of the Group's 50% ownership interest in Vopak E.O.S. (in which Royal Vopak currently has a 50% effective ownership interest). The results of the Oil Products Terminal segment are consolidated in the Global Ports' financial information using equity method of accounting (proportionate share of net profit shown below EBITDA).

Petrolesport (PLP) is located in the St. Petersburg harbour, Russia's primary gateway for container cargo. The Group owns a 100% effective ownership interest in PLP. The results of PLP are fully consolidated.

Revenue per TEU is defined as the Global Ports Group's Consolidated container revenue divided by total container marine throughput.

Ro-Ro, roll on-roll off is cargo that can be driven into the belly of a ship rather than lifted aboard. Includes cars, buses, trucks and other vehicles.

Russian Ports segment consists of the Global Ports Group's interests in PLP (100%), VSC (100%), FCT (100%), ULCT (80%) (in which Eurogate currently has a 20% effective ownership interest), Moby Dik (75%), Yanino (75%) (in each of Moby Dik and Yanino Container Finance currently has a 25% effective ownership interest), and Logistika Terminal (100%). The results of Moby Dik and Yanino are accounted in the Global Ports' consolidated financial information using equity method of accounting (proportionate share of net profit shown below EBITDA).

TEU is defined as twenty-foot equivalent unit, which is the standard container used worldwide as the uniform measure of container capacity; a TEU is 20 feet (6.06 metres) long and eight feet (2.44 metres) wide and tall.

Total Debt (a non-IFRS financial measure) is defined as a sum of current borrowings, non-current borrowings and derivative financial instruments.

Total Operating Cash Costs (a non-IFRS financial measure) is defined as Global Ports Group's cost of sales, administrative, selling and marketing expenses, less depreciation and impairment of property, plant and equipment, less amortisation and impairment of intangible assets.

Ust Luga Container Terminal (ULCT) is located in the large multi-purpose Ust-Luga port cluster on the Baltic Sea, approximately 100 kilometres westwards from St. Petersburg city ring road. ULCT began operations in December 2011. The Global Ports Group owns an 80% effective ownership interest in ULCT, Eurogate, the international container terminal operator, currently has a 20% effective ownership interest. The results of ULCT are fully consolidated.

Vopak E.O.S. includes AS V.E.O.S. and various other entities (including an intermediate holding) that own and manage an oil products terminal in Muuga port near Tallinn, Estonia. The Group owns a 50% effective ownership interest in Vopak E.O.S.. The remaining 50% ownership interest is held by Royal Vopak. The results of Vopak E.O.S. are accounted in the Global Ports' financial information using equity method of accounting (proportionate share of net profit shown below EBITDA).

Vostochnaya Stevedoring Company (VSC) is located in the deep-water port of Vostochny near Nakhodka on the Russian Pacific coast, approximately eight kilometers from the Nakhodka-Vostochnaya railway station, which is connected to the Trans-Siberian Railway. The Group owns a 100% effective ownership interest in VSC. The results of VSC are fully consolidated.

Weighted average effective interest rate is the average of interest rates weighted by the share of each loan in the total debt portfolio.

Yanino Logistics Park (YLP) is the first terminal in the Group's inland terminal business and is one of only a few multi-purpose container logistics complexes in Russia providing a comprehensive range of container and logistics services at one location. It is located approximately 70 kilometres from the Moby Dik terminal in Kronstadt and approximately 50 kilometres from PLP. The Global Ports Group owns a 75% effective ownership interest in YLP, Container Finance LTD currently has a 25% effective ownership interest. The results of YLP are accounted in the Global Ports' financial information using equity method of accounting (proportionate share of net profit shown below EBITDA).

SHAREHOLDER INFORMATION AND KEY CONTACTS

Global Ports Investments PLC

Legal Address

Omirou 20
Agios Nikolaos
CY-3095
Limassol, Cyprus

Postal Address

Kanika International Business Center,
Office 201, Profiti Ilias Street, 4,
Germasogeia
Limassol P.C. 4046, Cyprus

Investor Relations

Mikhail Grigoriev
Head of Investor Relations
Phone +7 812 677 15 57
GSM: +7 916 991 7396
Tatiana Khansuvarova
Investor Relations Analyst
Email: ir@globalports.com

Media Relations

Russian Media
Anna Vosstrukhova
Head of Media Relations
Phone: +357 25 313 475
E-mail: media@globalports.com

International Media

Teneo Blue Rubicon
Zoë Watt
Doug Campbell
+44 20 7240 2486
E-mail: globalports@teneobluerubicon.com

Depository

J.P. Morgan
1 Chase Manhattan Plaza, Floor 58
New York, NY 10005
+1 (866) JPM-ADRS
adr@jpmorgan.com

Stock Exchange

London Stock Exchange PLC
10 Paternoster Square,
London EC4M 7LS, UK
Phone: +44 20 7797 1000
Website: www.londonstockexchange.com

Independent Auditors

PricewaterhouseCoopers Limited
City House, 6 Karaiskakis Street
CY-3032, Limassol, Cyprus
Phone: +357 25 555 000
Fax: +357 25 555 001

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