

Regaining forward momentum

globalports™

Global Ports Investments PLC
Annual Report 2018

Global Ports

During 2018 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, and deleveraging.

Global Ports' Consolidated Marine Container Throughput increased 12.2% year-on-year in 2018 outperforming the overall market which grew by 10%. The Group continued to deliver impressive growth in bulk throughput posting a 15.9% year-on-year increase in Consolidated Marine Bulk Throughput in 2018. In accordance with the Group's strategy of developing additional revenue streams, a new coal handling facility at ULCT was successfully launched in December 2018.

In 2018 the Group achieved a 4.0% growth in Revenue and an 8% growth of Adjusted EBITDA compared to 2017. Adjusted EBITDA Margin expanded by 224 basis points to 63.2%. Net Debt to Adjusted EBITDA decreased to 3.6x as of 31 December 2018 from 4.3x as at the end of 2017.

Key Strengths¹

Nº1
container terminal
operator in Russia

Undisputed industry leader in Russia in terms of container throughput and capacity, handling almost one in every three containers coming in and out of the country²

1.35 mln TEU
Consolidated Marine Container
Throughput
in 2018

323 hectares
of land
(equivalent to more than 450 football fields)
and 5 km of quay wall in key
sea basins

7
marine container
and multipurpose terminals¹
in Russia and Finland,
covering 2 major sea basins³

3.1 mln tonnes
of Consolidated Marine Bulk
Throughput
A record result for the Group

2018 Results

8%
increase in Adjusted EBITDA

12%
increase in Consolidated Marine
Container Throughput

0.7x
reduction in the Group's
financial leverage
in 2018 (3.6x as of 31.12.2018)⁴

224
basis point - increase
in Adjusted EBITDA Margin

16%
increase in the Group's
Consolidated Bulk Throughput

LTIFR 1.28
close to 5 year low

**Overview****Strategic Report****Corporate Governance****Consolidated Financial Statements****Parent Company Financial Statements****Additional Information**

02
About Us

08
Chairman's Statement
10
Chief Executive Officer's Statement
14
Strategy
18
Business Review
32
Corporate Social Responsibility

38
Corporate Governance
43
Board of Directors
48
Executive Management
50
Terminal Directors
52
Risk Management

01
Management Report and Consolidated Financial Statement

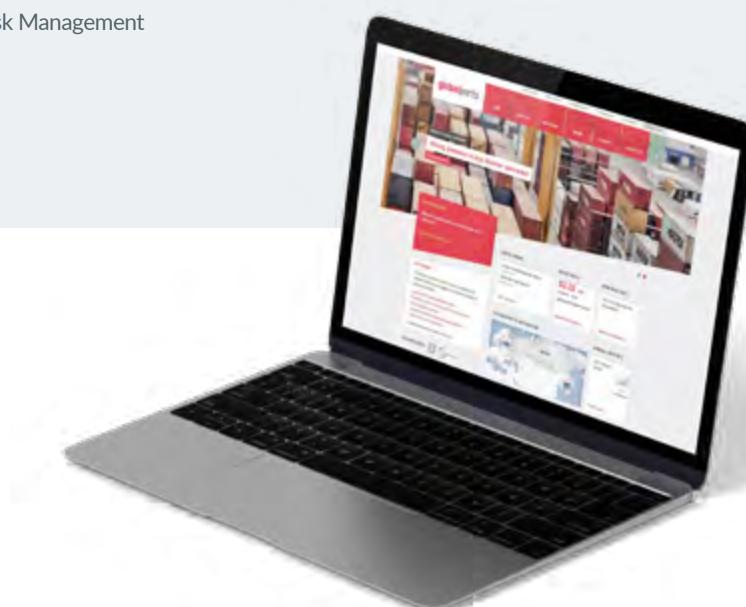
01
Management Report and Parent Company Financial Statements

01
Directors' Responsibility Statement
02
Definitions
05
Shareholder Information and Key Contacts

For more information,

please, visit our corporate website:

<http://www.globalports.com>



1. Hereinafter all operational statistics is stated without Vopak E.O.S. (VEOS) which was sold in April 2019.

2. Based on 2018 overall container throughput in the Russian Federation ports (Source: ASOP) and public sources on capacity.

3. Including Joint Ventures.

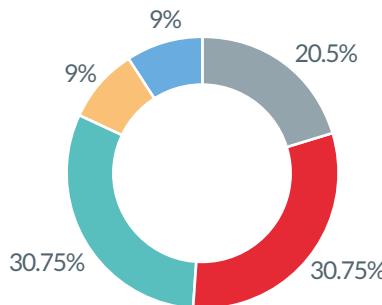
4. Rounding adjustments have been made in calculating some of the financial and operational information included in this report. As a result, some numerical figures used in this report may not be arithmetic aggregations of the figures of which they are composed.

About Us – Performance

In 2018 Global Ports delivered on its potential:

its share of the container market of Russia began to recover, the non-container segment produced a solid performance, it reported Adjusted EBITDA growth of 8% and a further substantial reduction in financial leverage (Net Debt/Adjusted EBITDA declined 0.7x to its lowest level in 4 years)¹.

Ownership Structure²



Consolidated Financial and Operating Data

Selected IFRS Financial Information	2017 USD million	2018 USD million	Change USD million	Change, %
Revenue	330.5	343.6	13.1	4%
Cost of sales and administrative, selling and marketing expenses	(191.2)	(174.9)	16.3	(9%)
Gross profit	182.0	207.6	25.6	14%
Operating profit/(loss)	(5.3)	131.6	137.0	(2,569%)
Net profit/(loss)	(52.9)	(58.3)	(5.4)	10%

Free-float (LSE listing)

Delo Group
APM Terminals
Ilbrinio Establishment Ltd
Polozio Enterprises Ltd

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 vessels bunkering (DeloPorts). Delo Group also offers multimodal freight forwarding services using own inland terminals, warehouses, flatcars (RUSCON). Delo Group operates two marine terminals and five inland terminals and employs a workforce of over 2,000 people.

Ilbrinio Establishment Limited and Polozio Enterprises Limited (former owners of NCC Group) each own 9% of the share capital of Global Ports.

¹ 3.6x as of 31 December 2018 versus 4.3x as of 31 December 2017.

² As of April 2019.

Selected operating information

Selected operating information	2017 USD million	2018 USD million	Change USD million	Change, %
Consolidated Marine Container Throughput, mln TEU	1.2	1.4	0.1	12.2%
Consolidated Marine Bulk Throughput, mln tonnes	2.7	3.1	0.4	15.9%
Ro-Ro, thousand units	23.9	20.3	(3.6)	(14.9%)
Cars, thousand units	95.4	121.1	25.6	26.9%

Balance sheet and cash flow statement

Balance sheet and cash flow statement	2017 USD million	2018 USD million	Change USD million	Change, %
Total assets	1,655.6	1,288.3	(367.2)	(22.2%)
Cash and cash equivalents	130.4	91.6	(38.8)	(29.8%)
Net cash from operating activities	173.9	174.3	0.4	0.2%

Selected non-IFRS financial information

Selected non-IFRS financial information	2017 USD million	2018 USD million	Change USD million	Change, %
Total Operating Cash Costs	(128.9)	(126.3)	2.6	(2.0%)
Adjusted EBITDA	201.6	217.3	15.7	7.8%
Adjusted EBITDA Margin	61.0%	63.2%		
Net debt	865.9	780.3	(85.6)	(9.9%)
Net debt to Adjusted EBITDA	4.3	3.6	(0.7)	(16.4%)

Non-Container Cargo Business has excellent momentum (four-fold growth in 4 years, from 16% of Revenue to 26% of Revenue). Such performance justifies the Group's focus on this segment and associated investments. With its unique asset base, (323 ha of land and 5 km of quay wall) the Group is in an excellent position to exploit further opportunities in the non-container business segment.

KEY MILESTONES



April

Delo Group, one of the largest private transportation and logistics holding companies in Russia, becomes a co-controlling shareholder of Global Ports. Through its subsidiary DeloPorts, Delo owns and operates marine container and grain terminals in the port of Novorossiysk (Black Sea basin) alongside operating agency, tugboat and bunkering services. The board is re-elected in May to reflect new composition of shareholders.

April

Unique portfolio of services makes FCT and PLP the only Russian ports of call for the world's largest ice class container vessels operated by Maersk.

July

Vladimir Bychkov appointed as CEO of Global Ports. Mr. Bychkov has twenty years of experience in the logistics and transportation industry.

September

PLP celebrates the 10th anniversary of its car handling terminal. Almost 900,000 cars have been handled at PLP over its ten years of operations.



September

PLP becomes the first Baltic port of call for Venta Maersk during its historic first ever container vessel voyage via Artic Route.

September

Global Ports completes the sale of JSC Logistika-Terminal, one of its two inland facilities. The 1.9 billion rouble sale proceeds are put towards further financial deleveraging.

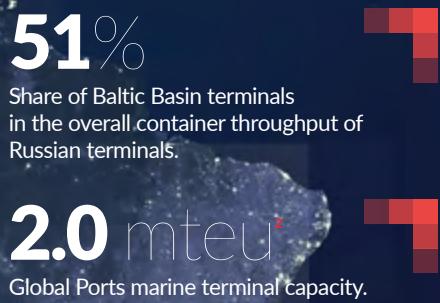
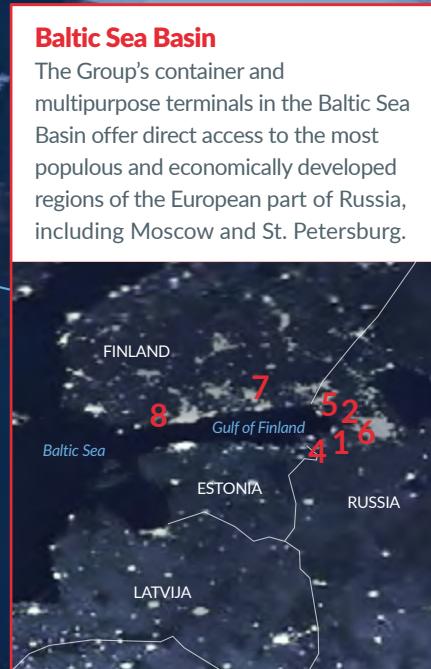
December

ULCT delivers its inaugural shipment of coal-handling services. ULCT has excellent rail connectivity and the capability to support up to 1.0 million tonnes of coal shipments per year. The first coal deliveries began arriving at ULCT in November 2018, with the inaugural shipment completed on 27 December. The container handling capacity of the terminal remains unchanged at 440 thousand TEU per annum.

December 2018 – January 2019

On 1st January 2019, Global Ports launched a new ERP system in all of the marine terminals in Russia, as well as in certain other companies across the Group. This will result in better management and further integration of business processes and therefore improved levels of efficiency and productivity.

Strong presence in Russia's key container and bulk gateways¹



1	2	3	4	5	6
First Container Terminal (FCT)	Petrolesport (PLP)	Vostochnaya Stevedoring Company (VSC)	UST-LUGA Container Terminal (ULCT)	Moby Dik (MD)	Yanino (YLP)
Location: St. Petersburg	Location: St. Petersburg	Location: Nakhodka	Location: Ust-Luga port cluster	Location: Kronstadt (St. Petersburg)	Location: St. Petersburg
Cargo handled: Containers	Cargo handled: Containers, Ro-Ro, bulk and general cargo	Cargo handled: Containers, Ro-Ro, bulk cargo (coal)	Cargo handled: Containers, bulk cargo	Cargo handled: Containers, Ro-Ro, bulk and general cargo	Cargo handled: Containers, bulk cargo
Container throughput berth/yard capacity ³ : 1.25m/0.95m TEU per year	Container throughput berth/yard capacity ³ : 1m/0.35m TEU per year	Container throughput berth/yard capacity ³ : 0.65m/0.65m TEU per year	Container throughput berth/yard capacity ³ : 0.44m/0.44m TEU per year	Container throughput berth/yard capacity ³ : 0.4m/0.28m TEU per year	Container throughput capacity ³ : 0.2m TEU per year
Land total 88.6 ha	Land total 119.0 ha	Land total 76.6 ha	Land total 38.9 ha	Land total 12.9 ha	Land total 51.2 ha
Ownership: 100%	Ownership: 100%	Ownership: 100%	Ownership: 80%	Ownership: 75%	Ownership: 75%

Fully consolidated in IFRS

Global Ports owns 323 ha of land and 5 km of quay wall in the key marine gateways of Russia. Its modern fleet of equipment, advanced rail and road connections, skilled personnel, and advanced client-focused IT solutions underpin the Group's strong market position in container handling and provide a growth platform for its non-container businesses. Well-invested terminals reduce the need for extensive maintenance CAPEX.



7

MLT Kotka

Location: Helsinki and Kotka, Finland

Cargo handled: Containers, Ro-Ro, bulk cargo

Container throughput capacity³: 0.15m TEU per year

Land total 0.5 ha

Ownership: 75%

8

MLT Helsinki

Location: Helsinki and Kotka, Finland

Cargo handled: Containers, Ro-Ro, bulk cargo

Container throughput capacity³: 0.27m TEU per year

Land total 7 ha

Ownership: 75%

Russian Ports segment:

PLP, VSC, FCT, ULCT, Moby Dik, Yanino

Finnish Ports segment:

MLT Kotka and MLT Helsinki

Our Partners:

Entity: Moby Dik, Finnish Ports, Yanino

Partner: Container Finance Ltd Oy

Share: 25% in each

Entity: ULCT

Partner: Eurogate

Share: 20%

1. Numbers for the Group are presented on a consolidated basis.

2. Based on yard capacity. Company data.

3. 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.

4. On consolidated basis.

Strategic Report



- / Chairman's Statement /
- / Chief Executive Officer's Statement /
- / Strategy /
- / Business Review /
- / Corporate Social Responsibility /

08

10

14

18

32

06

Regaining forward momentum

Strong financial performance

Adjusted EBITDA

USD 217.3 m

▲8%

2018

217.3

2017

201.6

Rapid deleverage

Net Debt/Adjusted EBITDA

3.6

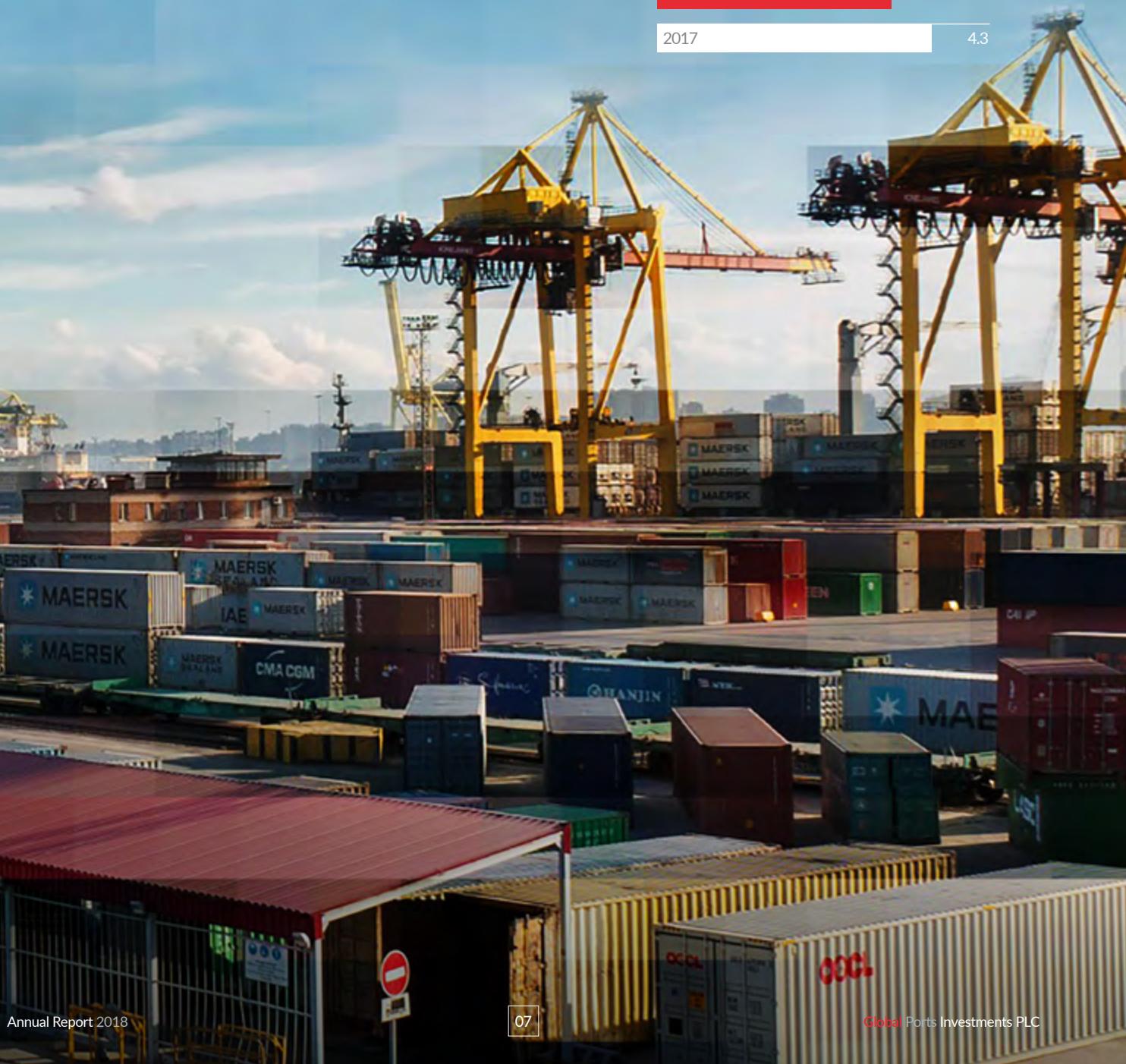
▼0.7

2018

3.6

2017

4.3



Chairman's Statement

Last year I remarked that Global Ports had emerged from the downturn a stronger, leaner and more focused organisation and that I was optimistic about the prospects for 2018. Our 2018 results demonstrate that optimism was justified, as the Group regained its forward momentum. The results reveal that Global Ports is in robust shape and that prior strategic decisions to diversify our revenue base and to support the business during the downturn have paid off.



Against a recovering Russian container market that grew by 10% in 2018, our own performance outpaced even this strong result. Our consolidated container volumes grew by an impressive 12%, while our marine bulk cargo activities produced another year of record volumes, with throughput up almost 16%. We expect bulk cargo handling to be an important source of future growth for the Group and we successfully launched coal handling operations at our Ust-Luga Terminal at the end of the year.

Healthy operational performance contributed to a strong financial result, with revenues growing by 4%, and non-container revenues climbing almost 17% to where they now represent a quarter of the Group's revenues. Strong revenue growth and strict cost discipline delivered robust cash flows, strong profits and further profit margin expansion, and led to a reduction in net debt.

Strategy

Our goal is to create sustainable long term value for our shareholders. We operate in a sector that is growing, that has high barriers to entry, and that can deliver stable cash flows over the long term. As the leading infrastructure player in the sector, Global Ports, with its world-class portfolio of assets in key container gateways, is strategically well placed to deliver that long term value objective.

In 2018, we continued to follow our strategy of harnessing recovery of the container market, developing new revenue streams, optimising operational efficiency, maximising cash generation, and paying down debt. Our results show that we met our business objectives in each of these critical areas in 2018, which highlights the strength of the business model and the high calibre and professionalism of our management team.

Governance and the Board

Strong governance is critical as it helps underpin the sustainability of our business and our strategy. As I wrote in my report last year, the Board's role

is to act as custodians of shareholder value for the long term. Accordingly, ensuring we have the right mix of skills, experience and diversity in the boardroom is vital if we are to set the right tone from the top. I chair a high quality, balanced Board of Directors comprised of individuals with deep industry expertise and significant commercial experience, all of whom are committed to serving the best interests of the company and all its shareholders. The Board's activities are covered in more detail in the Governance section of this Report.

There were a number of changes to the Board in 2018. I myself became Chairman in February 2018, and in July 2018, I was delighted to welcome Vladimir Bychkov as the new Chief Executive Officer, in succession to Mikhail Loganov. Vladimir joins us from Delo Group, where he was the President of the container and logistics segment of the group. He is a respected person in our industry and his in-depth knowledge of the sector will be an invaluable asset as we execute the next

Our consolidated volumes grew by an impressive

12%

Revenues growing by

4%,

and non-container revenues climbing almost **17%**

phase of our growth. I would also want to warmly thank Mikhail for his sizeable contribution to Global Ports during his tenure as CEO and previously as CFO, and to wish him well for the future. I also extend a sincere welcome to our new Board members who joined in 2018 and I look forward to working with them for the Group's benefit.

We are fortunate to be able to draw on the expertise of our co-controlling shareholders, APM Terminals and Delo Group. Their presence on the shareholder register is a validation of the container market's long term potential in Russia. Their involvement confers real benefits to Global Ports, allowing the company to tap into APMT's international best practices, scale an industry know-how and Delo's deep local market knowledge. We look forward to building on our relationships with both groups over the coming years.

Safety

We want Global Ports to lead the way in providing a safe working environment, in developing our employees and in supporting our communities. We are a responsible organisation and by acting appropriately we create value for the business and our stakeholders. We continue to work closely with the executive team to embed the right culture and behaviours across the Group.

Making sure our people go home safely every day remains a top priority. It is disappointing to have to report that in 2018 we experienced a 16% rise in recordable injury rates compared with 2017. I am also saddened to report the

distressing news that, since the year end, we have suffered a fatality at PLP. Any loss of life is a tragedy and this incident underlines the absolute requirement to continue ensuring that our operational practices are fully aligned with our safety policies. We cannot compromise the safety of our people or our operations and the Board will continue to impose heightened safety standards.

Outlook

Global Ports made great progress in 2018, with a return to organic revenue and EBITDA growth, combined with solid cash generation and a further reduction in financial leverage. Having regained our forward momentum, our focus is on sustaining these trends through 2019 pursuing our strategy of optimising our world-class asset base, developing additional revenue streams, improving operational efficiency, maximising cash flow and deleveraging.

Longer term, the container industry's prospects remain compelling as containerisation levels in Russia remain behind those of other major economies. Meanwhile, a fundamental shift is underway in the economics of the sector as the rapid growth of containerised exports is changing how container ports operate and the services they offer. With our portfolio of high quality terminals in key gateway locations, the Group is exceptionally well placed to capitalise on the opportunities that will undoubtedly emerge as the industry reshapes itself for the future. 2019 has started promisingly and we look forward with confidence to the year ahead.

Finally, good results can only be delivered through the efforts and commitment of a loyal workforce, and on behalf of the Board, I would like to thank all our colleagues for their unstinting efforts in 2018.

Morten Engelstoft

Chairman

24 April 2019

Chief Executive Officer's Statement

I was excited to join Global Ports in July as Chief Executive Officer. It is still too early for me to point to specific achievements but it is clear that I have joined an organisation with significant potential. We have well-maintained facilities based on strong service ethics, a blue-chip customer base, a clear strategy and talented people to execute it. In short, we have all the right ingredients to set Global Ports on a long-term growth trajectory.



After a period of market volatility, 2018 marked a return to sustainable growth for the container sector in Russia. The market delivered double digit growth in volumes, boosted by significant growth in laden exports leading to strong utilisation across the industry. Against these encouraging market trends, Global Ports confirmed its own growth potential with an outstanding all-round performance in 2018. Our container volumes outpaced the market and our non-container volumes hit a new Group record. Our financial results reflected these positive trends, with good top line revenue growth and strong profitability. The Group's robust cash generation enabled a further reduction in its financial leverage.

Our markets

The container market in Russia continued its recovery in 2018. Overall marine container throughput by Russian terminals grew by 10% year-on-year, maintaining its 16% increase from 2017, to reach 4.87 million TEU. Healthy consumer demand drove a further recovery in laden imports which increased by 8%, and laden export throughput climbed almost 14%. Increased throughput volumes pushed

average capacity utilisation to above 70% for the year, helping to maintain a stable pricing environment.

Looking more closely at cargo flows, the Baltic Basin, where Global Ports has six marine container terminals, handled 51% of total Russian container throughput in 2018, with cargo volumes growing at 11% year-on-year, due to cost advantages and increased vessel capacity. The Far East Basin, where Global Ports operates VSC, handled 30% of Russia's container traffic and maintained its strong trajectory growing volumes by 13% year-on-year. The Black Sea Basin, where Global Ports is not present, handled 16% of Russia's container traffic and lagged the overall market at 2% year-on-year growth.

Throughput statistics signal that the containerisation of export supply chains continues to accelerate. In the last five years laden container exports have increased by 76%, and the percentage of imported containers being exported full has doubled from 40% to 80%. This is a significant trend that has clear structural implications for the economics of the market. It is likely to mean a more

stable market generally as export volumes balance imports, alongside greater cost competition for imports. Furthermore, capacity utilisation should increase because laden exports typically require more terminal yard capacity. Revenue per TEU is likely to show greater resilience as terminals charge higher tariffs for laden exports than for export of empty containers. And lastly this trend implies that marine terminal operators have to provide integrated services along the logistics supply chain.

Operating performance

We generated robust commercial momentum in 2018 and delivered strong results. We grew our container volumes strongly, outperforming the market. The Group's Consolidated Marine Container Throughput increased by 12% to 1.35 million TEUs in 2018.

In addition to growing container volumes, we continued to focus on increasing our bulk cargo volumes, as a part of our drive to improve utilisation of our terminals. Consolidated Marine Bulk Throughput increased by 16% to a record 3.1 million tonnes, up from 2.7 million tonnes in 2017.

Record in Consolidated Marine Bulk Throughput

3.1 mln tonnes

Adjusted EBITDA increased by 7.8% to

USD 217.3 m

The Group's passenger car handling volumes increased by 27%, supported by the upgrade of our car handling terminal at PLP. As a part of our strategy to diversify revenue streams and optimise the use of existing terminal infrastructure we launched a new coal handling facility at Ust-Luga Container Terminal at the end of 2018.

The other important operational focus for us was on the Group's value proposition to its customers. We launched a Unified Client Service across all our terminals that will give our customers faster, easier access to our service teams. We also continued to invest in enhancing our digital and IT capabilities. As a part of this initiative, PLP upgraded its terminal operating system in order to improve efficiency and customer service levels.

Financial results

In line with the Group's overall strategy, a key focus for us in 2018 was on growing revenue, maximising free cash generation and deleveraging. We have delivered well against these strategic objectives.

Revenue increased by 4% to USD 343.6 million, largely driven by strong growth of 17% in our Non-Container revenue. Container Revenue was broadly flat at USD 255.2 million, as double digit growth in container volumes was largely offset by a reduction in Revenue per TEU, the result of a higher share of exports and a change to the service mix. The Group continued to reduce its costs and Total Operating Cash Costs decreased by 2%, despite increased cargo volumes. Capital expenditure amounted to USD 40.8 million, with maintenance representing the bulk of these expenses and the remainder being represented by the new coal handling facility at ULCT.

Adjusted EBITDA increased by 7.8% to USD 217.3 million and Adjusted EBITDA margin increased by 224 basis points to 63.2% from 61.0 in 2017, as a result of strong volume growth and good cost discipline. The Group continued its rapid deleveraging in line with its stated strategy, reducing Net Debt by another USD 86 million to USD 780 million at the year end. Net Debt to Adjusted EBITDA ratio fell to 3.6 as at 31 December 2018, which is the lowest level since 2014.

Outlook

Although concerns over the global economy persist and growth rates have been trimmed, Russian exporters remain busy and consumer demand continues to drive growth in imports.

Excellent results in 2018 demonstrate that we are on the right track and have good forward momentum. Most of the building blocks needed to capture organic growth opportunities are in place. My core priority as CEO is to ensure that the Group remains focused and capable of capturing these growth opportunities. We will accomplish this by being the most efficient operator, by getting closer to the customer, by building relationships with participants along the entire supply chain, by effectively managing costs, and by operating responsibly. We will therefore continue to prioritise operating efficiency, doing more to add value and optimise our asset base. In 2019, we will focus on improving our value proposition for customers and continuing to improve our service. We will maintain our financial discipline and continue to deleverage. We will redouble our efforts to improve safety of our workforce and integrity of our operations.

We are the acknowledged leader with a strong reputation, an experienced management team, supportive shareholders and a portfolio of well-invested terminals in key gateway locations. This is a great platform to pursue growth in a rapidly changing Russian market. I want to personally thank all of my colleagues for their hard work in 2018. We look to the future with energy and optimism.

Vladimir Bychkov

CEO

24 April 2019

Outperforming the container market

Global Ports outperformed the market with container volumes up 12%

Global Ports handles almost every second laden export container in North-West and Far East of Russia

Average container handling capacity utilisation for the Russian market¹

70%

Growth of Laden Export containers since 2013

76%

¹ Company estimates throughput based on ASOP. Capacity estimated on companies websites (www.port-bronka.ru, www.deloports.ru, www.terminalspb.ru, www.nimtp.info and other public available sources). Yard capacity for the Group used for calculations.



Strategy

Our strategy aims **to deliver strong returns to shareholders, excellent service to customers and consistent value to our all stakeholders.**

We aim to create sustainable value through our business model, which drives performance against our strategic priorities of capitalising on the growth of the container industry in Russia, developing new revenue opportunities, optimising operational efficiency and deleveraging.

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	2018 ACTIONS
EFFICIENTLY UTILISE CORE ASSETS AND EXISTING INFRASTRUCTURE	<ul style="list-style-type: none"> > Prioritise safety operations > Focus on core (maritime) activities > Maximise value from assets > Generate new revenue streams > Improve value proposition to customers 	<ul style="list-style-type: none"> > Harness recovery in container market > Focus on customer service and improving response times in vessel, yard, and gate operation > Continued focus on bulk cargoes to better utilise idle terminal space > Coal handling facility launched at ULCT. Supports 1.0 million tonnes of coal shipments per annum > Client satisfaction survey conducted > Investment in IT systems > Considering a rise in LTIF rate in 2018, full safety review conducted at all terminals. We thoroughly reviewed the occurrences and enacted corrective measures to reduce the likelihood of repeat incidents
MAXIMISE EFFICIENCY AND COST CONTROL	<ul style="list-style-type: none"> > Implementing continuous cost savings measures through increasing efficiency > Focus on improving productivity 	<ul style="list-style-type: none"> > Stringent cost controls maintained > Optimizing the equipment fleet, standardizing procurement and repair procedures, and servicing opportunity cargo in between peak demands to create steady workloads > Optimised workforce scheduling > ERP implementation and further centralisation of core fuctions
FOCUS ON CASH FLOW AND DELEVERAGING	<ul style="list-style-type: none"> > Optimise CAPEX > Debt repayment and deleveraging 	<ul style="list-style-type: none"> > Capital expenditure focused on planned maintenance requirements and attractive growth projects with high IRR and short payback periods > Reviewing equipment relocation opportunities to drive optimal usage and reduce new purchase needs > Accelerated debt reduction – net debt levels fell further > Generated significant positive cash flow > Proceeds from LT sale used for further deleveraging



2018 OUTCOMES

- Consolidated Marine Container Throughput +12% to 1.35 m TEU
- Record 3.1 million tonnes of marine bulk throughput, up 16% year-on-year
- Car volumes up 27% year-on-year
- Coal handling launched at ULCT in December 2018
- Non-container revenue grew strongly to 26% of total revenue (2017: 23%)
- Unified Client Service Centre created across all GPI terminals
- Comprehensive set of behavioural-change measures introduced to: embed safety culture; improve reporting and monitoring; incentivise staff; align external contractor policies more closely with GPI's own safety protocols and greater leadership participation in safety

Increase in Consolidated Marine Container Throughput

+12%

Increase in Marine Consolidated Bulk Throughput

+16%

- Total Operating Cash Costs decreased by 2% despite 12% increase in cargo volumes and 16% increase in bulk cargo throughput
- Adjusted EBITDA margin increased to 63% (2017: 61%)
- As of the beginning of 2019 ERP launched at all marine terminals in Russia

Adjusted EBITDA Margin

63%

- Total CAPEX limited to USD 41 million; ULCT coal-handling facility is main recipient of non-maintenance CAPEX
- Maintenance CAPEX target in line with guidance of USD 25-35 million per annum
- Healthy Free Cash Flow of USD 134 million
- Net Debt reduced by an additional USD 86 million
- Net Debt/Adjusted EBITDA of 3.6x, its lowest level since 2014

Reduction in Group Net Debt

USD 86 m

Non-Container Cargo business

The Group continues to focus on developing additional revenue streams and optimising its existing terminal infrastructure

Share of Non-Container Revenue represents more than a quarter of The Group's revenue

26%

Share of Consolidated Non-Container Revenue in total revenue, %

2018	26%
2017	23%
2016	19%
2015	16%
2014	16%

- > Bulk throughput grew 4x in 4 years driven by coal handling at VSC and ULCT and strong growth in metal and timber handling at PLP
- > New coal handling facility was successfully launched in ULCT in December 2018. Excellent rail connectivity supports up to 1.0 million tonnes of coal shipments per year



Business Review

During 2018 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.

Summary

Global Ports' Consolidated Marine Container Throughput increased 12.2% year-on-year in 2018 outperforming the market growth of 10.0%¹. The Group continued to deliver strong growth in bulk throughput posting a 15.9% year-on-year increase in Consolidated Marine Bulk Throughput in 2018. In accordance with the Group's strategy of developing additional revenue streams, a new coal handling facility at ULCT was successfully launched in December 2018.

As a result, revenue increased by 4.0% to USD 343.6 million. Gross profit increased by 14.0% to USD 207.6 million and Adjusted EBITDA grew by 7.8% to USD 217.3 million* mainly due to the growth in throughput and strict control over costs. Adjusted EBITDA margin expanded by 224 basis points from 61.0%* in 2017 to 63.2%* in 2018.

The Group's Net Debt was reduced by a further USD 85.6 million* over the period with Net Debt to Adjusted EBITDA decreasing to 3.6x* as of 31 December 2018 from 4.3x* as at the end of 2017.

Certain financial information which is derived from the management accounts is marked in this report with an asterisk [*]. Information (including non-IFRS financial measures) requiring additional explanation or terms which begin with capital letters and the explanations or definitions thereto are provided at the end of this announcement.

 See more information
Consolidated Financial Statements
on page 60

¹ Source: ASOP. Here and after in this report all numbers on Russian container market statistics based on ASOP (for ASOP definition, please see Additional Information section of this report).

² USD 27.9 million at the exchange rate as of the date of closing.

³ Management estimate calculated as if effective USD/RUB exchange rate in 2018 was the same as in 2017.

Group financial and operational highlights for the twelve months ended 31 December 2018

- The Russian container market grew 10.0% in 2018 driven by the continued recovery in laden import of 8.2% and supported by strong growth in laden export containers of 13.9%, resulting in total Russian container market throughput of 4.87 million TEU.
- The Group's Consolidated Marine Container Throughput increased 12.2% to 1,352 thousand TEU in 2018 compared to 1,205 thousand TEU in 2017. The growth rate of the Group's Consolidated Marine Container Throughput therefore outpaced that of the Russian container market.
- The Group focused on increasing bulk cargo volumes to improve the utilisation of its terminals. As a result, Consolidated Marine Bulk Throughput increased by 15.9% to 3.12 million tonnes in 2018, a record level for the Group, driven by growth in bulk cargoes at PLP and ULCT.
- As a part of its strategy to focus on developing additional revenue streams and optimising its existing terminal infrastructure, the Group commissioned a new coal handling facility at Ust-Luga Container Terminal in December 2018. ULCT has excellent rail connectivity and the capability to support up to 1.0 million tonnes of coal shipments per year.
- Revenue in 2018 increased by 4.0% to USD 343.6 million compared to USD 330.5 million in 2017. This was mainly driven by 16.8% growth in Consolidated Non-Container Revenue. Consolidated
- Container Revenue was broadly flat in 2018 at USD 255.2 million, growth of 0.1% compared to 2017, as 12.2% growth in Consolidated Marine Container Throughput was partially offset by a 10.1% decline in Revenue per TEU. Only a low single digit percentage of this reduction in Revenue per TEU was attributable to change in tariffs, with the majority of the decline largely attributable to lower share of imports and the change in customer and service mix.
- In September 2018 the Group completed the previously announced sale of its holding in JSC Logistika-Terminal (LT), one of the Group's two inland terminals, to PJSC TransContainer for a consideration of 1.9 billion Russian roubles². As previously announced, the proceeds of the sale were used for further deleveraging. The deconsolidation of LT since the completion of the transaction also impacted both revenue and Revenue per TEU.
- The Group continued to exert strict control over costs. Total Operating Cash Costs decreased by 2.0% during the reporting period despite double digit growth in throughput of both container and non-container cargoes. FX adjusted Total Operating Cash Costs³ increased by around 5.8%.
- Gross profit in 2018 increased 14.0% to USD 207.6 million or by 7.3% adjusted for impairments that took place in 2017.
- Adjusted EBITDA in 2018 increased 7.8% to USD 217.3 million* mainly due to the growth in throughput and strict control over costs.
- Adjusted EBITDA margin expanded by 224 basis points from 61.0%* in 2017 to 63.2%* in 2018.

Revenue ▲4%
USD 343.6 m

Gross profit ▲14%
USD 207.6 m



- Operating profit in 2018 was USD 131.6 million compared to USD 5.3 million Operating loss in 2017. This substantial increase was driven both by the growth in Gross profit and the fact that 2017 was negatively impacted by 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.
- Loss before income tax increased from USD 24.1 million in 2017 to USD 53.6 million in 2018. This change was mainly driven by the depreciation of the Russian rouble which resulted in a loss on revaluation of US dollar-denominated borrowings (from Group and non-Group entities) in the Group's Russian subsidiaries having the Russian rouble as their functional currency.
- The Group's capital expenditure on a cash basis was USD 40.8 million in 2018. Maintenance capital expenditure focused on planned maintenance projects, scheduled upgrades of existing container handling equipment and coal handling equipment at VSC as well as the implementation of environmental

protection measures related to coal handling. Maintenance capex remained in line with the Group's mid-term guidance of USD 25-35 million per annum with the remainder accounting for development of the new coal handling facility at ULCT.

- Net cash from operating activities increased by USD 0.4 million, or 0.2%, from USD 173.9 million in 2017 to USD 174.3 million in 2018.
- In August 2018, an amendment to the Law on Seaports came into force which prescribes that all handling tariffs in Russian ports are set in Russian roubles. While the law stipulates the mandatory currency of tariffs, it does not restrict port operators' ability to change actual tariff levels. Tariffs for stevedoring services in Russian ports remain unregulated and are market-driven. Since the law came into force, the Group has retained its ability to revise tariff policy in response to substantial changes in the industry, currency fluctuations or macroeconomic environment. Although the share of rouble nominated revenues is expected to increase in 2019, the group believes that its FX exposure is adequately balanced by the currency composition

2018 has been a year of regaining forward momentum for Global Ports. We delivered double digit container handling growth, outpacing the growth of the Russian container market, and achieved another year of record volume of bulk cargo throughput. Coupled with excellent cost control, this performance enabled us to grow both Adjusted EBITDA and Adjusted EBITDA margin. We generated strong Free Cash Flow and continued to deleverage further, reducing Net Debt to Adjusted EBITDA to 3.6x, our lowest level since 2014.

Vladimir Bychkov
 CEO of Global Ports Management LLC



of its debt portfolio, the currency of its cash and deposits and the use of hedging instruments in relation to both revenue and debt.

- The Group continued to deleverage and reduced Net Debt by a further USD 85.6 million* in 2018. The Group decreased its Total Debt by USD 124.4 million* in 2018.
- Net Debt to Adjusted EBITDA decreased from 4.3x* to 3.6x* during 2018.
- In line with statements made in March 2015, the Group continues to prioritise deleveraging over dividend distribution.

Operating Information and Market Overview

The table on the right 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.

In September 2018 the Group completed the previously announced sale of its holding in JSC Logistika-Terminal, one of the Group's two inland terminals. The table below includes 2018 results of LT until the date of completion of the transaction (3 September 2018).

The Russian container market continued its recovery in 2018 increasing by 10.0% year-on-year driven by a strong increase in the handling of laden import containers. Throughput of laden export containers at Russian terminals continued its rapid growth (+13.9% year-on-year), mainly due to increased exports and the wider use of containers in Russia. Laden exports have risen 76% since 2013 supported by increased exports and the containerisation of export supply chains. The latter helps to reduce inefficiencies in supply chains, provides more flexibility and enables companies to directly market small quantities (as little as one container) globally.

Overall marine container throughput at Russian terminals reached 4.87 million TEU in 2018 compared to 4.43 million TEU for 2017. 441 thousand TEU were handled by marine terminals in Russia in December 2018 – the highest monthly throughput since June 2014. The growth of the Russian container market continued in 2019 with 8.4% year-on-year increase in container throughput in January–February 2019.

	FY 2017	FY 2018	Change	
			Abs	%
Marine Terminals				
Containerised cargo (thousand TEUs)				
PLP	206.3	246.4	40.2	19.5%
VSC	370.8	419.2	48.4	13.1%
FCT	553.8	617.0	63.2	11.4%
ULCT	74.1	68.9	(5.2)	(7.1%)
Non-containerised cargo				
Ro-ro (thousand units)	23.9	20.3	(3.6)	(14.9%)
Cars (thousand units)	95.4	121.1	25.6	26.9%
Other bulk cargo (thousand tonnes)	2,731.2	3,161.7	430.5	15.8%
Inland Terminal				
LT				
Containerised cargo (thousand TEUs)	171.8	119.2	(52.2)	(30.6%)
Bulk cargo throughput (thousand tonnes)	324.1	229	(95.0)	(29.3%)
Consolidated Marine Container Throughput	1,205.0	1,351.6	146.6	12.2%
Consolidated Inland Container Throughput	171.8	119.2	(52.2)	(30.6%)
Consolidated Marine Bulk Throughput	2,694.9	3,122.8	427.9	15.9%
Consolidated Inland Bulk Throughput	324.1	229	(95.0)	(29.3%)
<i>Operational statistics of Joint Ventures</i>				
Containerised cargo (thousand TEUs)				
Moby Dik	167.6	81.7	(85.9)	(51.2%)
Finnish Ports	115.6	107.1	(8.5)	(7.4%)
Non-containerised cargo				
VEOS (million tonnes)	2.1	2.1	(0.0)	(1.9%)
Inland Terminal				
Yanino				
Containerised cargo (thousand TEUs)	116.2	122.8	6.6	5.7%
Bulk cargo throughput (thousand tonnes)	498.6	542.8	44.2	8.9%

Consolidated Marine Container Throughput, thousand TEUs

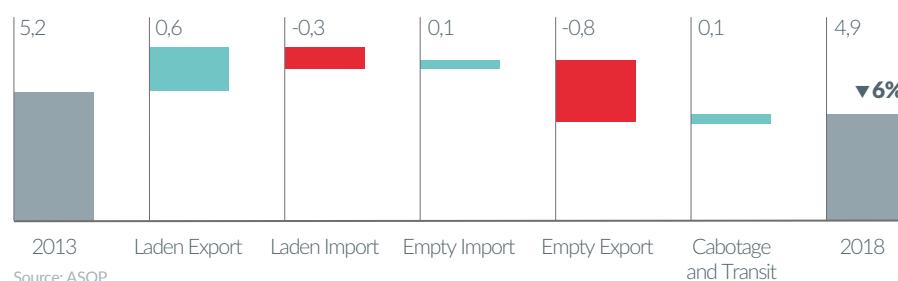
▲ 12.2% **▲ 26.9%**

2018	1,352	2018	121.1
2017	1,205	2017	95.4

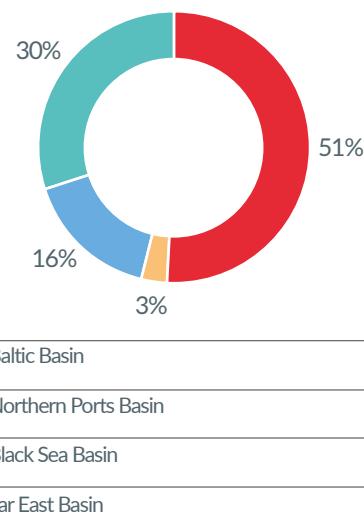
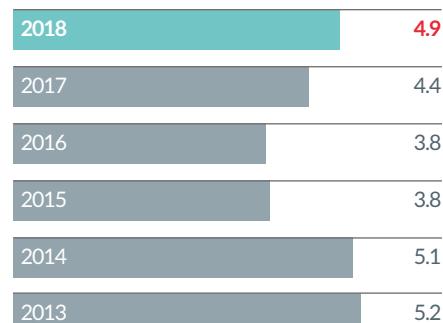
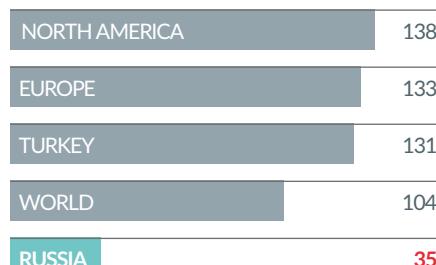
Consolidated Marine Bulk Throughput, thousand tonnes

▲ 15.9% **▼ 14.9%**

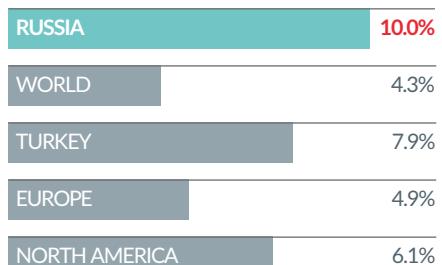
2018	3,123	2018	20.3
2017	2,695	2017	23.9

Monthly Volumes of Russian container market (monthly dynamics, k teu)**Laden export growth is sustained trend over the last five years** (million TEU)**Russian container market volumes**

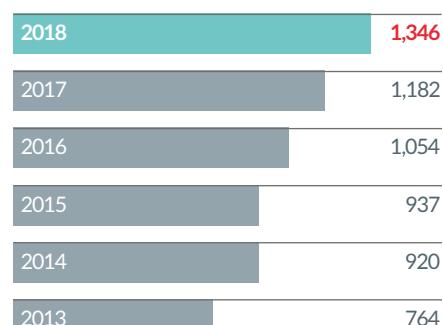
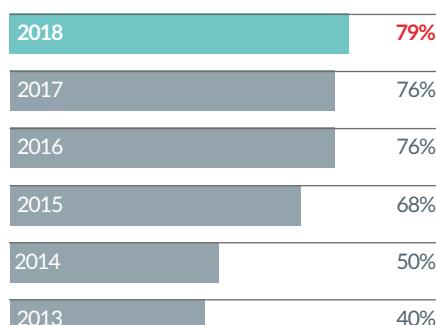
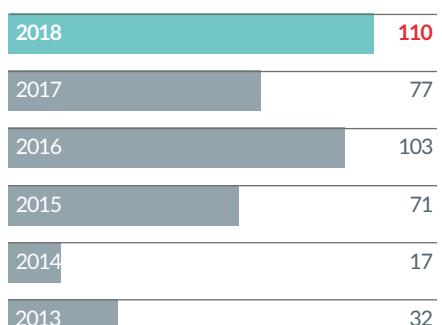
(by basin, 2018)

**Continuous growth of undercontainerised market****Russian container market volumes**
(million teu)**Container/thousand capita in 2018**
(teu/k people)

Source: Drewry; some 2018 numbers estimated

Global markets growth in 2018
(%)

Source: Drewry; some 2018 numbers estimated

Strong growth in laden export**Laden export container throughput**
(k teu)
▲76% (2013-2018)**Share of laden export container throughput**
in St. Petersburg (and area)**Imports of empty containers**
(k teu)

Container throughput in the Far East demonstrated even higher growth rates of 13.1% year-on-year. The growth in container throughput at the terminals in Saint-Petersburg and the surrounding area accelerated to 10.6% due to cost advantages and increased vessel capacity while container throughput at the Russian South basin (+2.2% year-on-year) lagged the market due to inland infrastructure bottlenecks and reduced cost advantages.

The Group's Consolidated Marine Container Throughput increased 12.2% to 1,352 thousand TEU in 2018 compared to 1,205 thousand TEU in the same period of 2017. The overall growth rate of the Group's Consolidated Marine Container Throughput outpaced that of the Russian container market.

The Group continued to focus on increasing bulk cargo volumes to improve utilisation rates at its terminals. As a result, Consolidated Marine Bulk Throughput increased by 15.9% (428 thousand tonnes) to 3,123 thousand tonnes, a record level for the Group. This growth in Consolidated Marine Bulk Throughput was primarily driven by the growth in export in metal and other export bulk cargo handling at PLP and ULCT.

The Group's passenger car handling volumes increased by 27% from 95 thousand units in 2017 to 121 thousand units in 2018. The key drivers of this growth were an overall increase in car imports into Russia and growth in export of cars produced in Russia, which was underpinned by the growth in the Groups' clients' market shares as well as investments made by PLP to upgrade its car handling terminal and related services.

Impact of industry developments

The rapid growth of containerised laden export over the last five years supports the increase of capacity utilisation in the industry due to the higher capacity requirements on container yards of laden exports. A key operational impact for terminal operators has been an overall reduction in yard capacity of container terminals as laden export containers require significantly longer dwell time compared to laden import containers or empty export containers, which in turn lengthens the turnover time of the container storage yard. Currently the Group estimates average container handling capacity utilisation for the Russian market in 2019 at above 70%¹.

As a result of the growth in laden exports, staff reductions due to cost efficiency programmes and the redistribution of equipment between its terminals in 2014-2018, the Group believes that the following numbers reflect the medium-term berth and yard capacity of the Group's terminals, with berth and gate capacity broadly unchanged.

The Group operates well-invested terminals in key gateways and with its available container capacity is able to balance its activity in line with market requirements. By flexing headcount, working hours and used equipment at its terminals, the Group can maximise or minimise terminal yard capacity. The Group believes that its yard capacity has the potential to be increased (should the market require it) within the previously announced planned maintenance capital expenditure guidance. The Group expects that its terminals will require moderate maintenance CAPEX in the near-term with 2019 maintenance CAPEX expected to be broadly in line with 2018.

The recovery in the Russian container market continued in 2018, growing by 10% during the year. Global Ports outperformed the market and delivered a 12% increase in container volumes. Over the last five years, the structure of the container market has changed materially. Looking forward, we see a significant growth opportunity in both laden export and the import of empty containers, driven mainly by ongoing containerisation and global demand. We look forward to taking advantage of the long-term opportunities that this offers.

Brian Bitsch

CCO of Global Ports Management LLC



Berth and gate capacity as at 31 December 2018	Yard capacity as at 31 December 2018
thousand TEU per annum	thousand TEU per annum
PLP	1,000
VSC	650
FCT	1,250
	440
Total	3,340
	2,355

In 2019, the Group will continue to focus on offering a strong value proposition to its clients. Even though capacity utilisation is expected to increase, competition in the industry remains strong which will be reflected in the Group's approach to pricing in 2019, with headline pricing expected to decrease in the single digit area.

¹. Company estimates throughput based on ASOP. Capacity estimated on companies websites (www.port-bronka.ru www.deloports.ru www.terminalspb.ru www.nmtp.info and other public available sources). Yard capacity for Group used for calculations.

Results of operations of Global Ports for the twelve months ended 31 December 2018 and 2017.

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 2018 and 2017.

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
Selected consolidated financial information				
Revenue	330.5	343.6	13.1	4.0%
Cost of sales	(148.5)	(136.0)	12.5	(8.4%)
<i>incl. impairment of property, plant and equipment and intangible assets</i>	(11.4)	-	11.4	-
Gross profit	182.0	207.6	25.6	14.0%
Administrative, selling and marketing expenses	(42.7)	(38.9)	3.8	(8.9%)
Share of (loss)/profit of joint ventures accounted for using the equity method	(73.3)	(12.4)	60.8	(83.0%)
Other gains/(losses) – net	(71.3)	(24.6)	46.8	(65.6%)
Operating profit	(5.3)	131.6	137.0	(2,569.0%)
Finance income	2.0	2.6	0.5	25.1%
Finance costs	(90.9)	(85.1)	5.7	(6.3%)
Change in fair value of derivative	42.1	(27.5)	(69.6)	(165.4%)
Net foreign exchange gains/(losses) on financial activities	27.9	(75.2)	(103.1)	(369.1%)
Finance income/(costs) – net	(18.8)	(185.3)	(166.5)	885.6%
Loss before income tax	(24.1)	(53.6)	(29.5)	122.3%
Income tax expense	(28.8)	(4.7)	24.1	(83.7%)
Loss for the period	(52.9)	(58.3)	(5.4)	10.2%
Attributable to:				
Owners of the Company	(53.0)	(59.3)	(6.3)	11.9%
Non-controlling interest	0.0	1.0	0.9	3,553.8%
Key Non-IFRS financial information				
Gross profit adjusted for impairment	193.4*	207.6*	14.2	7.3%
Gross profit margin (Adjusted for Impairment)	58.5%*	60.4%*		
Adjusted EBITDA	201.6*	217.3*	15.7	7.8%
Adjusted EBITDA margin	61.0%*	63.2%*		
Cost of Sales Adjusted for Impairment	(137.1)*	(136.0)*	1.1	(0.8%)
Cash Cost of sales	(87.1)*	(88.9)*	(1.7)	2.0%
Total Operating Cash costs	(128.9)*	(126.3)*	2.6	(2.0%)
Operating Profit Adjusted for Impairment	6.1*	131.6*	125.6	2,069.6%
Profit for the Period Adjusted for Impairment	(41.5)*	(58.3)*	(16.8)	40.4%
Free Cash Flow	145.9*	133.6*	(12.3)	(8.4%)

Revenue

The following table sets forth the components of the consolidated revenue for the twelve months of 2018 and 2017.

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
Container handling revenue adjusted for LT ¹	249.1*	251.2*	2.1	0.8%
Other revenue adjusted for LT	71.3*	85.7*	14.3	20.1%
LT	10.0*	6.7*	(3.3)	(33.3%)
Total revenue	330.5	343.6	13.1	4.0%

¹. Container handling revenue adjusted for LT consists of Consolidated Container Revenue of the Group less container revenue of LT in the reporting period. Other revenue adjusted for LT consists of Consolidated Non-Container Revenue of Group less non-container revenue of LT.

In 2018 revenue increased by 4.0% to USD 343.6 million from USD 330.5 million in 2017 driven by higher revenue from container handling revenue adjusted for LT and strong growth in other revenue adjusted for LT.

Revenue from container handling adjusted for LT increased 0.8%, or USD 2.1 million, to USD 251.2 million*. This change was driven by an increase in Consolidated Container Throughput of 12.2% that was partially offset by an 10.1% decrease in consolidated Revenue per TEU. Only a low single digit percentage of the reduction in Revenue per TEU was attributable to change in tariffs, and the remainder is largely attributable to lower share of imports and the change in customer and service mix.

Other revenue adjusted for LT increased by 20.1%, or USD 14.3 million, to USD 85.7 million*, driven by growth in coal and other bulk cargo handling revenue.

Revenue of LT in consolidated revenue of Global Ports decreased by USD 3.3 million or 33.3% from USD 10.0 million in 2017 to USD 6.7 million in 2018. This change was primarily driven by the fact that LT revenue was consolidated in Group's revenue only for the period from 1 January 2018 to 3 September 2018.

The share of Consolidated Non-Container Revenue in consolidated revenue of the Group increased from 22.9%* in 2017 to 25.7%* in 2018.

Cost of sales

The following table sets out a breakdown by expense of the Cost of sales for 2018 and 2017:

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
Depreciation of property, plant and equipment	37.0	34.3	(2.7)	(7.4%)
Amortisation of intangible assets	12.9	12.9	(0.1)	(0.6%)
Impairment of property, plant and equipment and intangible assets	11.4	-	(11.4)	(100.0%)
Staff costs	41.9	42.1	0.2	0.5%
Transportation expenses	8.3	6.9	(1.5)	(17.9%)
Fuel, electricity and gas	7.6	8.8	1.2	15.6%
Repair and maintenance of property, plant and equipment	7.1	7.4	0.3	4.4%
Purchased services	6.8	8.3	1.5	21.3%
Taxes other than on income	5.2	5.0	(0.2)	(4.5%)
Other operating expenses	10.2	10.4	0.2	2.0%
Total Cost of sales	148.5	136.0	(12.5)	(8.4%)
Cash Cost of Sales	87.1*	88.9*	1.7	2.0%

Cost of sales decreased by USD 12.5 million, or 8.4%, from USD 148.5 million in 2017 to USD 136.0 million in 2018. The decline was primarily driven by a non-cash property, plant and equipment impairment charge of USD 11.4 million incurred in 2017 in relation to LT¹.

Cash Cost of Sales increased by only 2.0% from USD 87.1 million* in 2017 to USD 88.9 million* in 2018 despite the double-digit growth in throughput in both container and bulk cargo handling combined with the 4.2% inflation rate in Russia² in 2018. The change in cost items such as Fuel, electricity and gas, Purchased services and Transportation expenses is directly linked to the change in volumes of cargo handling. In addition, the movement in Transportation expenses reflects the deconsolidation of LT and one-off expenses related to the railway delivery at VSC in 2017.

Gross profit

Gross profit increased by USD 25.6 million, or 14.0%, from USD 182.0 million in 2017 to USD 207.6 million in 2018. This increase was due to the factors described above under Revenue and Cost of sales.

Administrative, selling and marketing expenses

Administrative, selling and marketing expenses decreased by USD 3.8 million, or 8.9%, from USD 42.7 million in 2017 to USD 38.9 million in 2018. This was primarily due to a decrease of USD 0.8 million, or 3.1%, in Staff costs due to the depreciation of the Russian rouble, cost optimisation as well as USD 1.7 million or 57.1% decrease in Operating lease costs from USD 3.0 million in 2017 to USD 1.3 million in 2018 due to the relocation of headquarters to Saint-Petersburg and the optimisation of rented offices.

Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA in 2018 increased 7.8% or USD 15.7 million to USD 217.3 million* from USD 201.6 million* in 2017 mainly due to the growth in throughput and strict control over cash costs. Adjusted EBITDA margin improved by 224 basis points from 61.0%* in 2017 to 63.2%* in 2018.

¹ See Global Ports' releases dated 16 August 2017 and 14 March 2018 for details of the Impairment charge recognised in relation to LT.

² Source: Federal State Statistics Service <http://www.gks.ru>.

³ Management estimate, calculated as if effective USD/RUB exchange rate in 2017 was the same as in 2017.

Total Operating Cash Costs

(USD million)

▼2.0%

2018	126.3
2017	128.9

Total Operating Cash Costs Adjusted for FX (USD million)³

▲5.8%

2018	136.3
2017	128.9

Net Debt / Adjusted EBITDA

▼0.7

2018	3.6
2017	4.3

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

The Group's share of loss from joint ventures decreased by USD 60.8 million or 83.0% from USD 73.3 million in 2017 to USD 12.4 million in 2018.

The loss in 2017 was principally due to unfavourable results from Vopak E.O.S (Estonia), which in turn were due to a structural deterioration in the business environment in which the terminal operates, which is heavily dependent on the exports of Russian oil products. As a result, the Group took USD 71.6 million of impairment charge on its investment in 2017. The investment in Vopak E.O.S has been impaired to the carrying amount of USD 7.3 million as of 31 December 2017.

As a result of deterioration of the business environment for VEOS, in the end of 2018 the Group decided to put this JV for a potential sale. Due to this reason, the investment in VEOS was reclassified to assets held for sale. Its carrying amount is its fair value less costs to sell.

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
VEOS	(77.5)	5.0	82.5	(106.5%)
MLT	5.2	(14.3)	(19.5)	(374.9%)
CD Holding	(1.0)	(3.1)	(2.1)	211.2%
Total share of profit/(loss) of joint ventures	(73.3)	(12.4)	60.8	(83.0%)

Share in the result of MLT changed from a profit of USD 5.2 million in 2017 to a loss of USD 14.3 million in 2018. The result was primarily driven by decline in throughput at Moby Dik due to the reduction of cargo volumes. The valuation of Moby Dik was based on the expected fair value less cost to sell of those assets which have active market and their value could be reliably determined. As a result, the investment in MLT Ltd (being the parent of Moby Dik) was impaired by USD 14 million.

Other gains/(losses) – net

Other gains/(losses) amounted to a net loss of USD 24.6 million in 2018, compared to a loss of USD 71.3 million in 2017. The 2017 result was impacted by a loss relating to the recycling of derivative losses previously recognised through other comprehensive income of USD 69.6 million. The nature of this loss was linked to the acquisition of NCC at the end of 2013, following which 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 the restructuring, this loan was terminated. This then resulted in the termination of the cross-currency interest rate swap arrangement outlined 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.

In 2018 the Group disposed of a subsidiary with net liabilities of USD 0.94 million for a cash consideration of USD 0.86 million. The main asset of the subsidiary was loading equipment. The transaction did not have any adverse effect on the operations of the Group. The transaction resulted in an overall gain of USD 4.6 million booked within 'Other gains/(losses) – net', comprising a USD 1.8 million gain from sale of the subsidiary and USD 2.8 million of foreign translation differences that were reclassified from the translation reserve to the income statement.

In September 2018, upon obtaining approval of relevant regulatory authorities, the Group completed the sale of its 100% holding in LT for a cash consideration of RUB 1.9 billion. The result of the disposal is a USD 0.6 million gain that is reflected within 'other gains/(losses) – net'. In addition, USD 29.9 million are recycled to 'other gains/(losses) – net' from the currency translation reserve. This is the amount related to LT that was recognised in other comprehensive income and accumulated in the equity.

Operating profit/(loss)

The Group's operating profit changed from operating loss of USD 5.3 million to operating profit of USD 131.6 million in 2018 due to the factors described above under Gross profit, Share of profit/(loss) of joint ventures accounted for using the equity method and Other gains/(losses) – net.

Finance income/(costs) – net

Finance income/(costs) – net increased from a cost of USD 18.8 USD million

in 2017 to a cost of USD 185.3 million in 2018. This move was primarily due to a foreign exchange gain from financing activities of USD 27.9 million in 2017 reducing to a loss of USD 75.2 million in 2018. This was a result of the depreciation of the Russian rouble¹, which in turn led to a change from the gain to loss on revaluation of US dollar-denominated borrowings in the Group's Russian subsidiaries. Further, the change in fair value of derivative instruments² turned from a profit of USD 42.1 million in 2017 to a loss of USD 27.5 million in 2018, which contributed to the movement in finance income/(costs) – net.

Profit/(loss) before income tax

Loss before income tax increased from loss of USD 24.1 million in 2017 to USD 53.6 million or by USD 29.5 million due to the factors and change in non-cash items described above under Operating profit/(loss) and Finance income/(costs) – net.

Income tax expense

In 2018, the income tax expense was USD 4.7 million, compared to USD 28.8 million in 2017. The difference in the effective tax rate from the normally applicable Russian statutory tax rate of 20% was largely driven by the impact of expenses and losses not deductible for tax purposes, withholding tax on undistributed profits and nontaxable results of joint ventures.

Profit/(loss) for the period

The company reported a loss of USD 58.3 million in 2018 compared to a loss of USD 52.9 million in 2017 due to the factors described above.

¹ During 2018 the exchange rate of US Dollar increased from 57.6 RUB as of 31 December 2017 to 69.5 RUB as of 31 December 2018 that represents the strengthening of US Dollar against Russian Rouble by 20.6%.

² During 2015 and 2016 the Group entered into three cross-currency swap arrangements to exchange its RUB-denominated liabilities related to the newly issued bonds (3 issues of RUB 5,000 million each) with fixed interest rate of approximately 13% in the amount RUB 15,000 million to USD-denominated debt with the lower fixed interest rate.

Liquidity and capital resources

General

As at 31 December 2018, the Group had USD 91.6 million in cash and cash equivalents.

The Group's liquidity requirements arise primarily in connection with repayments of principal and interest payments, capital investment programme and ongoing operating costs of its operations. In 2018 the Group's liquidity needs were met primarily by cash flows generated from its operating activities. The Group expects to fund its liquidity requirements in both the short and medium term with cash generated from operating activities.

As a result of the shareholding or joint venture agreements at Moby Dik, the Finnish Ports, Yanino and Vopak E.O.S., the cash generated from the operating activities of each of the entities in those businesses is not freely available to fund the other operations and capital expenditures of the Group or any other businesses within the Group and can only be lent to an entity or distributed as a dividend with the consent of the other shareholders to those arrangements.

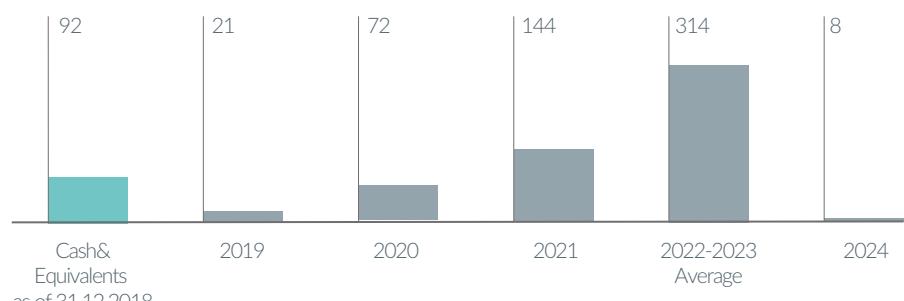
As of 31 December 2018, the Group had USD 871.9 million* of total borrowings, of which USD 21.2 million* comprised current borrowings and USD 850.8 million* comprised noncurrent borrowings. As at 31 December 2018, the Group had no meaningful undrawn borrowing facilities. See also Capital resources.

Cash flows

The following table sets out the principal components of the Group's consolidated cash flow statement for 2018 and 2017:

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
Net cash from operating activities	173.9	174.3	0.4	0.2%
Cash generated from operations	196.7	208.0	11.3	5.7%
Tax paid	(33.5)	(35.4)	(1.9)	5.6%
Net cash from operating activities before dividends received from joint ventures and adjusted for income tax	163.2	172.6	9.4	5.8%
Dividends received from joint ventures	10.8	1.7	(9.0)	(84.0%)
Net cash used in investing activities	(34.6)	(13.5)	21.1	(60.9%)
Purchases of intangible assets	(1.8)	(2.6)	(0.7)	38.4%
Purchases of property, plant and equipment	(28.0)	(40.8)	(12.7)	45.3%
Proceeds from sale of property, plant and equipment	0.3	0.5	0.2	59.1%
Loans granted to related parties	(7.5)	(1.4)	6.1	(81.3%)
Loan repayments received from related parties	1.2	0.3	(0.9)	(78.0%)
Disposal of subsidiary	-	28.8	28.8	-
Interest received	1.3	1.6	0.3	27.1%
Net cash used in financing activities	(129.1)	(196.2)	(67.1)	51.9%
Repayments of borrowings	(57.5)	(154.2)	(96.6)	168.0%
Interest paid	(89.1)	(84.4)	4.7	(5.3%)
Proceeds from derivative financial instruments	20.3	43.1	22.8	112.6%
Finance lease principal payments (third parties)	(2.7)	(0.8)	2.0	(71.8%)
Free cash flow (Net cash from operating activities – Purchase of PPE)	145.9	133.6	(12.3)	(8.4%)

Debt maturity profile as of 31 December 2018 (usd million)



Net cash from operating activities

Net cash from operating activities increased by USD 0.4 million, or 0.2%, from USD 173.9 million in 2017, to USD 174.3 million in 2018. Growth in Net cash from operating activities was primarily due to a USD 11.3 million, or 5.7%, increase in the Cash generated from operations, due to the growth in Revenue

and Adjusted EBITDA described above. This growth in Cash generated from operations was partially offset by the USD 9.0 million or 84.0% decrease in Dividends received from joint ventures due to a reduced dividend payment from Moby Dik and as a result of the elevated dividend that had been declared by VEOS previously and paid in 2017.

Net cash used in investing activities

Net cash used in investing activities decreased by USD 21.1 million, or 60.9%, from USD 34.6 million in 2017 to USD 13.5 million in 2018. The USD 6.1 million decrease in Loans granted to related parties which are primarily related to the Group's joint venture, Yanino Logistics Park (YLP), was partially offset by the USD 12.7 million growth in Purchases of property, plant and equipment.

The increase in Purchases of property, plant and equipment was in line with the mid-term CAPEX guidance of USD 25-35 million per annum and an additional investment into new coal handling facility at ULCT. Capital expenditure in the period was focused on planned maintenance projects, the scheduled upgrade of existing container handling equipment (replacement of container straddle carriers at FCT to improve both efficiency of operations and level of service) and coal handling equipment at VSC as well as environmental protection measures undertaken in relation to coal handling.

USD 28.8 million of Disposal of subsidiary reflect mainly proceeds from sale of LT in September 2018.

Net cash used in financing activities

Net cash used in financing activities increased by USD 67.1 million, or 51.9%, from USD 129.1 million in 2017 to USD 196.2 million in 2018 due to repayment of borrowings increased to USD 154.2 million in 2018 as the Group in additional scheduled repayment of debt fully prepaid a bilateral bank loan and bought back certain amount of its own Eurobonds.

The Group's cash outflows related to the servicing of debt (calculated as net of Interest paid and Proceeds from derivative financial instruments) amounted to USD 41.3 million in 2018 which was 40% or USD 27.5 million* lower than in 2017 (USD 68.8 million) due to the decrease in total debt described above as well as a result of termination of the cross-currency interest rate swap arrangements in the end of 2018. The net proceeds received on termination of swaps amounted to USD 27.7 million.

Capital resources

The Group's financial indebtedness consists of bank borrowings, bonds, finance leases liabilities and amounted to USD 871.9 million* as at 31 December 2018. As of that date, all of the Group's borrowings were secured 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 8.5%*.

As at 31 December 2018, the Group had leverage of Net debt to Adjusted EBITDA ratio of 3.6x* (compared to a ratio of 4.3x* as at 31 December 2017 and 4.2x* as at 31 December 2016).

The following table sets out the maturity profile of the Group's total borrowings (including finance leases) as at 31 December 2018.

	USD mln
2019	21.2
2020	71.8
2021	143.9
2022 and after	635.1
Total	871.9

As at 31 December 2018, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	USD mln
Rouble	229.5
US dollar	642.4
Total	871.9

Our strong financial performance was underpinned by constructive market fundamentals and excellent operational execution. Revenue increased by 4.0% in 2018, primarily driven by 16.8% growth in Consolidated Non-Container Revenue. We continued to focus on strict cost control and achieved a 2% decline in Total Operating Cash Costs in dollars. Our strong cash generation and treasury initiatives have enabled us to continue to deleverage at a rapid pace.

Alexander Roslavlsev

CFO of Global Ports Management LLC



Consistent net debt reduction (usd million)

2018	780
2017	866
2016	947
2015	1,048
2014	1,208
2013	1,350

Reconciliation of Additional data (non-IFRS) to the consolidated financial information for the twelve-month period ended 31 December 2018

Reconciliation of Adjusted EBITDA to Profit for the period

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
Profit for the year	(52.9)	(58.3)	(5.4)	10.2%
Adjusted for				
Income tax expense	28.8	4.7	(24.1)	(83.7%)
Finance costs – net	18.8	185.3	166.5	885.6%
Amortisation of intangible assets	13.0	12.9	(0.1)	(0.4%)
Depreciation of property, plant and equipment	38.0	35.8	(2.2)	(5.9%)
Impairment of goodwill and property, plant and equipment	11.4	–	(11.4)	–
Other (losses)/gains – net	71.3	24.6	(46.8)	(65.6%)
Share of (loss)/profit of joint ventures accounted for using the equity method	73.3	12.4	(60.8)	(83.0%)
Adjusted EBITDA*	201.6	217.3	15.7	7.8%

Reconciliation of Adjusted EBITDA Margin

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
Revenue	330.5	343.6	13.1	4.0%
Adjusted EBITDA*	201.6*	217.3*	15.7	7.8%
Adjusted EBITDA* margin	61.0%	63.2%		

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

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
Cost of sales	148.5	136.0	(12.5)	(8.4%)
Administrative, selling and marketing expenses	42.7	38.9	(3.8)	(8.9%)
Total	191.2	174.9	(16.3)	(8.5%)
Adjusted for				
Impairment of property, plant and equipment	(11.4)	–	11.4	–
Depreciation of property, plant and equipment	(38.0)	(35.8)	2.2	(5.9%)
Amortisation of intangible assets	(13.0)	(12.9)	0.1	(0.4%)
Total Operating Cash Costs*	128.9*	126.3*	(2.6)	(2.0%)



Reconciliation of Cash Costs of Sales to Cost of sales

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
Cost of sales	148.5	136.0	(12.5)	(8.4%)
Adjusted for				
Impairment of property, plant and equipment	(11.4)	–	11.4	–
Depreciation of property, plant and equipment	(37.0)	(34.3)	2.7	(7.4%)
Amortisation of intangible assets	(12.9)	(12.9)	0.1	(0.6%)
Cash Cost of Sales*	87.1*	88.9*	1.7	2.0%



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

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
Administrative, selling and marketing expenses	42.7	38.9	(3.8)	(8.9%)
Adjusted for				
Depreciation of property, plant and equipment	(1.0)	(1.5)	(0.5)	49.8%
Amortisation of intangible assets	(0.03)	(0.05)	(0.03)	93.8%
Cash Administrative, Selling and Marketing expenses*	41.7*	37.4*	(4.3)	(10.3%)



Reconciliation of Net Debt and Total Debt to borrowings

	As at 31.12.2017	As at 31.12.2018	Change	
	USD mln	USD mln	USD mln	%
Non-current Borrowings	1,005.7	850.8	(154.9)	(15.4%)
Current Borrowings	69.1	21.2	(47.9)	(69.3%)
Adjusted for				
Derivative financial instruments (non-current assets)	(58.8)	–	58.8	(100.0%)
Derivative financial instruments (current assets)	(19.5)	–	19.5	(100.0%)
Total Debt*	996.4*	871.9*	(124.4)	(12.5%)
Adjusted for				
Cash and cash equivalents	(130.4)	(91.6)	38.8	(29.8%)
Net Debt*	865.9*	780.3*	(85.6)	(9.9%)

Reconciliation of Free Cash Flow to Net cash from operating activities

	FY 2017	FY 2018	Change	
	USD mln	USD mln	USD mln	%
Net cash from operating activities	173.9	174.3	0.4	0.2%
Adjusted for				
Purchases of property, plant and equipment	(28.0)	(40.8)	(12.7)	45.3%
Free Cash Flow*	145.9*	133.5*	(12.3)	(8.4%)



A sustainable and safe business

At Global Ports, Corporate Social Responsibility (CSR) is an integral part of executing 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 activity embraces 5 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.

Corporate Social Responsibility

At Global Ports, corporate social responsibility (CSR) **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.

Introduction

Our CSR activity embraces 5 key objectives that support delivery of the Group's overall commercial strategy. As a sustainable and responsible organisation, our objectives are to:

- Follow responsible business practices especially with regard to Health, Safety and Environment;
- 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

Introduction

Safety remains the highest priority for the business. Nothing is more important than the health and safety of our people and we view their well-being as a primary responsibility of any company.

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;
- Offering comprehensive training programs focused on risk awareness and reduction.

Ensuring a safe working environment

We expect 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, 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, GMR);
- Through regular safety audits that benchmark our facilities' compliance in implementing our GMRs;

Being *a responsible business is a critical component of how we operate at Global Ports and fundamental to our delivering long-term sustainable growth.*

Britta Dalunde
Chairman of the Audit and Risk Committee
Senior Independent Director



- 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 new visitors visiting our production areas. We conduct regular safety-training exercises for staff covering general safety issues including, but not limited to: 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 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 the strategy and run the 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.

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

How We Performed in 2018

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

Over the last three years, our safety record has been on an improving trend with the frequency rate of injuries suffered at our facilities LTIFR steadily reducing. In 2018, we expanded our general cargo operations into new services. As many of these cargo operations are more manual in nature, this creates an increased exposure to potential minor injuries. Unfortunately, we experienced an increase in reportable injuries in this area last year. Consequently, our Lost Time Injury Frequency Rate (LTIFR) increased to 1.28 in 2018 (2017: 1.10). Every reported injury case was thoroughly reviewed and corrective measures enacted to reduce the likelihood of repeat incidents.

Tragically, although the Group suffered no fatalities in 2018 (0 fatalities / thousand employees), we have to report that we experienced one fatality after the year end at our PLP terminal. This is a matter of greatest concern for the Board and management team, as it is the first fatality the Group has suffered since it became

a listed company. It also means that in 2019 we will not reach our goal of zero fatalities.

The Board instigated a full investigation into the circumstance surrounding the fatal incident at PLP, as required under our safety rules. This has resulted in an immediate review of all our safety programmes and procedures, and the implementation of measures to reinforce our safety culture and further strengthen our safety programmes and procedures.

Our priorities in 2019

The Board is determined to transform the safety ethos of the company, and our 2019 focus will concentrate on:

- Improving our monitoring, reporting and reviewing of safety including adopting a more rigorous approach to incident reporting and follow-up;
- Developing Safety Improvement strategy;
- Implementing a comprehensive behavioural-change package of measures including greater leadership involvement in safety initiatives;
- Reviewing cargo handling to reduce or eliminate manual handling of cargo;
- Developing an employee rewards programme that focuses on safety embracing safety champions in dealing with unsafe situations;
- Increasing risk awareness training for stevedores and dockers;
- Implementing our External Contractor safety programme to align contractor selection more closely to our internal safety policies.

Employee Engagement

We employ more than 2,700 people¹ and our success depends on our ability to hire the best people at every level across the business, provide their well-being at work and look after them so that they are inspired to perform. This is core to the success of the business and our competitive position.

LTIFR

2018	1.28
2017	1.10
2016	1.51
2015	2.3
2014	2.13

Training & Development

In 2018, we conducted our first ever complex (incl. questionnaire, interviews with managers and meeting with all employees) employee survey among the staff of our Management Company because we wanted to hear our employees' views on life at Global Ports and to identify the issues that they think are most important to them. Thanks to a great response rate, we have a much better understanding of what our staff feel and think about their life in the company in all aspects and about the business. The feedback from the survey has been incorporated into a series of action plans and initiatives that are prioritising:

- Improving information-sharing about the Company's activities, and increasing the level of management communication with all team members;
- Building a shared sense of unity and teamwork among employees;
- Building cross-functional working and reducing complexity;
- Reviewing rewards and benefit packages;
- Improving development and career growth.

Employee development is a significant part of what we offer to our people. We want to provide a dynamic and exciting workplace that is attractive to both existing employees and new recruits.

We provide 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.

¹ As at 31 December 2018. More than 3000 people including Joint Ventures.

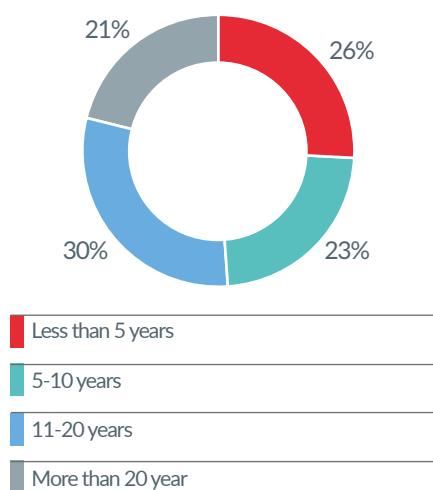
Recognising and rewarding our employees in a fair and transparent way ensures that our people feel incentivised to succeed, that outstanding performance is recognised, and that individuals are differentiated based on abilities and results. The Group has performance management systems in place throughout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

Diversity

While our industry has traditionally employed many more men than women, women are represented at all levels in the business including the Board, senior management, production and administration.

As of 31 December 2018, females represented 33%¹ of all employees, broken down into 27% of production staff, 13% of executive management and 65% of administrative staff². Women make up 27% of the entire Board and 2 out of the 3 independent directors are female. The importance of equality is set out in our Code of Conduct and underpinned by our values.

Diversity: length of service (years)



Human Rights

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.

¹ 36% in 2017. The decrease was primarily driven by sale of LT.
² On a consolidated basis.

Diversity data

Diversity: females as a percentage of total staff



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.

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 perform.

We provide updates on our strategic priorities and business performance through a variety of communication channels including management briefings, internal emails and our recently launched intranet portal.

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.

Environmental

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, renewable resources where possible and disposed 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 with its industry

Energy Usage:

	Unit	2016	2017	2018
Electricity consumption per 1 tonne of cargo handled by Russian Ports' marine terminals	kWh	2.46	2.15	2.14
Fuel consumption per 1 tonne of cargo handled by Russian Ports' marine terminals	l/t	0.47	0.44	0.45
Energy intensity of Russian Ports' marine terminals (MWh per million of sales revenue in USD)	USD	120	117	119

partners to reduce the impact of shipping and port operations on water quality at its port terminals.

We are working to reduce our environmental footprint. Specifically, we are examining ways to increase our energy efficiency and also reduce air emissions. For instance, we are working with our customers 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 to minimise the impact of negative water quality on the environment. As a part of our natural resource management, all accumulated rainwater and waste water is treated before being returned to waterways. We do not recycle waste water so in 2018 the Group recycled zero per cent of its waste water.

VSC continue to implement the terms of the tri-partite agreement signed with administrations of city of Nakhodka and Primorsk Territory in 2017. According to its terms approximately 670 million RUR will be invested in 2018-2021 into various environmental protection measures including additional water treatment facilities, coal dust suspension systems, air and water pollution monitoring systems and other initiatives.

Governance & 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 anti-corruption compliance framework in place as a 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.

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 organization. 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 charity and sponsor support.

In 2018, via its social programmes the Group provided support for a number of projects:

- VSC, FCT, ULCT and PLP supported the Life Line Charitable Foundation which helps to support seriously ill children;
- VSC sponsored the purchase of medical equipment for Vostochny Hospital in the city of Nakhodka;
- ULCT supported various groups including a children's football club and a singing team and also paid for the renovation of a military cemetery at Kingisepp.

Corporate Governance



- / Corporate Governance
- / Board of Directors
- / Executive Management
- / Terminal Directors
- / Risk Management

38

43

48

50

52

Effective governance is central to Global Ports' long-term success



Corporate Governance

The Board of Directors is committed to ensuring that **the highest standards of governance**, values and behaviours are in place and consistently applied in the boardroom and across the Group.

The Board believes that effective governance is essential to protecting shareholder value and the sustainable growth of the Group. Although the Company is not subject to the provisions of UK Corporate Governance Code, it actively seeks to align itself with international recognised governance best practices customary for public companies listed on the London Stock Exchange.

Director average age

49 years

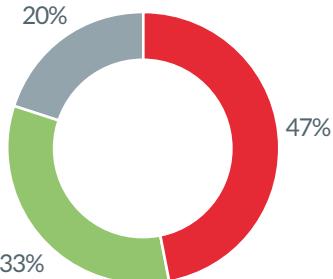
Board Age Ranges from

33 to **71** years

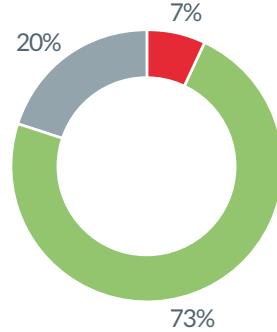
Director average compensation 79.2 th. USD in 2018.

For other corporate governance policies, see the Group's website: <http://www.globalports.com>

Tenure of Board

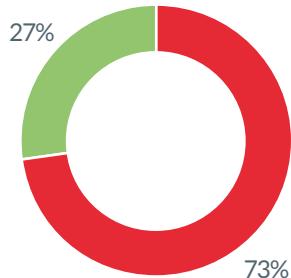


Board independence

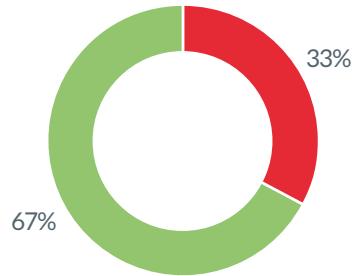


Board diversity

Whole Board

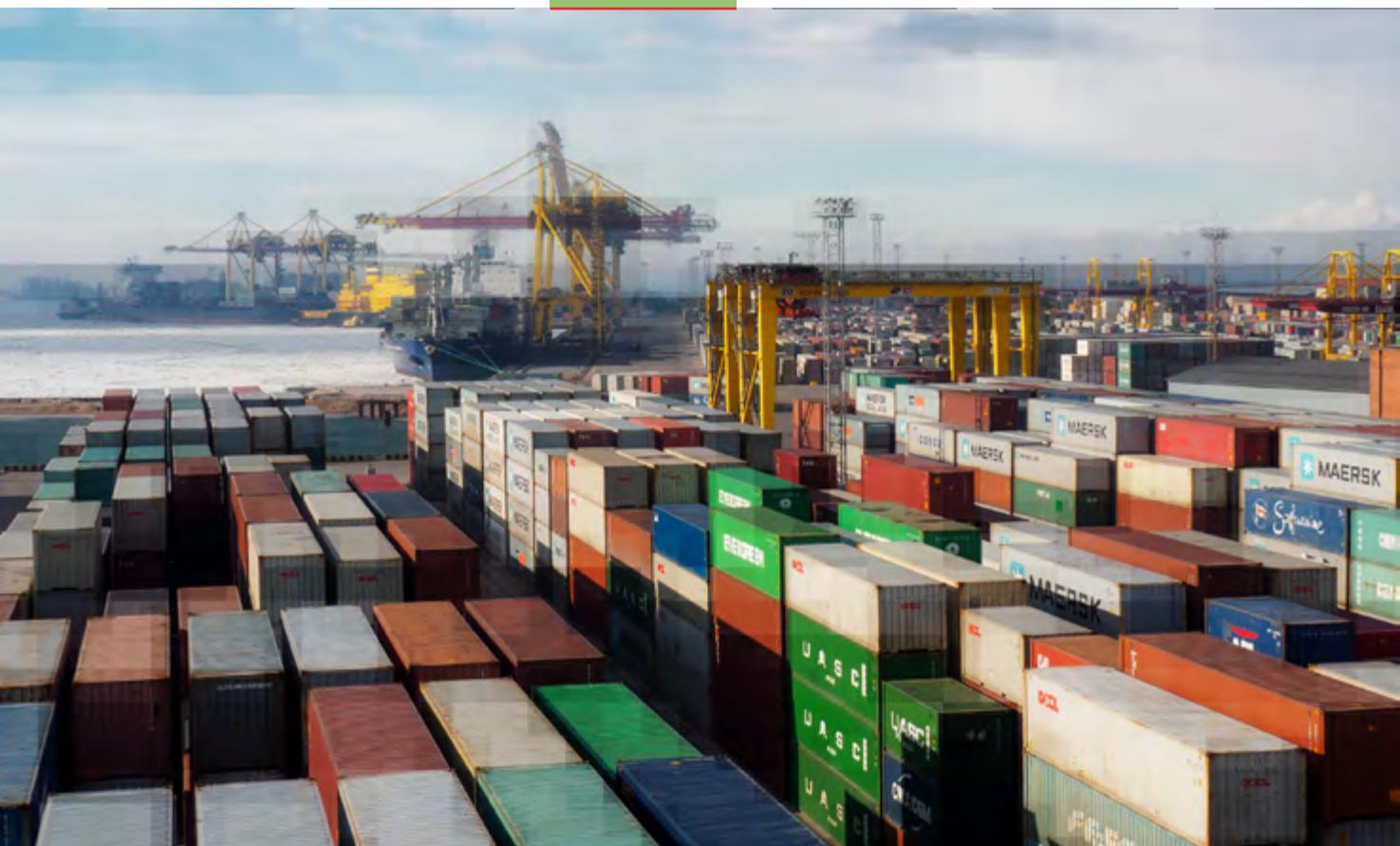


Independent Directors



Superior mix of knowledge and experience

Transport & Logistics	8
International business	7
Business Administration	5
Finance	6
Audit & Accounting	5
Law	4
Technologies	2
International Taxation	3
Investment Banking	3



CORPORATE GOVERNANCE

Board of Directors

15 members including
3 Independent Directors

Chairman

**Leads the Board and ensures
its effectiveness**

Chaired by Independent Director

AUDIT AND RISK COMMITTEE

5 members including
3 Independent Directors

Chaired by Independent Director

NOMINATION COMMITTEE

5 members including
1 Independent Director

Chaired by Independent Director

REMUNERATION COMMITTEE

5 members including
1 Independent Director

Secretary of the Board of Directors

**Ensures that Board procedures are respected
and that information flows between
the Board and the management team**



Executive management

Internal audit

→ Reporting lines

Role of the Board of Directors

Global Ports is governed by its Board of Directors ("the Board"), which is collectively responsible to the Group's shareholders for the long-term success of the Group. The Board is responsible for setting the Group's strategic objectives and ensuring that the necessary governance, structure, financial management and resources are in place to deliver its objectives. As a Board, we recognise that strong governance supports a healthy company culture and that it is important that the Board leads by example and sets the right tone in championing the behaviours we expect to see. The Board is satisfied that the Directors have the right blend of skills, experience, industry knowledge and independence appropriate to the Group's needs and its ongoing progress. 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.

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. On 18 September 2018 the Board approved the amended and restated versions of the following policies: Antifraud policy, Policy on Reporting of Improper Activities, Anti-Corruption Policy, Foreign Trade Controls Policy. On the same day the Board adopted a new Investigation policy.

Code of ethics and conduct

Global Ports' Code of Ethics and Conduct outlines the general business ethics and acceptable standards of professional behaviour expected of all directors, employees and contractors. The Code of Ethics was approved by the Board of Directors on 08 December 2016 and introduced throughout the Group companies over the course of 2017.

The 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 together with the relevant policies cover 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 a dedicated confidential hotline telephone and email service established in 2017. Over the course of 2018 the Board and executive management set about raising awareness about the use of the hotline service as an appropriate mechanism to raise any concerns in a responsible and effective manner. This work will continue in 2019.

The Code is accessible to all staff via the Group's website (in the Corporate Governance section) and available 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 breach of policies with the specific focus on the fraud incidents and resulting actions, and significant breaches have to be reported to the Board immediately.

Members of the Board of Directors

The Board of Directors leads the process of making new Board member appointments and recommends on the appointments of new members to shareholders. 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.

The Board currently has 15 members. The Board reviews the size of the Board annually and considers the current size of the Board as appropriate for the current scope and nature of the Group's operations.

Mr. Peder Sondergaard was the Chairman of the Board until 01 February 2018. Mr. Morten Henrick Engelstoft was elected the Chairman of the Board of Directors on 26 February 2018. Mrs. Britta Dalunde was elected the Senior Independent Director on 31 May 2018 following the resignation of Capt. Bryan Smith. There were no other significant changes in the responsibilities of the Directors during 2018 except for membership in the committees as described in the Management Report in the Consolidated Financial Statement.



For other corporate governance policies, see the Group's website:
<http://www.globalports.com>



For details on the changes in the composition of the committees of the Board, please refer to the Management report in the financial statements.

Chairman of the Board of Directors

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 materials, or who can provide additional insights into the issues being discussed, are invited to present materials 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 encourage dialogue and constructive relations. The Chairman also works closely with non-executive directors.

The Group separates the positions of the chairman and CEO to ensure an appropriate segregation of roles and responsibilities.

Board committees

There are three Board committees which were all established in 2008: the Audit and Risk Committee, the Nomination Committee and the 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 fourteen non-executive directors (including the chairman).

Mrs. Britta Dalunde (senior independent director), 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 independent Directors bring external perspectives and insight to the deliberations of the Board and its Committees, providing a range of business knowledge and other experience from different sectors. They play a particularly important role in the formulation and progression of the Board's agreed strategy. In reviewing and monitoring the performance of the executive management in the implementation of this strategy, they ensure that the interests of all stakeholders, shareholders, bondholders, employees, customers, suppliers and the communities where the Company operates, are considered.

Managing Director

Alexander Iodchin a 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 of US\$ 500,000 per transaction. The Board 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 contain 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 the 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 Chairmen of the committees receive additional remuneration.

The shareholders of the Company approved the remuneration of the members of the Board on 12 May 2017, 11 December 2017, 29 January 2018, 2 March 2018 14 May 2018 and 29 June 2018.

The total remuneration of the members of the Board of Directors paid by the Group and its subsidiaries in 2018 amounted to US\$ 1,188 thousand (2017: US\$ 1,085 thousand).

Company Secretary

The Group retains 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;
- there is interaction with the various governance groups occurs as needed;
- significant financial, managerial, and operating information is accurate, reliable, and timely;
- employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- resources are acquired economically, used efficiently and adequately protected;
- programs, plans and objectives are achieved;
- quality and continuous improvement are fostered in the Group's control process;
- significant legislative or regulatory issues impacting the Group are recognised and addressed properly.

The Head of the IAS, Mr. Ilya Kotlov, reports directly to the Audit and Risk Committee.

External auditors

At the Annual General Meeting of Global Ports, 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. 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;
- Compliance with requirements for external auditor independence.

In 2018, the shareholders of Global Ports re-appointed PricewaterhouseCoopers as the independent external auditor for the purposes of auditing the Group's IFRS financial statements for 2018. PricewaterhouseCoopers Limited will be proposed for re-election as the auditor for 2019 at the next Annual General Meeting.

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 should meet information disclosure standards set forth by the LSE.

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 production 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 inform them of 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 in the financial statements.

BOARD OF DIRECTORS¹**Mr. Morten Engelstoft**

N R

**Chairman 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.

SKILLS AND EXPERIENCE

Mr. Engelstoft was appointed as CEO of APM Terminals on November 2016 and to the Executive Board of A.P. Moller-Maersk A/S on 1 December 2017. Prior to that he was the CEO of APM Shipping Services from 2014, a role that included responsibilities as CEO of Maersk Tankers and the Chairman of DAMCO, Svitzer and Maersk Supply Services. From 2007 until 2014, he was Chief Operating Officer of Maersk Line, where he was responsible for global operations, procurement, fleet, technical vessel management and 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.

EXTERNAL APPOINTMENTS

Chief Executive Officer of APM Terminals, The Hague, the Netherlands. Executive Board member of A.P. Moller-Maersk A/S, Copenhagen, Denmark.

Board member TT Club Mutual Insurance Ltd (Director)

Board member Chembulk Tankers (Director)

MEETING PARTICIPATION²

95%

COMMITTEES MEMBERS

A Audit and risk committee

N Nomination committee

R Remuneration committee

Chairman of a committee

1. In alphabetical order.

2. Based on number of meetings eligible to attend during the year.

**Mrs. Iana Boyd**

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

YEAR OF APPOINTMENT

Mrs. Boyd was appointed as a Non-Executive member of the Board of Directors of the Company in January 2018, resigned on 19 April 2019

SKILLS AND EXPERIENCE

Mrs. Boyd is an experienced professional with diverse executive and boardroom experience. For the past six 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 across 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.

EXTERNAL APPOINTMENTS

Partner in BIANA BV (NL) and BIANA LLC (USA).

MEETING PARTICIPATION

86%

**Mr. Anton Chertkov**

N R

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

YEAR OF APPOINTMENT

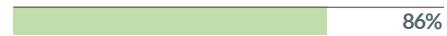
Mr. Chertkov was appointed as a Non-Executive member of the Board of Directors of the Company in May 2018.

SKILLS AND EXPERIENCE

Mr. Chertkov has extensive capital markets experience across a range of industry sectors and has held a number of board positions over the course of his career. He served as the General Counsel and the Secretary of the Board of Freight One from 2012 to 2014. Prior to that, Mr. Chertkov was Vice-President, Legal & Corporate, at Russian Platinum Group, where he prepared the company for its IPO on the London Stock Exchange. He also played key management roles at Basic Element from 2008 to 2011, including EN+ Group, where he helped prepare SMR for listing on the HKSE, following his role as Head of Legal, Strategic Projects at Uralkali from 2006 to 2007 where he advised on the USD 1 billion IPO on the LSE. From 2001-2006 he worked in Coca-Cola HBC Eurasia, where he held a position of Country Legal Counsel from 2003. Mr. Chertkov started his career in Ernst & Young Moscow in 1999 and is a graduate of the Moscow State University, Law Faculty.

EXTERNAL APPOINTMENTS

General Counsel of Delo Group, Member of the Management Board of Delo Group.

MEETING PARTICIPATION

86%

BOARD OF DIRECTORS

**Mr. Michalakis Christofides**

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

YEAR OF APPOINTMENT

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

SKILLS AND EXPERIENCE

Mr. Christofides has extensive Banking experience since 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

Does not hold positions in other companies.

MEETING PARTICIPATION**Mrs. Britta Dalunde**

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

YEAR OF APPOINTMENT

Mrs. Dalunde was appointed as an Independent Non-Executive member of the Board of Directors of the Company in May 2017.

SKILLS AND EXPERIENCE

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 Heriot Watt University.

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

EXTERNAL APPOINTMENTS

Mrs. Dalunde currently also serves as Independent Non-Executive director and Chairman of the audit-committee of ForSea AB, Weum Gas AB, Swedegas AB and Projektengagemang Sweden AB, Independent Non-Executive Director of Arlandabanan Infrastructure AB and Chairman of Cereb AB, Chorus AB, StraightTalk AB, JustBeforeTime AB, Pamagi Advisory AB.

MEETING PARTICIPATION**Mr. Alexander Iodchin**

**Member of the Board of Directors,
Executive Director**

YEAR OF APPOINTMENT

Mr. Iodchin was appointed as an executive member of the Board of Directors of the Company and has been Secretary of the Board of Directors since 2008. Mr Iodchin was internal auditor of Global Ports from 2008 until 2011.

SKILLS AND EXPERIENCE

Mr. Iodchin currently also serves as a Secretary of the Boards of Directors of various Group Companies and as the Chairman of the Board of Directors First Container Terminal Inc, and as the Board member of Global Ports (Finance) Plc and other companies of the Group. Mr. Iodchin is responsible for corporate governance matters across 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. He has a diploma in international finance, reporting standards and corporate finance.

EXTERNAL APPOINTMENTS

Currently does not hold positions in other external companies.

MEETING PARTICIPATION

COMMITTEES MEMBERS

A Audit and risk committee

N Nomination committee

R Remuneration committee

C Chairman of a committee

BOARD OF DIRECTORS

**Mr. Soren Sjostrand Jakobsen** A N R

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

YEAR OF APPOINTMENT

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

SKILLS AND EXPERIENCE

Mr. Jakobsen brings extensive international experience in the maritime industry and port development due to his 38-year career in A.P. Moller – Maersk Group, having spent 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 roles as the 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 at 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.

EXTERNAL APPOINTMENTS

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.

MEETING PARTICIPATION

100%

COMMITTEES MEMBERS

A Audit and risk committee

N Nomination committee

R Remuneration committee

C Chairman of a committee

**Mr. Demos Katsis**

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

YEAR OF APPOINTMENT

Mr. Katsis was appointed as a Non-Executive member of the Board of Directors of the Company in May 2018.

SKILLS AND EXPERIENCE

Mr. Katsis is the founder, partner and managing director of Katsis LLC law firm which is based in Cyprus with offices in Limassol and Nicosia and associated offices worldwide. As managing director of the firm, Mr. Katsis leverages his broad legal experience in trusts, tax, corporate litigation, corporate finance, commercial law and advanced mitigation.

Prior to founding Katsis LLC in 2010, Mr. Katsis worked at the George Georgiou LLC firm between 1999 and 2003 and other international law firms from 2003 to 2009. He served as a Partner at an International Law Firm between 2009 and 2010, having established and managed the firm's new affiliate office in Athens between 2006 and 2009. He graduated with honors from the University of Bristol with a Bachelor of Law and a Master of Law. Additionally, he was awarded a full E.U. scholarship to pursue a Masters' degree in Human Rights & Democratization at the University of Malta.

Mr. Katsis is an active author of various articles in relation to corporate and commercial issues and he holds the position of Professor at Pericles Able Project in Moscow.

EXTERNAL APPOINTMENTS

Partner and managing director of Katsis LLC.

MEETING PARTICIPATION**Mrs. Inna Kuznetsova** A N R

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

YEAR OF APPOINTMENT

Mrs. Kuznetsova was appointed an Independent Non-Executive member of the Board of Directors of Global Ports in December 2017 effective January 2018.

SKILLS AND EXPERIENCE

Mrs. Kuznetsova is the former 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), a FTSE100 software company where she served as Independent Non-Executive Director from 2014-2017. Mrs. Kuznetsova completed her Masters and PhD. study at Moscow State University and later earned an Executive MBA from Columbia Business School.

EXTERNAL APPOINTMENTS

No other commitments

MEETING PARTICIPATION

100%

100%

BOARD OF DIRECTORS

**Mrs. Laura Michael**

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

YEAR OF APPOINTMENT

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

SKILLS AND EXPERIENCE

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

Finance Manager of Vistra (Cyprus) Ltd.

MEETING PARTICIPATION**Mr. Lambros Papadopoulos**

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

YEAR OF APPOINTMENT

Mr. Papadopoulos was appointed as an Independent Non-Executive member of the Board of Directors of Global Ports in December 2017 effective January 2018.

SKILLS AND EXPERIENCE

Mr. Papadopoulos has over 25 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 an analyst with Citigroup (London), where as a Managing Director 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.

EXTERNAL APPOINTMENTS

Mr. Papadopoulos currently also serves as Non-Executive Chairman of Trastor Real Estate Investment Company, which is listed on the Greek Stock Exchange. He is the Founder and General Manager of PenteP Advisors Ltd (Cyprus).

MEETING PARTICIPATION**Mr. Stavros Pavlou**

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

N**R****YEAR OF APPOINTMENT**

Mr. Pavlou was appointed as a Non-Executive member of the Board of Directors of the Company in May 2018.

SKILLS AND EXPERIENCE

Mr. Pavlou is the Senior and Managing Partner of the law firm Patrikios Pavlou & Associates LLC. Having joined the firm as an advocate in 1986, Mr. Pavlou went on to serve as a Partner between 1989 and 1992, and as the Managing Partner between 1993 and 2002. Mr. Pavlou's core practice areas include commercial litigation, arbitration, corporate law and M&A, trusts & asset protection, banking & finance, international tax planning and commercial law.

Mr. Pavlou was appointed as a Fellow at the Chartered Institute of Arbitrators in 2017, having become a member in 2014. He became a Trust and Estate Practitioner in 2011 and was admitted to the Cyprus Bar in 1986.

Mr. Pavlou holds a BSc in Economics of Industry and Trade from LSE, as well as a Postgraduate Diploma in Law from City University London and is a member of the Honourable Society of Gray's Inn. Additionally, he has composed or co-authored 15 academic legal publications and has often lectured on matters of corporate governance and Directors Duties and Liabilities.

EXTERNAL APPOINTMENTS

Mr. Pavlou is the Senior and Managing Partner of the law firm Patrikios Pavlou & Associates LLC.

MEETING PARTICIPATION

COMMITTEES MEMBERS

A Audit and risk committee**N** Nomination committee**R** Remuneration committee**Chairman of a committee**

BOARD OF DIRECTORS

**Mr. Sergey Shishkarev**

Member of the Board of Directors,
Non-Executive Director

YEAR OF APPOINTMENT

Mr. Shishkarev was appointed as a Non-Executive member of the Board of Directors of the Company in May 2018.

SKILLS AND EXPERIENCE

Mr. Shishkarev founded the Delo Group in 1993 and remained at the helm of the company until 1999. He was then elected to the State Duma of the Russian Federation where he held various executive positions within the Committee on International Affairs, the Committee on Energy, Transport and Communications. Until 2011 Mr. Shishkarev was the Head of the Committee on Transport, before returning to Delo Group in 2014 as President. Mr. Shishkarev is an author of over 50 bills in the field of transportation.

Mr. Shishkarev graduated with Honours from the Military Red Banner Institute of the Ministry of Defense in 1992. In 2003 he graduated from the Russian Academy of Public Administration cum laude, with a degree in State and Municipal Management. In 2010 he became a Doctor of Law.

EXTERNAL APPOINTMENTS

Mr. Shishkarev is the President of Delo Group and the President of the Handball Federation of Russia.

MEETING PARTICIPATION**Mr. Nicholas Charles Terry**

Member of the Board of Directors,
Non-Executive Director

YEAR OF APPOINTMENT

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

SKILLS AND EXPERIENCE

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 departments 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.

EXTERNAL APPOINTMENTS

Director of Operations at Vistra (Cyprus) Ltd.

MEETING PARTICIPATION**Mr. George Yiallourides**

Member of the Board of Directors,
Non-Executive Director

YEAR OF APPOINTMENT

Mr. Yiallourides was appointed as a Non-Executive member of the Board of Directors of the Company in May 2018.

SKILLS AND EXPERIENCE

George Yiallourides is the Managing Director at the chartered accountancy firm, Yiallourides & Partners LTD based in Limassol, Cyprus. He has worked as an auditor both in UK and in Cyprus for companies such as Hereward Philips (now Smith&Williamson), Coopers & Lybrand (now PWC) and Horwath before setting up his own practice in 1999, focusing on audit and international taxation for clients from Central Europe, Eastern Europe, UK and US.

He received his undergraduate degree in Accounting and Financial Management with Honours at the University of Essex, UK and qualified as a Chartered Accountant of the Institute of England and Wales (ICAEW) in London, UK. He is currently a member of the Institute of Chartered Accountants of England and Wales (ICAEW) and the Institute of Certified Public Accountants of Cyprus (ICPAC).

EXTERNAL APPOINTMENTS

Managing Director at Yiallourides & Partners LTD, Non-Executive Director at Broker Credit (Cyprus) LTD.

MEETING PARTICIPATION

COMMITTEES MEMBERS

A Audit and risk committee

N Nomination committee

R Remuneration committee

C Chairman of a committee

EXECUTIVE MANAGEMENT¹**Mr. Vladimir Bychkov**

Chief Executive Officer of Global Ports Management LLC

YEAR OF APPOINTMENT

Mr. Bychkov was appointed as Chief Executive Officer of Global Ports Management LLC in July 2018.

SKILLS AND EXPERIENCE

Mr. Bychkov has worked at Delo Group since 2000, starting with the position of freight forwarder. In 2003, he became Deputy CEO, managing procurement and bunkering services before taking on the role of CEO of Krasnodarteploset to restructure the business. During 2004-2009, he was the CEO of Delo Group where he was instrumental to M&A, strategic partnerships, attracted equity finance while successfully transforming the Group into an efficient transport business with a core focus on stevedoring and logistics.

In July 2010, he became the President of Ruscon, the container and logistics segment of Delo Group that operates terminals and warehouses in the Novorossiysk and Moscow regions offering full range of handling services and storage facilities as well as sea freight transportation and turn-key logistics multimodal solutions.

Mr. Bychkov is a law graduate of the Academy of Federal Security of the Russian Federation, of the Finance Academy of the Russian Federation and has successfully completed the Executive MBA program of the School of Business of Moscow State University.

**Mr. Brian Bitsch**

Chief Commercial Officer of Global Ports Management LLC

YEAR OF APPOINTMENT

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

SKILLS AND EXPERIENCE

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. Moller Shipping School and holds a Graduate Diploma in Business Administration from Copenhagen Business School as well as a YMP from INSEAD.

**Mr. Andrei Bubnov**

Director for Strategy and Development of Global Ports Management LLC

YEAR OF APPOINTMENT

Mr. Bubnov was appointed as Director for Strategy and Development of Global Ports Management LLC in July 2018.

SKILLS AND EXPERIENCE

Mr. Bubnov joined Global Ports Group in 2018 and is responsible for identifying and driving growth opportunities across the business.

Prior to joining the Group, he managed the restructuring of Russian Regional Development Bank following a five-year period as Chief Financial Officer and then Chief Executive Officer of Delo Group. Between 2011-2012, Mr. Bubnov held the position of Deputy CEO at NCSP, Europe's third largest port operator in terms of cargo turnover, focusing on the implementation of a new corporate strategy as well as taking responsibility for the Finance and Investor Relations functions.

From 2003 to 2011, Mr. Bubnov held a number of positions in the London and Moscow offices of Morgan Stanley, most recently as Head of Fixed Income Capital Markets in Moscow. He has a strong track record of advising Russian transport companies on obtaining and maintaining credit ratings and has successfully implemented a range of projects, including multiple debt and equity capital markets transactions for large Russian and international corporations.

Mr. Bubnov has a degree from the Moscow State Institute of International Relations.

¹. In alphabetical order.

EXECUTIVE MANAGEMENT

**Mr. Alexander Roslavytsev**

Chief Financial Officer of Global Ports Management LLC

YEAR OF APPOINTMENT

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

SKILLS AND EXPERIENCE

Mr. Roslavytsev has over thirteen years of experience as a CFO in various industries. Before joining Global Ports, Alexander Roslavytsev 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. Roslavytsev has also worked for Intel Corporation, Ford Motor Company, KPMG UK and KPMG Russia. Mr. Roslavytsev is a Member of the Association of Chartered Certified Accountants (ACCA). In 1995, Mr. Roslavytsev 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. Douglas Smith**

Chief Operational Officer of Global Ports Management LLC

YEAR OF APPOINTMENT

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

SKILLS AND EXPERIENCE

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.

**Mr. Mikhail Loganov**

Former Chief Executive Officer of Global Ports Management LLC

Mr. Loganov served as the Chief Executive Officer of Global Ports Management LLC from March 2017 until July 2018. He was the Chief Financial Officer of Global Ports from October 2013 until September 2017. Mr. Loganov served as a member of the Board of Directors of the Company since December 2008 until July 2018 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. 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.

TERMINAL DIRECTORS¹**Mr. Andrey Bogdanov**

Managing Director of Ust-Luga Container Terminal

**Mr. Alexander Dudko**

Managing Director of VSC

**Mr. Albert Likholet**Managing Director of Petrolesport²**Mr. Vitaly Mishin**

General Manager of Moby Dik

YEAR OF APPOINTMENT

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.

SKILLS AND EXPERIENCE

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.

YEAR OF APPOINTMENT

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

SKILLS AND EXPERIENCE

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.

YEAR OF APPOINTMENT

Mr. Likholet was appointed as Managing Director of Petrolesport in August 2018.

SKILLS AND EXPERIENCE

Mr. Likholet has held the position of CEO at Novoroslesexport ("NLE"), the NCSP Group container terminal located on the north-east coast of the Black Sea, for seven years, having been promoted from his role as the Container Terminal Manager.

Mr. Likholet commenced his career in the ports industry in 2002 working as a grain inspector for the Control Union at Novorossiysk, Temryuk and Port Kavkaz marine terminals. He joined NLE in 2003 as a berths and yards development coordinator before making his way up to hold a number of management positions. During his term NLE was converted into a modern container terminal through several stages of investment, while retaining historic bulk and general cargoes. He has a degree in Management & Economics from the Novorossiysk State Maritime Academy.

YEAR OF APPOINTMENT

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

SKILLS AND EXPERIENCE

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.

¹ In alphabetical order.

² On 24th of April 2019 the Board decided to appoint Albert Likholet as a Managing Director of both Petrolesport and First Container Terminal, effective from 13 May 2019. A.Tikhov will stay with the Group as an adviser of CEO of Global Ports Management LLC.

TERMINAL DIRECTORS



Mr. Ivan Radchenko
General Manager of Yanino Logistic Park



Mr. Alexander Tikhov
Managing Director of First Container Terminal¹



Mr. Dirk van Assendelft
General Manager of Multi-Link Terminals

YEAR OF APPOINTMENT

Ivan Radchenko was appointed as the General Manager of Yanino Logistic Park in September 2018.

SKILLS AND EXPERIENCE

Prior to his appointment, Mr. Radchenko worked as a Business Development Manager for Maersk Line in Vladivostok. He also served as the CEO of Pacific Logistic LLC between 2015 and 2018, overseeing a 15%-20% yearly increase in throughput as well as the implementation of a range of infrastructure projects. Additionally, Mr Radchenko worked as a terminal manager at Global Ports' Moby Dik container terminal, and a Senior Sales Manager at Yanino Logistics Park between 2010 and 2011, having begun his career as Head of Analysis and the Forecast Division at JSC "Commercial Port of Vladivostok" in 2006.

Mr. Radchenko was awarded an undergraduate degree with honours from Russia's Far Eastern State Technical Fishing University.

YEAR OF APPOINTMENT

Mr. Tikhov was appointed as the Managing Director of the First Container Terminal in 2007 before he served there as General Manager since 2001.

SKILLS AND EXPERIENCE

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.

YEAR OF APPOINTMENT

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

SKILLS AND EXPERIENCE

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.

¹ On 24th of April 2019 the Board decided to appoint Albert Likholet as a Managing Director of both Petrolestport and First Container Terminal, effective from 13 May 2019. A.Tikhov will stay with the Group as an adviser of CEO of Global Ports Management LLC.

Risk Management

*The Group is exposed to a variety of risks and opportunities that can have commercial, 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 bases its risk management activities on a series of well-defined risk management principles, derived from experience, leading practice, and corporate governance regimes. Global Ports has an 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.

The Board has overall oversight responsibility for the GPI's risk management and the establishment of the framework of prudent and effective controls 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 Board delegates to the Chief Executive Officer of LLC Global Ports Management 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 authorized by the Board to monitor, review and report on the organization, 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 effect.

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	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 volatility of throughput in the container market by:
Container market throughput is closely correlated with the volume of imported goods, which in turn is driven by domestic consumer demand, combined with volatility of the Russian rouble against USD/Euro.	<ul style="list-style-type: none"> <li data-bbox="794 1673 1464 1729">> Focusing on quality and value-driven services (getting closer to the customer); <li data-bbox="794 1729 1464 1763">> Greater focus on export container flows; <li data-bbox="794 1763 1464 1796">> Offering operational flexibility to all clients; <li data-bbox="794 1796 1464 1819">> Effective cost containment; <li data-bbox="794 1819 1464 1852">> Adopting new revenue streams and attracting new cargo.
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:**

Barriers to entry are typically high in the container terminal industry due to the capital-intensive nature of the business. However, challenging market conditions mean that competition from other container terminals continues to be a significant factor. Further consolidation between container terminal operators and container shipping companies, introduction of new/upgraded capacity and carrier consolidation could result in greater price competition, lower utilisation, and a potential deterioration in profitability.

In recent years, the Russian market has witnessed the introduction of significant new container handling capacity, an example being the new terminal at Bronka, which competes with the Group's ports in the Baltic Sea Basin.

Additionally, strategic international investors may develop or acquire stakes in existing competing Russian container terminals, which could bring new expertise into the market and divert clients and cargoes away from the Group.

Given the historically high margins in the Russian container handling industry, this trend may continue.

The Group actively monitors the competitive landscape and adjusts its commercial strategy accordingly, i.e. the Group prioritises building close long-term relationships with leading customers (locally, regionally and with headquarters) based on a global approach to account management and contractual agreements incentivizing growth of throughput and/or share of business.

The Group's focus on service quality is a key differentiator from its competition and the Group believes this is one of its key competitive advantages.

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 and beyond. Because the Group possesses well-invested facilities with available berth capacity and sufficient land plots it has flexibility to balance minimal capital expenditure to maintain capacity at the existing level and its efficient development should the market require it.

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.

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 may also be adversely affected by US, EU and other authorities sanctions against Russian business/companies 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.

In light of the macroeconomic challenges faced by the ports industry in recent years, the Group has focused on improving its resilience, in particular its ability to withstand short-term economic shocks/fluctuations in Russia, as well as the wider regional and global environment. This has included a strong focus on cost containment measures, and strengthening its financial position through a series of measures designed to derisk the Group's balance sheet, including refinancing all its debt switching to longer maturities at fixed rates. In addition, the Group has broadened its growth strategy to include exports as well as new revenue streams to counteract any lows in consumer sentiment and any macro-economic downturn.

The Group has developed a system to monitor compliance with restrictions posed by international sanctions and fend off the risk of secondary sanctions.

The Group continues to maintain an international base of shareholders, bondholders and business partners.

The Group is not aware of any specific sanctions risks related to its ownership or operations.

Risk factor	Risk management approach
Operational risks	
Leases of terminal land:	
<p>The Group leases a significant amount of the land and quays required to operate its terminals from government agencies. 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 remainder is held under long-term leases (up-to 54 years and usually renewable at immaterial costs).</p>
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>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>These customers are affected by conditions in their market sector which can result in contract changes and renegotiations as well as spending constraints, and this is further exacerbated by carrier consolidation.</p>	<p>The Group has a clear strategy to reduce its dependence on its major customers, by targeting new potential customers, increasing the share of business from other existing global customers, and from new cargo segments.</p>
	<p>The Group is also steadily growing its share of non-container revenues through building its presence in marine bulk cargo such as coal (share of non-container revenue was 26% and 23% in 2018 and 2017 respectively).</p>
Reliance on third parties:	
<p>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.</p>	<p>The Group strives to maintain a continuous dialogue 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.</p>
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 (FAS). 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>Changes to tariff legislation (as of 14 August 2018) now require that all tariffs are set in Russian roubles. The Group believes it is in full compliance with the new legislation.</p> <p>The Group continues to monitor any legislative proposals and regulatory actions that could lead to changes to the existing tariff regulations. It seeks a proactive dialogue 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>

Risk factor**Risk management approach****Human resources management:**

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 offers competitive salaries and benefits to employees at all levels to foster and retain skilled labour and provide yearly indications or revision of salaries.

The Group invests in the professional development of its staff, including international best practices implementation and internal "learning effect" programmes realization.

The Group engages in socially responsible business practices and support of 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.

Health, safety, security and environment:

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, to build a sustainable safety culture across 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.

Regulatory risks**Regulatory compliance:**

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 governance, 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 such compliance.

Changes in regulations:

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.

The Group maintains a constructive dialogue 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 dialogue should ensure it has time to react to changes in the regulatory environment.

Risk factor	Risk management approach
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.</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>
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 representation 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 relevant tax legislation and court practice in the countries where its companies are located 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>Starting from 2019, a significant part of the Group's revenue will be denominated in Russian rouble as the Group has switched the currency of its tariffs to RUR, 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. In order to mitigate the risk of FX mismatch between the currency of revenue and the currency of debt, the Group has begun to convert its existing US\$ debt into the currency of revenue to avoid significant foreign exchange risks arising from such a mismatch, i.e. in 2018 the Group cancelled cross-currency swaps on the RUB denominated bonds issued by the First Container Terminal Inc. The Group also plans to employ different instruments and strategies to minimise future risks that may arise from volatility in the value of the Russian rouble and US dollar. Although the Group has negotiated with its customers the right to change its Russian rouble tariffs should the exchange rate move by 5, 10 or 15%, the risk above the levels of these currency moves remains.</p>

Risk factor	Risk management approach
Credit risk:	
The Group may be subject to credit risk due to its dependence on key customers and suppliers.	The Group closely tracks its accounts receivables overall and the creditworthiness of key customers and suppliers.
Debt, leverage and liquidity:	
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 in 2018, as planned, and continued reduction of the debt above and beyond minimum repayment requirements which remains a management priority in 2019.
Failure to promptly monitor and forecast compliance with debt 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.
Information technology and security:	
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. We are in the process of alignment of our IT strategy with the business objectives.
Any IT glitches can create major disruptions for complex logistic supply chains.	We regularly review, update and evaluate all software, applications, systems, infrastructure and security.
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.	All software and systems are upgraded or patched regularly to ensure that we have minimised our vulnerabilities.
	Each of our business units has an IT disaster recovery plan.
	Our security policies and infrastructure tools are updated or replaced regularly to keep pace with changing and growing threats.
	Our security infrastructure is updated regularly and employs multiple layers of defence.
	Connectivity to our partners' systems is controlled, monitored and logged.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements

Consolidated Financial Statements





Consolidated Financial Statements ▶

[Board of Directors and other officers](#) / [Management report](#) / [Directors' Responsibility Statement](#) / [Consolidated income statement for the year ended 31 December 2018](#) / [Consolidated statement of comprehensive income for the year ended 31 December 2018](#) / [Consolidated balance sheet as at 31 December 2018](#) / [Consolidated statement of changes in equity for the year ended 31 December 2018](#) / [Consolidated statement of cash flows for the year ended 31 December 2018](#) / [Notes to the consolidated financial statements](#) / [Independent Auditor's Report](#)

Table of Contents

Board of Directors and other officers	2
Management report	4
Directors' Responsibility Statement	25
Consolidated income statement for the year ended 31 December 2018	26
Consolidated statement of comprehensive income for the year ended 31 December 2018	27
Consolidated balance sheet as at 31 December 2018	28
Consolidated statement of changes in equity for the year ended 31 December 2018	29
Consolidated statement of cash flows for the year ended 31 December 2018	30
Notes to the consolidated financial statements	31
1. General information	31
2. Basis of preparation and summary of significant accounting policies	32
3. Financial risk management	47
4. Critical accounting estimates and judgements	51
5. Segmental information	53
6. Expenses by nature	67
7. Other gains/(losses) – net	68
8. Employee benefit expense	68
9. Finance income/(costs) – net	69
10. Net foreign exchange gains/(losses)	69
11. Income tax expense	70
12. Basic and diluted earnings per share	70
13. Dividend distribution	70
14. Property, plant and equipment	71
15. Intangible assets	74
16. Financial instruments by category	75
17. Credit quality of financial assets	75
18. Inventories	76
19. Trade and other receivables	76
20. Cash and cash equivalents	78
21. Share capital, share premium	78
22. Borrowings	79
23. Derivative financial instruments	82
24. Deferred income tax liabilities	83
25. Trade and other payables	84
26. Assets held for sale	84
27. Joint ventures	85
28. Contingencies	89
29. Commitments	91
30. Related party transactions	91
31. Events after the balance sheet date	93
Independent Auditor's Report	94

Board of Directors and other officers

Board of Directors

Mr. Morten Henrick Engelstoft (appointed 31 October 2016)
(Mrs. Olga Gorbarenko is the alternate to Morten Henrick Engelstoft)
Chairman of the Board of Directors
Non-Executive Director
Member of Remuneration and Nomination Committees

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

Mr. Anton Chertkov (appointed 14 May 2018)
(Mr. Alexander Iodchin is the alternate to Mr. Anton Chertkov)
Non-Executive Director
Member of Remuneration and Nomination Committees

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

Mrs. Britta Dalunde (appointed 12 May 2017)
Senior Independent Non-Executive Director
Chairman of Audit and Risk Committee

Mr. Alexander Iodchin (appointed 15 August 2008)
Executive Director

Mr. Soren Jakobsen (appointed 02 March 2018)
(Mrs. Olga Gorbarenko is the alternate to Mr. Soren Jakobsen)
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

Mr. Demos Katsis (appointed 14 May 2018)
Non-Executive Director

Mrs. Inna Kuznetsova (appointed 01 January 2018)
Independent Non-Executive Director
Chairman of Remuneration and Nomination Committees
Member of Audit and Risk Committee

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

Mr. Lampros Papadopoulos (appointed 01 January 2018)
Independent Non-Executive Director
Member of Audit and Risk Committee

Mr. Stavros Pavlou (appointed 14 May 2018)
Non-Executive Director
Member of Remuneration and Nomination Committees

Consolidated Financial Statements ▶

Board of Directors / other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements

Board of directors and other officers (continued)

Board of Directors (continued)

Mr. Sergey Shishkarev (appointed 14 May 2018)

(Mr. Anton Chertkov and Mr. Stavros Pavlou are the alternates to Mr. Sergey Shishkarev)

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

Mr. George Yiallourides (appointed 14 May 2018)

Non-Executive Director

Member of Audit and Risk Committee

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

Mr. Peder Sondergaard (resigned on 01 February 2018)

Mr. Mikhail Loganov (resigned on 12 April 2018)

Mr. Nikita Mishin (resigned on 12 April 2018)

Mrs. Elia Nicolaou (resigned on 12 April 2018)

Mr. Konstantin Shirokov (resigned on 12 April 2018)

Mr. Vadim Kryukov (resigned on 14 May 2018)

Capt. Bryan Smith (resigned on 14 May 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 Omiroú Street

Ayios Nicolaos

CY-3095 Limassol

Cyprus

Registered office

20 Omiroú 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 2018. The Group'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 Group

2. The principal activities of the Group, which are unchanged from the previous year, are the operation of container, general cargo 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 2018 the management of the Group continued its efforts in optimisation of the Group structure. LLC ZASM was merged with LLC Farwater. The management finalised the liquidation of LLC Container-Depot East and LLC Cargo Connexion East.
4. In September 2018 the Group completed the sale of its holding in JSC Logistika-Terminal (LT), one of the Group's two inland terminals, to PJSC TransContainer for a consideration of 1.9 billion Russian roubles. As previously announced, the proceeds from the sale went towards the further deleveraging of the Group.
5. During the year ended 31 December 2018 the Group disposed its two subsidiaries – LLC PLP Mineral (owner of handling equipment) and LLC Porttransservis (freight forwarding services in Saint-Petersburg). The Group acquired a 100% stake in LLC Transportmecanisation, a company rendering equipment repair and maintenance services in Saint-Petersburg.
6. There were no other material changes in the group structure.

Review of Developments, Position and Performance of the Group's Business

7. The Russian container market grew 10.0% in 2018 driven by the continued recovery in laden import of 8.2% and supported by strong growth in laden export containers of 13.9%, resulting in total Russian container market throughput of 4.87 million TEU.
8. The Group's Consolidated Marine Container Throughput increased 12.2% to 1,352 thousand TEU in 2018 compared to 1,205 thousand TEU in 2017. The growth rate of the Group's Consolidated Marine Container Throughput therefore outpaced that of the Russian container market.
9. The Group focused on increasing bulk cargo volumes to improve the utilisation of its terminals. As a result, Consolidated Marine Bulk Throughput increased by 15.9% to 3.12 million tonnes in 2018, a record level for the Group, driven by growth in bulk cargoes at PLP and ULCT.
10. As a part of its strategy to focus on developing additional revenue streams and optimising its existing terminal infrastructure, the Group commissioned a new coal handling facility at Ust-Luga Container Terminal in December 2018. ULCT has excellent rail connectivity and the capability to support up to 1.0 million tonnes of coal shipments per year.
11. Revenue in 2018 increased by 4.0% to USD 343.6 million compared to USD 330.5 million in 2017. This was mainly driven by 16.8% growth in Consolidated Non-Container Revenue. Consolidated Container Revenue was broadly flat in 2018 at USD 255.2 million, growth of 0.1% compared to 2017, as 12.2% growth in Consolidated Marine Container Throughput was partially offset by an 10.1% decline in Revenue per TEU. Only a low single digit percentage of the reduction in Revenue per TEU was attributable to change in tariffs, with the majority of the decline largely attributable to lower share of imports and the change in customer and service mix.
12. The Group continued to exert strict control over costs. Total Operating Cash Costs decreased by 2.0% during the reporting period despite double digit growth in throughput of both container and non-container cargoes. FX adjusted Total Operating Cash Costs¹ increased by around 5.8%.

¹. Management estimate calculated as if effective USD/RUB exchange rate in 2018 was the same as in 2017.

Management report (continued)

Review of Developments, Position and Performance of the Group's Business (continued)

13. Gross profit in 2018 increased 14.0% to USD 207.6 million or by 7.3% adjusted for impairments that took place in 2017.
14. Adjusted EBITDA in 2018 increased 7.8% to USD 217.3 million* mainly due to the growth in throughput and strict control over costs.
15. Adjusted EBITDA margin expanded by 224 basis points from 61.0% in 2017 to 63.2%* in 2018.
16. Operating profit in 2018 was USD 131.6 million compared to USD 5.3 million Operating loss in 2017. This substantial increase was driven both by the growth in Gross profit and the fact that 2017 was negatively impacted by 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. Loss before income tax increased from USD 24.1 million in 2017 to USD 53.6 million in 2018. This change was predominantly driven by the depreciation of the Russian rouble which resulted in mainly unrealised loss on revaluation of US dollar-denominated borrowings (from Group and non Group entities) in the Group's Russian subsidiaries using Russian rouble as their functional currency.
17. The Group's capital expenditure on a cash basis was USD 40.8 million in 2018. Maintenance capital expenditure focused on planned maintenance projects, scheduled upgrades of existing container handling equipment and coal handling equipment at VSC as well as the implementation of environmental protection measures related to coal handling. Maintenance capex remained in line with the Group's mid-term guidance of USD 25-35 million per annum with the remainder accounting for development of a new coal handling facility at ULCT.
18. Net cash from operating activities increased by USD 0.4 million, or 0.2%, from USD 173.9 million in 2017 to USD 174.3 million in 2018.
19. In August 2018, an amendment to the Law on Seaports came into force which prescribes that all handling tariffs in Russian ports are set in Russian roubles. While the law stipulates the mandatory currency of tariffs, it does not restrict port operators' ability to change actual tariff levels. Tariffs for stevedoring services in Russian ports remain unregulated and are market-driven. Since the law came into force, the Group has retained its legal ability to revise tariff policy in response to substantial changes in the industry, currency fluctuations or macroeconomic environment. Although the share of Russian rouble nominated revenues is expected to increase in 2019, the group believes that its FX exposure is adequately balanced by the currency composition of its debt portfolio, the currency of its cash and deposits and the use of hedging instruments in relation to both revenue and debt.
20. The Group continued to deleverage and reduced Net Debt by a further USD 85.6 million* in 2018. The Group decreased its Total Debt by USD 124.4 million* in 2018.
21. Net Debt to Adjusted EBITDA decreased from 4.3x* to 3.6x* during 2018.

Certain non-IFRS financial measures and operational information above which is derived from the management accounts is marked 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.

Adjusted EBITDA Margin (a non-IFRS financial measure) is calculated as Adjusted EBITDA divided by revenue, expressed as a percentage.

Consolidated Container Revenue is defined as revenue generated from containerised cargo services.

Consolidated Non-Container Revenue is defined as a difference between total revenue and Consolidated Container Revenue.

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.

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.

Revenue per TEU is defined as the Global Ports Group's Consolidated Container Revenue divided by total container marine throughput.

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.

Risk Management Process, Principal Risks and Uncertainties

22. GPI is exposed to a variety of risks and opportunities that can have commercial, 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.
23. 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. Global Ports has an 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.
24. The Board has overall oversight responsibility for the GPI's risk management and the establishment of the framework of prudent and effective controls 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.
25. The Board delegates to the Chief Executive Officer of LLC Global Ports Management 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 authorized by the Board to monitor, review and report on the organization, functionality and effectiveness of the Group's ERM system.
26. 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.
27. 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.
28. 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.
29. The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the consolidated financial statements.
30. The Group's contingencies are disclosed in Note 28 to the consolidated financial statements.

Management report (continued)

Risk Management Process, Principal Risks and Uncertainties (continued)

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 volatility of throughput in the container market by:
Container market throughput is closely correlated to the volume of predominantly imported goods, which in turn is driven by domestic consumer demand, combined with volatility of the Russian rouble against USD/Euro.	<ul style="list-style-type: none"><li data-bbox="800 777 1414 837">> Focusing on quality and value-driven services (getting closer to the customer);<li data-bbox="800 837 1414 871">> Greater focus on export container flows;<li data-bbox="800 871 1414 905">> Offering operational flexibility to all clients;<li data-bbox="800 905 1414 938">> Effective cost containment;<li data-bbox="800 938 1414 961">> Adopting new revenue streams and attracting new cargo.
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.	The Group actively monitors the competitive landscape and adjusts its commercial strategy accordingly, i.e. the Group prioritises building close long-term relationships with leading customers (locally, regionally and with headquarters) based on a global approach to account management and contractual agreements incentivizing growth of throughput and/or share of business.
Competition:	The Group's focus on service quality is a key differentiator from its competition and the Group believes this is one of its key competitive advantages.
Barriers to entry are typically high in the container terminal industry due to the capital-intensive nature of the business. However, challenging market trading conditions mean that competition from other container terminals continues to be a significant factor. Further consolidation between container terminal operators and container shipping companies, introduction of new/upgraded capacity and carrier consolidation could result in greater price competition, lower utilisation, and a potential deterioration in profitability.	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 well-invested facilities with available berth capacity and sufficient land plots it has flexibility to balance minimal capital expenditure to maintain capacity at the existing level and its efficient development should market require it.
In recent years, the Russian market has witnessed the introduction of significant new container handling capacity, an example being the new terminal at Bronka, which competes with the Group's ports in the Baltic Sea Basin.	
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.	
Given the historically high margins in the Russian container handling industry, this trend may continue.	

Risk factor

Risk management approach

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.

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 may also be adversely affected by US, EU and other authorities sanctions against Russian business/companies 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.

In light of the macroeconomic challenges faced by the ports industry in recent years, the Group has focused on improving its resilience, in particular its ability to withstand short-term economic shocks/fluctuations in Russia, as well as the wider regional and global environment. This has included a strong focus on cost containment measures, and strengthening its financial position through a series of measures designed to derisk the Group's balance sheet, including refinancing all its debt switching to longer maturities at fixed rates. In addition, the Group has broadened its growth strategy to include exports as well as new revenue streams to counteract any lows in consumer sentiment and any macro-economic downturn.

The Group has developed a system to monitor compliance with restrictions posed by international sanctions and fend off the risk of secondary sanctions.

The Group continues to maintain an international base of shareholders, bondholders and business partners.

The Group is not aware of any specific sanctions risks related to its ownership or operations.

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. 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 remainder is held under long-term leases (up-to 54 years and usually renewable at immaterial costs).

Customer Profile and Concentration:

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, and this is further exacerbated by carrier consolidation.

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 has a clear strategy to reduce its dependence on its major customers, by targeting new potential customers, increasing the share of business from other existing global customers, and new cargo segments.

The Group is also steadily growing its share of non-container revenues through building its presence in marine bulk cargo like coal (share of non-container revenue was 26% and 23% in 2018 and 2017 respectively).

Management report (continued)

Risk Management Process, Principal Risks and Uncertainties (continued)

Risk factor	Risk management approach
Reliance on third parties:	The Group strives to maintain a continuous dialogue 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 recognises, that global demand for oil products is cyclical in nature and might grow again over the medium term. Focus on storage and accumulation of large shipments, utilising the unique features of the tank farm consisting of 78 tanks of different sizes. This allows the Group's oil product business to decrease its dependency on changes in Russia's exports of oil products.
Tariff regulation:	Changes to tariff legislation (as of 14 August 2018) now require all tariffs to be set in Russian roubles. The Group believes it is in full compliance with the new legislation. 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 dialogue 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.
Human resources management:	The Group offers competitive salaries and benefits to employees at all levels to foster and retain skilled labour and provide yearly indications or revision of salaries. The Group invests in the professional development of its staff, including international best practices implementation and internal "learning effect" programmes realization. The Group engages in socially responsible business practices and support of 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.

Risk factor

Risk management approach

Health, safety, security and environment:

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, to build a sustainable safety culture across 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.

Regulatory risks**Regulatory compliance:**

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.

Changes in regulations:

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.

The Group maintains a constructive dialogue 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 dialogue should ensure it has time to react to changes in the regulatory environment.

Management report (continued)

Risk Management Process, Principal Risks and Uncertainties (continued)

Risk factor	Risk management approach
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>
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 relevant tax legislation and court practice in the countries where its companies are located 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>Starting from 2019, a significant part of the Group's revenue will be denominated in Russian rouble as the Group has switched the currency of its tariffs to RUR, 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. In order to mitigate the risk of FX mismatch between the currency of revenue and the currency of debt, the Group has begun to convert its existing US\$ debt into the currency of revenue to avoid significant foreign exchange risks arising from such a mismatch, i.e. in 2018 the Group cancelled cross-currency swaps on the RUB denominated bonds issued by the First Container Terminal Inc. The Group also plans to employ various different instruments and strategies to minimise future risks that may arise from volatility in the value of the Russian rouble and US dollar. Although the Group has negotiated with its customers the right to change its Russian rouble tariffs should the exchange rate move by 5, 10 or 15%, the risk above the levels of these currency moves remains.</p>

Risk factor

Risk management approach

Credit risk:

The Group may be subject to credit risk due to its dependence on key customers and suppliers.

The Group closely tracks its accounts receivables overall and the creditworthiness of key customers and suppliers.

Debt, leverage and liquidity:

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 2018 and continued reduction of the debt above and beyond minimum repayment requirements remains a management priority in 2019.

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.

Information technology and security:

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. We are in the process of alignment of our IT strategy with the business objectives.

Any IT glitches can create major disruptions for complex logistic supply chains.

We regularly review, update and evaluate all software, applications, systems, infrastructure and security.

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.

All software and systems are upgraded or patched regularly to ensure that we have minimised our vulnerabilities.

Each of our business units has an IT disaster recovery plan.

Our security policies and infrastructure tools are updated or replaced regularly to keep pace with changing and growing threats.

Our security infrastructure is updated regularly and employs multiple layers of defence.

Connectivity to our partners' systems is controlled, monitored and logged.

Management report (continued)

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

31. 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.
32. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
33. 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;
34. 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

35. 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. For a description of the Group's financial risk management objectives and policies and a summary of the Group's exposure to financial risks please refer to Note 3 of the consolidated financial statements.

Future Developments of the Group

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

Results

37. The Group's results for the year are set out on pages 26-27.

Dividends

38. 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 Depository and paid to holders of GDRs net of currency conversion expenses.
39. 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, and 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.

40. 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.
41. In 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 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, subject to maintaining conservative leverage ratios.
42. During the years 2017 and 2018 the Company did not declare or pay any dividends.
43. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2018.

Share Capital

Authorised share capital

44. 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

45. 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.
46. 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

47. 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.

Corporate Governance

48. The Group 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. 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 with standard listing and admitted to trading at London Stock Exchange.
49. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012, 2015, 2016 and 2018 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. On 18 September 2018 the Board approved the amended and restated versions of the policies marked with (*) below. On the same day the Board adopted a new Investigation policy.
50. 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;

Management report (continued)

Management report (continued) and sub-heading Corporate Governance (continued)

- > Terms of reference of the Audit and Risk, Nomination and Remuneration Committees;
- > Code of Ethics and Conduct;
- > Antifraud policy*;
- > Policy on Reporting of Improper Activities*;
- > Investigation policy;
- > Anti-Corruption Policy*;
- > Foreign Trade Controls Policy*;
- > Insurance Standard;
- > Charity and Sponsorship Policy; and
- > Group Securities Dealing Code.

51. 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, continued in 2018 and will finalise in the year 2019. Currently the key operating assets of the Group have implemented this framework.

52. 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. Throughout 2018 the Board together with the management worked on raising the awareness about the hotline among the Group workforce.

Code of ethics and conduct

53. 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.

54. 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.

55. The Board is updated on a regular basis on any breaches various policies with the specific focus on the fraud incidents and resulting actions, although significant breaches have to be reported to the Board immediately.

The Role of the Board of Directors

56. The Company is governed by its Board of Directors (also referred as "the Board") which is collectively responsible to the shareholders for the short- and long-term sustainable success of the Group, generating value to shareholders and contributing to wider society as a whole. Its responsibility is to promote adherence to best-in-class corporate governance.

57. The Board of Directors' role is to provide entrepreneurial leadership to the Group through establishing the Group's purpose, values and strategy, setting out the corporate governance standards, satisfying itself that these and its culture are aligned, ensuring that the necessary financial and human resources are in place for the Group to meet its 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 and ensures all obligations to shareholders are understood and met. The Board ensures the Group establishes a framework of prudent and effective controls, which enables risk to be assessed and managed and maintains a sound system of internal control, corporate compliance and enterprise risk management to safeguard the Group's assets and shareholders' investments in the Group.

58. The roles and responsibilities of the Chairman, Senior Independent Director, board and committees' members are set out in writing in the Terms of Reference of the Board and committees. 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 Company's website.

Members of the Board of Directors

59. 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 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.

60. The Board currently has 15 members and they were appointed as shown on pages 2 and 3.

61. 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, Mrs. Elia Nicolaou and Mr. Konstantin Shirokov resigned from the Board. They were replaced by Mr. Anton Chertkov, Mr. Stavros Pavlou, Mr. Sergey Shishkarev and Mr. George Yiallourides on 14 May 2018. On 14 May 2018 Mr. Vadim Kryukov resigned from the Board and Mr. Demos Katsis replaced him on the same day. Capt. Bryan Smith resigned from the Board on 14 May 2018. All new Board members were reviewed and recommended for appointment by Nominations Committee.

62. All other Directors were members of the Board throughout the year ended 31 December 2018.

63. 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 Meeting held on 14 May 2018 all present directors are subject to re-election at the next Annual General Meeting of the Shareholders of the Company. An EGM was called for 19 April 2019 to consider the resignation of Mrs. Iana Boyd and appointment of Mr. Tom Hyldelund to the Board.

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

65. Mr. Peder Sondergaard was the Chairman of the Board until 01 February 2018. Mr. Morten Henrick Engelstoft was elected the Chairman of the Board of Directors on 26 February 2018. Mrs. Britta Dalunde was elected the Senior Independent Director on 31 May 2018 following the resignation of Capt. Bryan Smith. There were no other significant changes in the responsibilities of the Directors during 2018 except for membership in the committees as described below.

Management report (continued)

Directors' Interests

66. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2018 and 31 December 2017 are shown below:

Name	Type of holding	Shares held at 31 December 2018	Shares held at 31 December 2017
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	NOT APPLICABLE	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	7,000 GDRs representing 21,000 ordinary shares
Sergey Shishkarev	Through shareholding in LLC Management Company "Delo" and other related entities	126,814,024 ordinary shares 49,435,976 ordinary non-voting shares	NOT APPLICABLE

Chairman of the Board of Directors

67. Mr. Morten Engelstoft was appointed Chairman of the Board in February 2018.

68. 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 ensure 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.

69. 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 Chairman should demonstrate objective judgement and promote a culture of openness and debate. In addition, the Chairman facilitates constructive board relations and the effective contribution of all non-executive directors.

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

Non-executive and Independent Directors

71. There are fourteen non-executive directors (including the chairman).

72. Mrs. Britta Dalunde, Mrs. Inna Kuznetsova and Mr. Lampros 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.

73. 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.

74. Mrs. Britta Dalunde was appointed as the Senior Independent Director on 31 May 2018 replacing Capt. Bryan Smith, who stepped down from the Board. The role of Senior Independent Director is to provide a sounding board for the Chairman and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance, and on other occasions as necessary.

The Board Committees

75. 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.

The Audit and Risk Committee

76. 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) and its other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Lampros Papadopoulos (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Soren Jakobsen (appointed as of 02 March 2018) and Mr. George Yiallourides (appointed as of 14 May 2018). Mr. Morten Henrick Engelstoft and Mr. Konstantin Shirokov resigned from the Audit and Risk Committee on 26 February 2018 and 12 April 2018 respectively.

77. The Committee is responsible for:

- > monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;
- > providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- > reviewing the company's internal financial controls and internal control and risk management systems;
- > monitoring and reviewing the effectiveness of the company's internal audit function;
- > making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and giving the recommendations in relation to remuneration and terms of engagement of the external auditor for audit and non-audit services;
- > reviewing and monitoring the external auditor's independence and objectivity;
- > reviewing the effectiveness of the external audit process;
- > developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
- > reporting to the Board on how it has discharged its responsibilities.

78. In 2018 the Audit and Risk Committee met 17 times to review and discuss inter alia the following significant issues and matters in addition and on top of those listed above:

- a. Review of the press releases containing financial information and rating agencies' presentations in relation to compliance with the financial statements, the disclosure and transparency requirements and Board's view on mid and long-term development of the Group;
- b. Discussion of the level of clarity and completeness of disclosures in financial statements with the management and external auditors and making the recommendations;
- c. 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. The Committee's task was to align the impairment models with the short-, mid- and long-term forecasts and to understand what impact the new standards would have on the financial statements and Group's compliance with the covenants. The Committee also discussed, how to incorporate the new requirements of the standards into the budgeting process;

Management report (continued)

The Audit and Risk Committee (continued)

- d. Review of the major risks, including but not limited to strategic, fraud and compliance, commercial, operational, financial, human resources, environmental and other risks. The Committee discussed the approach to establishment and monitoring of the risk appetite of the Group;
- e. Review of internal control framework and its deficiencies, consideration of management proposals on its further development and improvement. The Committee concentrated on the integration of automatic controls into the ERP system and on further development and integration of authority matrix framework into day-to-day processes;
- f. Discussing the level of Corporate governance in the Group and making the recommendations to the Board and the management on how further to improve it;
- g. Consideration of various reports from the management;
- h. Meetings with external and internal auditors to discuss the matters related to the audit work done by them and any issues arising from their audits;
- i. Consideration of various updated and restated Group Policies and making the recommendations to the Board on their approval. In particular, the Committee reviewed the Policy on Assessment of Independence and Objectivity of External Auditor and the Accounting Policy of the Group;
- j. Consideration and approval of the engagement of external auditors for rendering of non-audit services. In each particular case the Committee was assessing the impact of non-audit services on the independence and objectivity of the external auditor. The Committee reviewed the scope of services on compliance with the list of permitted non-audit services, the potential impact of the services on the audit work and financial statements and discussed with the external auditor how their internal compliance procedures were performed and whether all internal compliance requirements were met. The Committee monitors the share of non-audit service in relation to its compliance with the standards. During the year 2018 the share of fees for non-audit services was significantly below the 70% of the last three years average audit fees;
- k. Assessment of efficiency of external auditor by discussing the audit approach and audit plan, monitoring of compliance with the plan, receiving the feedback from the members of the management team, involved in the audit process, assessing the internal resources allocated by the external auditor, the key risks to the audit process and their mitigation measures, review of the auditor's management letter, consideration of the level and quality of communication between the external auditor and Committee during the audit process;
- l. Discussion of the term of tenure of the current audit partner – Mr. Tasos Nolas and making the recommendations to extend it from five to six years;
- m. Conducting the executive search for the new Head of Internal Audit function and discussing and giving the recommendations on the strengthening of Internal Audit function and extending its scope to joint-venture companies of the Group;
- n. Review of IT security setup, corporate social responsibility report, legal matters report, differences between Russian GAAP and IFRS, site visits to the Group terminals located in Saint-Petersburg area and Far-East of Russia, discussion with the Board of the results of these site-visits;
- o. Discussion of the training requirements of the Committee members.

The Nomination Committee

79. The Nomination Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as a member of Committee as of 01.01.2018 and as a Chairman as of 14 May 2018). Mrs. Inna Kuznetsova replaced Capt. Bryan Smith who stepped down from the Board. The other members are Mr. Anton Chertkov (appointed on 14 May 2018), Mr. Morten Henrick Engelstoft, Mr. Soren Jakobsen (appointed on 02 March 2018) and Mr. Stavros Pavlou (appointed on 14 May 2018). Mr. Peder Sondergaard resigned from his position as a member of the Nomination Committee in February 2018 and Mr. Nikita Mishin and Mrs. Elia Nicolaou resigned from their positions as members in April 2018.

80. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors as well as the Key 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 Key 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 Key Management as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee. The Committee monitors the compliance of the appointment procedures with the corporate governance standards and makes the recommendations to the Board and the management on changes to these procedures. The Committee develops plans for orderly succession to both the Board and Key Management positions and oversees the development of a diverse pipeline for succession. The Committee relies on both independent search consultancy and internal sources in making the proposals for the Board and Key Management appointments.

81. In 2018 the Nomination Committee met eleven times to discuss and recommend to the Board the appointment of Key Management of the Group companies, including the change of the CEO of LLC Global Ports Management and also to recommend the Directors the candidates to the Board and the position of the Chairman of the Board and to discuss and recommend the composition of the Board Committees. In the year 2019 one of the key focuses of the work of Nomination Committee will be the succession planning for the Board and the Key Management and talent management.

The Remuneration Committee

82. The Remuneration Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Remuneration Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as a member of Committee as of 01 January 2018 and as a Chairman as of 14 May 2018). Mrs. Inna Kuznetsova replaced Capt. Bryan Smith who stepped down from the Board. The other members are Mr. Anton Chertkov (appointed on 14 May 2018), Mr. Morten Henrick Engelstoft, Mr. Soren Jakobsen (appointed on 02 March 2018) and Mr. Stavros Pavlou (appointed on 14 May 2018). Mr. Peder Sondergaard resigned from his position as a member of the Remuneration Committee in February 2018 and Mr. Nikita Mishin and Mrs. Elia Nicolaou resigned from their positions as members in April 2018.

83. The Committee is responsible for determining and reviewing the remuneration of the executive directors, Chairman and the Key Management and the Company's remuneration policies. The Committee also reviews the policy on payment of performance based bonuses and the alignment of incentives and rewards with culture. 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.

84. In 2018 the Remuneration Committee met 13 times to discuss and recommend to the Board the Group management remuneration guidelines and the remuneration of the new Board members and the Key Management of the Group. In determining the level of remuneration of the key senior management of the Group the Committee referred to the level of skills and expertise, the position and scope of work and responsibilities as well as to the market levels for similar positions. The Committee did not engage any external remuneration consultants. In addition the Committee considered and recommended to the Board to approve the changes to the principles of payment of performance based bonuses to the management. The recommendations were approved by the Board in full.

Board Performance

85. The Board meets at least five 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.

86. In 2018 the Board met formally 21 (2017: 25) times to review current performance and to discuss and approve important business decisions.

87. In 2018 the Board met to discuss and approve important business decisions:

Management report (continued)

Board Performance (continued)

- b. Review of segments financial and operational performance;
- c. Consideration of 2019 financial budget, major risks and uncertainties, commercial strategy, corporate social responsibility matters, internal control framework;
- d. Changes in Group management and the Board of Directors, election of the new Chairman and Senior Independent Director;
- e. Revision of various group wide policies and regulations;
- f. Consideration of various compliance matters;
- g. Consideration and approval of the revision of external and internal financing arrangements and organizational restructurings;
- h. Consideration and approval of major capital expenditures and investment projects; and
- i. Consideration and approval of various resolutions related to the operations of the Company's subsidiaries and joint ventures.

88. The number of Board and Board Committee meetings held in the year 2018 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
Iana Boyd	18	21	-	-	-	-	-	-
Anton Chertkov	12	14	6	6	8	9	-	-
Michalakis Christofides	21	21	-	-	-	-	-	-
Britta Dalunde	20	21	-	-	-	-	17	17
Morten Henrick Engelstoft	20	21	11	11	13	13	1	1
Alexander Iodchin	19	21	-	-	-	-	-	-
Soren Jakobsen	18	18	8	8	12	12	16	16
Demos Katsis	14	14	-	-	-	-	-	-
Vadim Kryukov	7	7	-	-	-	-	-	-
Inna Kuznetsova	21	21	11	11	13	13	16	17
Mikhail Loganov	3	6	-	-	-	-	-	-
Laura Michael	20	21	-	-	-	-	-	-
Nikita Mishin	4	6	2	4	3	3	-	-
Elia Nicolaou	6	6	4	4	3	3	-	-
Lampros Papadopoulos	21	21	-	-	-	-	17	17
Stavros Pavlou	12	14	6	6	9	9	-	-
Konstantin Shirokov	6	6	-	-	-	-	3	3
Sergey Shishkarev	12	14	-	-	-	-	-	-
Bryan Smith	7	7	5	5	4	4	-	-
Peder Sondergaard	2	2	1	1	-	-	-	-
Nicholas Charles Terry	20	21	-	-	-	-	-	-
George Yiallourides	12	14	-	-	-	-	12	12

A = Number of meetings attended

B = Number of meetings eligible to attend during the year

89. 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 2017 and 2018.

Board Diversity

90. The Company does not have a formal Board diversity policy with regard to matters 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.

91. As of the date of publication of these financial statements the Board has 3 females representing 20% from the total number of directors. The average age of directors is 49 years ranging from 33 to 71 years. The Board has a necessary balance of skills and expertise to run the Company and the Group. The Board members have the following educational backgrounds: port and transportation industry, accounting and financial, banking sector and legal. There are 6 nationalities present in the Board. The Board members reside in 6 countries with the majority of the Board members being the tax residents of Cyprus.

Board and Management Remuneration

92. 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.

93. 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. Non-executive Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Group. The Chairmen of the committees receive additional remuneration.

94. The shareholders of the Company approved the remuneration of the members of the Board on 12 May 2017, 11 December 2017, 29 January 2018, 2 March 2018, 14 May 2018 and 29 June 2018.

95. 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.

96. The performance based part of the remuneration of the 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 with the last update on 18 October 2018. The Remuneration Committee monitors the efficiency of the Rules and makes the recommendations to the Board on their amendment and revision.

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

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

Managing director

99. Mr. 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 US\$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.

100. 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.

101. Mr. Iodchin is also acting as the Board Secretary since December 2008.

Management report (continued)

Company Secretary

102. 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.

103. Team Nominees Limited has been acting as the company secretary since the Group's incorporation in February 2008.

104. 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.

Corporate Social Responsibility Report

105. 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

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

Research and development activities

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

Branches

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

Treasury shares

109. 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

110. 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 2019 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.

Internal audit

111. 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;
- > there is 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;
- > programs, 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.

112. The Head of the IAS, Mr. Ilya Kotlov, reports directly to the Audit and Risk Committee.

External auditors

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

114. This follows proposals drafted by the Audit and Risk Committee for the Board of Directors regarding the reappointment of the external auditor of the Group.

115. In 2018, the shareholders of Global Ports re-appointed the Independent Auditors, PricewaterhouseCoopers as the external auditor for the purposes of auditing the Group's IFRS financial statements for 2018.

116. 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

Morten Engelstoft
Chairman of the Board

Alexander Iodchin
Secretary of the Board

27 March 2019

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / **Directors' Responsibility Statement** / **Consolidated income statement for the year ended 31 December 2018** / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

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 26 to 93 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

Morten Engelstoft
Chairman of the Board

Alexander Iodchin
Secretary of the Board

Limassol

27 March 2019

Consolidated income statement

for the year ended 31 December 2018

(in thousands of US dollars)

	Note	For the year ended 31 December	
		2018	2017
Revenue	5	343,575	330,505
Cost of sales	6	(136,020)	(148,511)
Gross profit		207,555	181,994
Administrative, selling and marketing expenses	6	(38,925)	(42,731)
Share of profit/(loss) of joint ventures accounted for using the equity method including impairment	27	(12,425)	(73,267)
Other gains/(losses) – net	7	(24,561)	(71,329)
Operating profit/(loss)		131,644	(5,333)
Finance income	9	2,561	2,048
Finance costs	9	(85,148)	(90,879)
Change in fair value of derivatives	9	(27,509)	42,089
Net foreign exchange gains/(losses) on financial activities	9	(75,185)	27,944
Finance income/(costs) – net	9	(185,281)	(18,798)
Profit/(loss) before income tax		(53,637)	(24,131)
Income tax expense	11	(4,692)	(28,816)
Profit/(loss) for the year		(58,329)	(52,947)
<i>Attributable to:</i>			
Owners of the Company		(59,279)	(52,973)
Non-controlling interest		950	26
		(58,329)	(52,947)
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	(0.10)	(0.09)

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / **Consolidated statement of comprehensive income for the year ended 31 December 2018** / **Consolidated balance sheet as at 31 December 2018** / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Consolidated statement of comprehensive income

for the year ended 31 December 2018

(in thousands of US dollars)

	Note	2018	2017
Profit/(loss) for the year		(58,329)	(52,947)
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to the income statement</i>			
Currency translation differences		(85,628)	32,356
Share of currency translation differences of joint ventures accounted for using the equity method	27	(8,003)	13,115
Reclassification to income statement of translation differences due to disposal of subsidiaries	7,26	27,106	-
Cumulative other comprehensive income movement relating to assets classified as held for sale	26	(3,472)	1,560
Reclassification to income statement of a loss/(gain) on cash flow hedge termination	23	-	69,566
Reclassification to currency translation reserve of gain on cash flow hedge termination	23	-	(12,140)
Total items that can be reclassified subsequently to the income statement		(69,997)	104,457
<i>Items that may not be subsequently reclassified to the income statement</i>			
Share of currency translation differences attributable to non-controlling interest		(2,846)	812
Total items that cannot be reclassified subsequently to the income statement		(2,846)	812
Other comprehensive income/(loss) for the year, net of tax		(72,843)	105,269
Total comprehensive income/(loss) for the year		(131,172)	52,322
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(129,276)	51,484
Non-controlling interest		(1,896)	838
Total comprehensive income/(loss) for the year		(131,172)	52,322

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 31 to 93 are an integral part of these consolidated financial statements.

Consolidated balance sheet

as at 31 December 2018

(in thousands of US dollars)

		As at 31 December	
	Note	2018	2017
ASSETS			
Non-current assets		1,133,885	1,428,401
Property, plant and equipment	14	460,942	553,304
Intangible assets	15	565,238	690,858
Investments in joint ventures	27	24,795	56,918
Prepayments for property, plant and equipment	14	7,513	8,393
Deferred tax assets	24	60,499	45,529
Derivative financial instruments	23	-	58,840
Trade and other receivables	19	14,898	14,559
Current assets		154,453	227,158
Inventories	18	6,555	5,769
Derivative financial instruments	23	-	19,546
Trade and other receivables	19	40,901	33,630
Income tax receivable		3,611	2,366
Cash and cash equivalents	20	91,613	130,434
Assets classified as held for sale	26	11,773	35,413
TOTAL ASSETS		1,288,338	1,655,559
EQUITY AND LIABILITIES			
Total equity		246,066	377,238
Equity attributable to the owners of the Company		231,831	361,107
Share capital	21	57,317	57,317
Share premium	21	923,511	923,511
Capital contribution		101,300	101,300
Currency translation reserve		(829,373)	(759,376)
Transactions with non-controlling interest		(209,122)	(209,122)
Retained earnings		188,198	247,477
Non-controlling interest		14,235	16,131
Total liabilities		1,042,272	1,278,321
Non-current liabilities		981,202	1,178,872
Borrowings	22	850,766	1,005,664
Trade and other payables	25	-	9,266
Deferred tax liabilities	24	130,436	163,942
Current liabilities		61,070	99,449
Borrowings	22	21,183	69,089
Trade and other payables	25	38,776	26,420
Current income tax liabilities		1,111	1,513
Liabilities directly associated with assets classified as held for sale	26	-	2,427
TOTAL EQUITY AND LIABILITIES		1,288,338	1,655,559

On 27 March 2019 the Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue.

Morten Engelstoft, Director

Alexander Iodchin, Director

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / **Consolidated statement of changes in equity for the year ended 31 December 2018** / **Consolidated statement of cash flows for the year ended 31 December 2018** / Notes to the consolidated financial statements / Independent Auditor's Report

Consolidated statement of changes in equity

for the year ended 31 December 2018

(in thousands of US dollars)

	Attributable to the owners of the Company										
	Note	Share capital	Share premium	Capital contribution	Translation reserve	Cash flow hedge reserve	Transactions with non-controlling interest	Retained earnings*	Total	Non-controlling interest	Total
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
Total other comprehensive income/(loss)		-	-	-	(69,997)	-	-	-	(69,997)	(2,846)	(72,843)
Profit/(loss) for the year		-	-	-	-	-	-	(59,279)	(59,279)	950	(58,329)
Total comprehensive income/(loss) for the year ended 31 December 2018		-	-	-	(69,997)	-	-	(59,279)	(129,276)	(1,896)	(131,172)
Balance at 31 December 2018		57,317	923,511	101,300	(829,373)	-	(209,122)	188,198	231,831	14,235	246,066

*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 31 to 93 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2018

(in thousands of US dollars)

For the year ended
31 December

	Note	2018	2017
Cash flows from operating activities			
Profit/(loss) before income tax		(53,637)	(24,131)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	14	35,764	38,007
Impairment of property, plant and equipment	14	-	11,400
Loss on disposal of subsidiaries and assets held for sale	7	24,689	-
(Profit)/loss on sale of property, plant and equipment	14	(129)	(162)
Write off of property, plant and equipment	14	3	80
Amortisation of intangible assets	15	12,909	12,966
Interest income	9	(2,561)	(2,048)
Interest expense	9	83,383	90,879
Loss on extinguishment of financial liabilities	9,22	1,765	-
Share of (profit)/loss in jointly controlled entities including impairment	27	12,425	73,267
Change in fair value of swap	9	27,509	(42,089)
Foreign exchange differences on non-operating activities		76,345	41,570
Other non-cash items		663	(930)
Operating cash flows before working capital changes		219,128	198,809
Changes in working capital			
Inventories		(1,956)	(637)
Trade and other receivables		(9,895)	(1,810)
Trade and other payables		758	366
Cash generated from operations		208,035	196,728
Dividends received from joint ventures		1,725	10,765
Income tax paid		(35,418)	(33,549)
Net cash from operating activities		174,342	173,944
Cash flows from investing activities			
Purchases of intangible assets		(2,554)	(1,846)
Purchases of property, plant and equipment		(40,752)	(28,041)
Proceeds from sale of property, plant and equipment	14	463	291
Proceeds from sale of subsidiary, net of cash held by the subsidiary	26,7	28,909	-
Loans granted to related parties	30(g)	(1,400)	(7,500)
Loan repayments received from related parties		260	1,183
Interest received		1,619	1,274
Net cash used in investing activities		(13,455)	(34,639)
Cash flows from financing activities			
Proceeds from borrowings	22	100	-
Repayments of borrowings	22	(155,567)	(57,533)
Interest paid	22	(82,994)	(89,094)
Proceeds from derivative financial instruments not used for hedging	22,23	43,064	20,254
Finance lease principal payments (third parties)	22	(774)	(2,741)
Net cash used in financing activities		(196,171)	(129,114)
Net increase/(decrease) in cash and cash equivalents		(35,284)	10,191
Cash and cash equivalents at beginning of the year		130,434	119,279
Exchange gains/(losses) on cash and cash equivalents		(3,537)	964
Cash and cash equivalents at end of the year	20	91,613	130,434

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

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".

Until April 2018 the Group was jointly controlled by Transportation Investments Holding Limited ("TIHL") and APM Terminals B.V. ("APM Terminals"). In April 2018 TIHL has completed the sale of its 30.75% stake in GPI to LLC Management Company "Delo" ("Delo Group"). The Group has been informed that in connection with the transaction, Delo Group has acceded to the shareholder agreement with APM Terminals B.V. and that TIHL has been released from its obligations under such agreement. Since April 2018 the Group is jointly controlled by Delo Group and APM Terminals.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 27 March 2019.

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 the Port of Vostochny;
- two container terminals in Finland – Multi-Link Terminals Helsinki and Multi-Link Terminals Kotka (Multi-Link Terminals);
- inland Yanino Logistics Park (YLP), located in the vicinity of St. Petersburg;
- oil product terminal AS Vopak E.O.S. that is located in Estonia (see Note 26(b) and Note 27).

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 and Yanino Logistics Park, which are joint ventures 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 where the Company has 75% effective ownership interest (Note 27). Moby Dik (a container terminal in the vicinity of St. Petersburg), Multi-Link Terminals and Multi-Link Terminals Ltd constitute the MLT group. Yanino Logistics Park (an inland container terminal in the vicinity of St. Petersburg) and CD Holding 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 26(b) and 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 2018 have been adopted by the EU through the endorsement procedure established by the European Commission.

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 2018:

- > IFRS 9 Financial Instruments;
- > IFRS 15 Revenue from Contracts with Customers;
- > Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;
- > Annual Improvements 2014-2016 cycle;
- > Transfers to Investment Property – Amendments to IAS 40;
- > Interpretation 22 Foreign Currency Transactions and Advance Consideration.

Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 that are effective from 1 January 2018, the adoption of the remaining amendments listed above did not have a material effect on the accounting policies of the Group. IFRS 9 and IFRS 15 were adopted using the simplified transition method without restating the comparative information, with the impact of adoption to be recognised in the opening retained earnings and other components of equity as appropriate. The comparatives are stated based on the previous accounting policies of the Group for financial instruments and revenue recognition which are also presented below to the extent that these are different from the new accounting policies. The adoption of all of the above standards and amendments did not result in any material adjustment to the opening reserves or the comparative figures presented in these consolidated financial statements.

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 2018, 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:

Notes to the consolidated financial statements (continued)

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

(a) Adopted by the European Union

IFRS 16 Leases

The Group will adopt the Standard in 2019 using the simplified transition approach (see below) and the practical expedients detailed below. IFRS 16 introduces a single lessee accounting model, requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. Thus, most leases classified as operating leases with lease payments recorded in the income statement under the existing policy will be included in the consolidated balance sheet.

The new treatment of leases will result in an increase in non-current assets and financial liabilities as these leases are capitalised as well as a decrease in lease expenses, offset by an increase in depreciation and an increase in finance charges. This will result in a higher operating profit. In general, the depreciation charge is constant over the lease period, but finance charges decrease as the remaining lease liability decreases.

Net debt is expected to increase due to the recognition of lease liabilities which are considered financial liabilities, whilst working capital will remain unaffected.

Cash generated from operations is expected to increase due to certain lease expenses no longer being recognised as operating cash outflows, but this will be offset by a corresponding increase in cash used in financing activities due to repayments of the principal on lease liabilities. Net cash flow will remain unchanged.

Some lease agreements of the Group are short-term in nature and not individually material in value. The Group has elected to apply the practical expedient which excludes lease agreements which are short-term in nature and not individually material in value from being recognised as leases in terms of IFRS 16.

The Group has also elected to adopt the transitional practical expedient such that the IFRS 16 definition of a lease would only be applied to assess whether contracts entered into after the date of initial application (1 January 2019) are, or contain leases. All contracts previously assessed not to contain leases are not revisited.

The Group has elected to apply IFRS 16 using the simplified transition approach with the cumulative effect of initially applying the Standard recognised at the date of initial application (1 January 2019). The comparative amounts for the year prior to the first adoption will not be restated.

The Group's assessment of the impact of adopting this Standard is in the process of being finalised, but the estimated range of potential impact on the Group's key metrics as at 31 December 2018 is as follows:

- Total assets: increase 1–2%;
- Total liabilities: increase 1–2%;
- Net debt: increase 2–3%;
- Operating profit: increase 2–3%;
- Profit for the year: increase 1–2%.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 at 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 IFRS 9 to determine whether any additional impairment loss needs to be recognised in respect of loans given to joint ventures, before taking into account the effect (if any) of the Group's share of joint ventures' losses applied against long-term interests in the joint ventures as detailed below.

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.

Notes to the consolidated financial statements (continued)

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

Basis of consolidation (continued)

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

Accounting policies applied from 1 January 2018:

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes).

The Group recognises revenue when the parties have approved the contract and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance, it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to customer and when specific criteria have been met for each of the Group's contracts with customers as described below. 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. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay the amount of consideration when it is due. Revenues earned by the Group are recognised on the following bases:

(a) Sales of services

The Group offers its customers a wide range of cargo handling services for its import and export logistics operations. These services are provided over time and usually do not exceed one month. Revenue from rendering of these services is recognised when the Group satisfies a performance obligation by transferring control over promised service to a customer over time in the accounting period in which the services are rendered. Revenue from the rendering of these services is recognised net of discounts and estimates for rebates that are in accordance with the contracts entered into with the customers. Revenue is recognised to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty in relation to the rebates and discounts is resolved. Estimations for rebates and discounts are based on the Group's experience with similar contracts and forecasted sales to the customer.

(b) Sales of goods

The Group sells unused materials and goods. Sales of goods are recognised when the Group satisfies a performance obligation by transferring a control over promised goods to a customer at a point in time at which the customer obtains control of the goods, which is usually when the customer takes the goods out of the territory of the terminal.

(c) Financing component

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(d) Contract assets and contract liabilities

In case the services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the services rendered, a contract asset is recognised. The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the contract asset. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9. If the payments made by a customer exceed the services rendered under the relevant contract, a contract liability is recognised. The Group recognises any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required before the payment is due.

The Group has changed the presentation of certain amounts in the consolidated balance sheet to reflect the terminology of IFRS 15. Specifically, contract liabilities recognised in relation to stevedoring services that were previously included in trade and other payables as advances are now disclosed as contract liabilities.

Accounting policies applied until 31 December 2017:

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

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

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).

Other incomes

(a) Rental income

See accounting policy for leases below.

(b) Interest income

Accounting policies applied from 1 January 2018:

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets – Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance), for Stage 1 and Stage 2 – gross amount of financial assets.

Interest income on derivative financial instruments (cross-currency interest rate swap arrangements) at fair value through profit or loss is calculated on nominal basis based on the difference between interest expenses on RUR-denominated bonds and lower interest rates embodied in the swap arrangements.

Notes to the consolidated financial statements (continued)

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

Other incomes (continued)

Accounting policies applied until 31 December 2017:

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

(c) 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.

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-atributes 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.

Notes to the consolidated financial statements (continued)

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

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 54 years as of 31 December 2018) 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.

(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.

Financial instruments

Accounting policies applied from 1 January 2018:

On 1 January 2018, the date of initial application of IFRS 9, the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. Based on the analysis performed, the financial assets previously classified into 'loans and receivables' category were reclassified into those measured subsequently at amortised cost, with no impact on their measurement. The Group did not have any financial assets in other than the 'loans and receivables' and 'derivatives' categories as at the date of transition. The accounting treatment and presentation of derivatives remain the same (see accounting policy below). The changes in classification categories did not result in changes of presentation in the consolidated balance sheet. Classification and measurement of the Group's financial liabilities under IFRS 9 remained consistent with IAS 39, since the new requirements only affect the accounting for financial liabilities measured at fair value through profit or loss and the Group does not have any such financial liabilities. No adjustments to the opening retained earnings were required in relation to the Group's loans and borrowings, as none of the loans and borrowings outstanding on 1 January 2018 had been refinanced in prior periods. The amount of expected credit losses on the Group's financial assets as at 1 January 2018 assessed under the new impairment rules set out in IFRS 9 did not significantly differ from the allowance recognised in the Group's consolidated financial statements as at 31 December 2017 and therefore there is no quantitative effect of the change as of 1 January 2018.

The adoption of IFRS 9 "Financial Instruments" does not have a material impact on the amounts recognised in these consolidated financial statements, however the policies have been amended to be consistent to the requirements of the standard as follows:

Notes to the consolidated financial statements (continued)

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

(i) Investments and other financial assets

Classification.

From 1 January 2018, the Group classifies its financial assets into the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition:

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other gains/(losses)-net', together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. Financial assets measured at amortised cost comprise cash and cash equivalents, loans receivable, trade receivables and other financial assets at amortised cost.
- FVOCl: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCl. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other gains/(losses)-net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains/(losses)-net' and impairment expenses are presented as separate line item in the statement of profit or loss. The Group does not hold any such instruments.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCl are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'other gains/(losses)-net' in the period in which it arises.

(ii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI and cash and cash equivalents. The Group measures expected credit losses ('ECL') and recognises credit loss allowance at each reporting date. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'net impairment losses on financial and contract assets'. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For all other financial assets that are subject to impairment under IFRS 9 the Group applies a general approach – three stage model for recognizing and measuring expected losses based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ('12 Months ECL'). If the Group identifies a significant increase in credit risk ('SICR') since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ('Lifetime ECL'). Refer to Note 3, Credit risk section for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Additionally, for debt instruments that qualify as low credit risk, the loss allowance is limited to 12 months expected credit losses. For a description of how the Group determines low credit risk financial assets refer to Note 3, Credit risk section below.

Accounting policies applied until 31 December 2017:

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 within 'administrative, selling and marketing expenses'. For loans receivable the amount of the provision is recognised in the income statement within 'other gains/(losses) – net'. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Notes to the consolidated financial statements (continued)

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

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'.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

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.

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.

Notes to the consolidated financial statements (continued)

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

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.

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.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss within 'finance income/(costs) - net'.

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.

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.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

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	
	2018	2017
Assets	84,842	118,257
Liabilities	584	323,848
Capital commitments	575	-

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 2018, would have (decreased)/increased by US\$10,111 thousand (2017: 15% change, effect US\$24,671 thousand) and the equity would have (decreased)/increased by US\$10,111 thousand (2017: 15% change, effect US\$24,671 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.

The carrying amount of financial assets and liabilities in Russian operations denominated in Euros as at 31 December 2018 and 31 December 2017 are as follows:

(in thousands of US dollars)	As at 31 December	
	2018	2017
Assets	50	102
Liabilities	-	40
Capital commitments	1,227	18,916

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 2018, would have increased/(decreased) by US\$ 6 thousand (2017: 15% change, effect US\$ 7 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 exposed to changes in market interest rates as all of its borrowings portfolio consists of fixed rate debt as of 31 December 2018. 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.

For the year ended 31 December 2017, 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.

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

(b) Credit risk

(i) Risk management

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 60% and 57% of the Group's revenue for the year ended 31 December 2018 and 31 December 2017, respectively.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- > Trade receivables for sales of goods and from the provision of services;
- > Debt instruments and other financial assets carried at amortised cost (loans to related parties and other receivables); and
- > Cash and cash equivalents.

Cash and cash equivalents:

The Group's cash and cash equivalents which have investment grade credit ratings with at least one major rating agency are considered to have low credit risk, and the loss allowance to be recognised during the period was therefore limited to 12 months expected losses. The identified impairment loss for cash and cash equivalents was immaterial to be accounted for. For the split of cash and cash equivalents by credit rating refer to Note 17.

Trade receivables:

To measure the expected lifetime credit losses, the Group performed the assessment on an individual basis for its major customers based on days past due and the corresponding historical credit losses experienced by the Group with those customers.

For those customers who are independently rated, the Group monitors their credit quality based on the external credit ratings. Otherwise, if there is no independent rating, the Group monitors the credit quality of trade receivables on the basis of past experience, identifying customers with working history with the Group of over 12 months and no losses arising and others, and also by reference to the days past due.

Notes to the consolidated financial statements (continued)

3. Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk (continued)

Loans and other receivables:

With respect to other financial assets at amortised cost, the Group considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- > actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations;
- > actual or expected significant changes in the operating results of the borrower/counterparty; and
- > significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk for loans and other receivables with a third party is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on loans and other receivables with a third party is when the counterparty fails to make contractual payments within 90 days of when they fall due and/or the counterparty is assessed as unlikely to pay its obligations in full without realisation of collateral, regardless of the existence of any past-due amount or the number of days past due.

Financial assets including trade and other receivables are written off when there is no reasonable expectation of recovery, such as a debtor/counterparty failing to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in consolidated income statement.

The Group's loans receivable from related parties are within Stage 3 of the IFRS 9 impairment model. No material lifetime expected credit losses were identified in relation to the Group's loans receivable from related parties.

For more information on the credit risk quality of trade and other receivables of the Group at 31 December 2018 refer to Notes 17 and 19.

(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\$91,613 thousand (31 December 2017: US\$130,434 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 2018 and 2017. 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
<i>As at 31 December 2018</i>								
Borrowings	12,144	20,822	17,105	26,018	194,936	894,294	50,150	1,215,469
Trade and other payables	5,074	13,271	4,405	9,030	–	–	–	31,780
Total	17,218	34,093	21,510	35,048	194,936	894,294	50,150	1,247,249
<i>As at 31 December 2017</i>								
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

(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

2018

2017

Total borrowings	871,949	1,074,753
Total capitalisation	1,118,015	1,451,992
Total borrowings to total capitalisation ratio (percentage)	78%	74%

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

3. Financial risk management (continued)

Financial risk factors (continued)

(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.

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 was valued using Level 2 valuation technique from the table above. At 31 December 2018 the Group did not hold any financial instruments carried at fair value.

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.

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 the purposes of the preparation of the current financial statements the Group performed a test of the estimated recoverable amount of the cash-generating units (CGUs) using the value-in-use method, compared to their carrying value, for all CGUs except for VEOS and MD for which fair value less costs to sell method was used (see below). The value-in-use 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 VEOS see Note 26(b) and Note 27.

For MD following the substantial reduction of cargo volumes the recoverable amount was determined based on the expected fair value less cost to sell of those assets which have active market and their value could be reliably determined. As a result the investment in Multi-Link Terminals Ltd (being the parent of MD) was impaired by US\$13,946 thousand (see Note 5 and Note 27).

For all CGUs tested based on discounted future cash flows, cash flow projections cover a period of five years based on the assumptions of the next 12 months. Cash flows beyond that five-year 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 (2017: 3%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2018 is 10.6% (2017: 10.4%).

Key assumptions for Russian ports CGUs tested based on discounted future cash flows 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.

Based on the results of the impairment tests for other CGUs carried out in 2018, 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 and FCT 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\$6.5 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 tariffs by approximately 2% each year as opposed to those 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\$172.7 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 4% each year as opposed to those 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).

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

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 CDH 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.

The brief description of segments is as follows:

Russian ports

The segment consists of the following operating units:

- Petrolesport, 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.
- 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. See Note 26(b) and Note 27.

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;
 - 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.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

5. Segmental information (continued)

The segment results for the year ended 31 December 2018 are as follows:

	(in thousands of US dollars)					Reconciliation adjustments			
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation	
Sales to third parties	365,190	30,939	15,009	411,138	–	(24,641)	–	386,497	
Inter-segment revenue	–	–	–	–	488	–	(488)	–	
Total revenue	365,190	30,939	15,009	411,138	488	(24,641)	(488)	386,497	
Cost of sales	(171,806)	(12,815)	(13,039)	(197,660)	–	15,057	285	(182,318)	
Administrative, selling and marketing expenses	(15,798)	(7,666)	(1,111)	(24,575)	(25,663)	4,654	269	(45,315)	
Other gains/(losses) – net	(24,477)	(247)	150	(24,574)	3,838	90	(3,917)	(24,563)	
Operating profit/(loss)	153,109	10,211	1,009	164,329	(21,337)	(4,840)	(3,851)	134,301	
Finance income/(costs) – net	(187,614)	(265)	(314)	(188,193)	(787)	991	–	(187,989)	
incl. interest income	3,171	7	–	3,178	303	(30)	(1,508)	1,943	
incl. interest expenses	(85,851)	(244)	(63)	(86,158)	(1,238)	421	1,508	(85,467)	
incl. change in the fair value of derivative instruments	(27,509)	–	(189)	(27,698)	–	47	–	(27,651)	
incl. net foreign exchange gains/(losses) on financing activities	(77,425)	(28)	(62)	(77,515)	148	553	–	(76,814)	
Profit/(loss) before income tax	(34,505)	9,946	695	(23,864)	(22,124)	(3,849)	(3,851)	(53,688)	
Income tax expense	(4,210)	–	(149)	(4,359)	(265)	(17)	–	(4,641)	
Profit/(loss) after tax	(38,715)	9,946	546	(28,223)	(22,389)	(3,866)	(3,851)	(58,329)	
CAPEX* on cash basis	41,618	1,405	4,587	47,610	296	(2,140)	–	45,766	

*CAPEX represents purchases of property, plant and equipment.

The reconciliation of results for the year ended 31 December 2018 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	386,497	(42,922)	343,575
Inter-segment revenue	–	–	–
Total revenue	386,497	(42,922)	343,575
Cost of sales	(182,318)	46,298	(136,020)
Administrative, selling and marketing expenses	(45,315)	6,390	(38,925)
Share of profit/(loss) of joint ventures accounted for using the equity method	–	(12,425)	(12,425)
Other gains/(losses) – net	(24,563)	2	(24,561)
Operating profit/(loss)	134,301	(2,657)	131,644
Finance income/(costs) – net	(187,989)	2,708	(185,281)
<i>incl. interest income</i>	1,943	618	2,561
<i>incl. interest expenses</i>	(85,467)	319	(85,148)
<i>incl. change in the fair value of derivative instruments</i>	(27,651)	142	(27,509)
<i>incl. net foreign exchange gains/(losses) on financing activities</i>	(76,814)	1,629	(75,185)
Profit/(loss) before income tax	(53,688)	51	(53,637)
Income tax expense	(4,641)	(51)	(4,692)
Profit/(loss) after tax	(58,329)	–	(58,329)
CAPEX on cash basis	45,766	(5,014)	40,752

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / **Notes to the consolidated financial statements** / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

5. Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2018 are as follows:

	(in thousands of US dollars)					Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
Depreciation of property, plant and equipment	37,621	1,033	1,863	40,517	837	(1,655)	-	39,699
Amortisation of intangible assets	13,126	108	-	13,234	7	(110)	-	13,131
Reversal of impairment of property, plant and equipment	-	(10,422)	-	(10,422)	-	5,211	-	(5,211)
Impairment of intangible assets and goodwill	18,488	-	-	18,488	-	(1,136)	-	17,352
Staff costs	55,466	14,593	8,516	78,575	18,630	(11,040)	-	86,165
Transportation expenses	9,198	2,542	422	12,162	-	(1,962)	-	10,200
Fuel, electricity and gas	10,182	7,188	640	18,010	12	(4,034)	-	13,988
Repair and maintenance of property, plant and equipment	9,892	2,971	1,064	13,927	12	(2,135)	-	11,804
Total	153,973	18,013	12,505	184,491	19,498	(16,861)	-	187,128
Other operating expenses	33,631	2,468	1,645	37,744	6,165	(2,850)	(554)	40,505
Total cost of sales, administrative, selling and marketing expenses	187,604	20,481	14,150	222,235	25,663	(19,711)	(554)	227,633

The reconciliation of operating expenses for the year ended 31 December 2018 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	39,699	(3,935)	35,764
Amortisation of intangible assets	13,131	(222)	12,909
Reversal of impairment of property, plant and equipment	(5,211)	5,211	-
Impairment of intangible assets and goodwill	17,352	(17,352)	-
Staff costs	86,165	(18,597)	67,568
Transportation expenses	10,200	(3,344)	6,856
Fuel, electricity and gas	13,988	(4,914)	9,074
Repair and maintenance of property, plant and equipment	11,804	(3,433)	8,371
Total	187,128	(46,586)	140,542
Other operating expenses	40,505	(6,102)	34,403
Total cost of sales, administrative, selling and marketing expenses	227,633	(52,688)	174,945

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / **Notes to the consolidated financial statements** / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

5. Segmental information (continued)

The segment items assets and liabilities as at 31 December 2018 are as follows:

	(in thousands of US dollars)					Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
Property, plant and equipment (including prepayments for PPE)	494,794	18,958	8,492	522,244	2,433	(18,795)	–	505,882
Investments in joint ventures	784	–	–	784	165,861	–	(166,645)	–
Intangible assets	566,045	115	17	566,177	3,773	(557)	–	569,393
Other non-current assets	106,976	–	126,708	233,684	1,076,084	(33,016)	(1,272,515)	4,237
Inventories	7,193	1,967	–	9,160	–	(1,143)	–	8,017
Trade and other receivables (including income tax prepayment)	43,752	10,527	3,900	58,179	3,600	(6,636)	(1,288)	53,855
Cash and cash equivalents	95,758	2,398	1,465	99,621	2,182	(3,135)	–	98,668
Total assets	1,315,302	33,965	140,582	1,489,849	1,253,933	(63,282)	(1,440,448)	1,240,052
Long-term borrowings	857,258	2,575	1,340	861,173	22,810	(6,095)	(23,893)	853,995
Other long-term liabilities	132,072	–	217	132,289	38	(279)	(61,382)	70,666
Trade and other payables	32,547	5,624	2,669	40,840	8,220	(3,961)	73	45,172
Short-term borrowings	21,184	2,175	818	24,177	–	(1,292)	–	22,885
Other short-term liabilities	592	–	217	809	515	(56)	–	1,268
Total liabilities	1,043,653	10,374	5,261	1,059,288	31,583	(11,683)	(85,202)	993,986
Non-controlling interest	14,235	–	–	14,235	–	–	–	14,235

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\$1,075,338 thousand respectively (fully eliminated on consolidation).

The reconciliation of total segment assets and liabilities as at 31 December 2018 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)	505,882	(37,427)	468,455
Investments in joint ventures	-	24,795	24,795
Intangible assets	569,393	(4,155)	565,238
Other non-current assets	4,237	71,160	75,397
Inventories	8,017	(1,462)	6,555
Trade and other receivables (including income tax prepayment)	53,855	(9,343)	44,512
Cash and cash equivalents	98,668	(7,055)	91,613
Assets classified as held for sale	-	11,773	11,773
Total assets	1,240,052	48,286	1,288,338
Long-term borrowings	853,995	(3,229)	850,766
Other long-term liabilities	70,666	59,770	130,436
Trade and other payables	45,172	(6,396)	38,776
Short-term borrowings	22,885	(1,702)	21,183
Other short-term liabilities	1,268	(157)	1,111
Total liabilities	993,986	48,286	1,042,272
Non-controlling interest	14,235	-	14,235

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

5. Segmental information (continued)

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

						Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
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 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 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) for the year	(52,947)	–	(52,947)
CAPEX on cash basis	31,810	(3,769)	28,041

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / **Notes to the consolidated financial statements** / Independent Auditor's Report

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)				Reconciliation adjustments			
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
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 and intangible assets	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 and intangible assets	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

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / **Notes to the consolidated financial statements** / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

5. Segmental information (continued)

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

	(in thousands of US dollars)					Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
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 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 2018 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	
	2018	2017
Revenue from domestic customers – Cyprus	14,970	17,971
Revenue from foreign customers by countries:		
Russia	224,818	199,317
Denmark	26,537	46,700
UK	20,344	19,609
Other	56,906	46,908
Revenue from foreign customers total	328,605	312,534
Total revenue	343,575	330,505

In both 2018 and 2017 there was one customer representing more than 10% of consolidated revenue. This customer originated from Russian ports segment and was domiciled in Russia.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / **Notes to the consolidated financial statements** / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

6. Expenses by nature

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Staff costs (Note 8)	67,568	68,153
Depreciation of property, plant and equipment (Note 14)	35,764	38,007
Amortisation of intangible assets (Note 15)	12,909	12,966
Impairment of property, plant and equipment (Note 14)	-	11,400
Transportation expenses	6,856	8,346
Fuel, electricity and gas	9,074	7,892
Repair and maintenance of property, plant and equipment	8,371	8,118
Taxes other than on income	5,417	5,680
Legal, consulting and other professional services	2,867	3,518
Auditors' remuneration	1,379	1,397
Operating lease rentals	4,122	5,976
Purchased services	8,310	6,849
Insurance	900	1,025
Other expenses	11,408	11,915
Total cost of sales, administrative, selling and marketing expenses	174,945	191,242

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 2018 amounted to US\$295 thousand (2017: US\$280 thousand). The total fees charged by the Company's statutory auditor for the year ended 31 December 2018 for other assurance services amounted to US\$63 thousand (2017: US\$60 thousand), for tax advisory services amounted to US\$1 thousand (2017: US\$14 thousand).

The above expenses are analysed by function as follows:

Cost of sales

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Staff costs	42,133	41,893
Depreciation of property, plant and equipment	34,310	37,037
Amortisation of intangible assets	12,855	12,938
Impairment of property, plant and equipment (Note 14)	-	11,400
Transportation expenses	6,856	8,346
Fuel, electricity and gas	8,780	7,573
Repair and maintenance of property, plant and equipment	7,400	7,085
Taxes other than on income	4,952	5,183
Operating lease rentals	2,827	2,958
Purchased services	8,310	6,849
Insurance	549	642
Other expenses	7,048	6,607
Total cost of sales	136,020	148,511

Administrative, selling and marketing expenses

(in thousands of US dollars)

For the year ended
31 December

2018 2017

Staff costs	25,435	26,260
Depreciation of property, plant and equipment	1,454	970
Amortisation of intangible assets	54	28
Fuel, electricity and gas	294	319
Repair and maintenance of property, plant and equipment	971	1,033
Taxes other than on income	465	497
Legal, consulting and other professional services	2,867	3,518
Auditors' remuneration	1,379	1,397
Operating lease rentals	1,295	3,018
Insurance	351	383
Other expenses	4,360	5,308
Total administrative, selling and marketing expenses	38,925	42,731

7. Other gains/(losses) – net

(in thousands of US dollars)

For the year ended
31 December

2018 2017

Foreign exchange gains/(losses) on non-financing activities – net (Note 10)	453	(1,176)
Settlement of commercial claims	(1,261)	–
Gain on a disposal of a subsidiary	4,558	–
Net loss on disposal of assets held for sale (Note 26(a))	(29,247)	–
Recycling of derivative losses previously recognised through other comprehensive income (Note 23(ii))	–	(69,566)
Other gains/(losses) – net	936	(587)
Total	(24,561)	(71,329)

In 2018 the Group disposed a subsidiary with net liabilities of US\$940 thousand for a cash consideration of US\$862 thousand.

The main asset of the subsidiary was loading equipment. The transaction did not have any adverse effect on the operations of the Group. The transaction resulted in the overall gain of US\$4,558 thousand booked within 'Other gains/(losses) – net', comprising of US\$1,802 thousand gain from sale of the subsidiary and US\$2,756 thousand foreign translation differences which were reclassified from the translation reserve to the income statement.

8. Employee benefit expense

(in thousands of US dollars)

For the year ended
31 December

2018 2017

Salaries	52,923	52,877
Social insurance costs	12,531	12,242
Other staff costs	2,114	3,034
Total	67,568	68,153
Average number of staff employed during the year	2,464	2,726

Included within 'Social insurance costs' for 2018 are contributions made to the state pension funds in the total amount of US\$8,727 thousand (2017: US\$9,080 thousand).

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

9. Finance income/(costs) – net

(in thousands of US dollars)

For the year ended
31 December

2018 2017

<i>Included in finance income:</i>		
Interest income on bank balances	562	612
Interest income on short-term bank deposits	1,060	644
Interest income on loans to related parties (Note 30(g))	939	792
Total finance income calculated using effective interest rate method	2,561	2,048
 <i>Included in finance costs:</i>		
Interest expenses on bank borrowings	(3,125)	(7,178)
Interest expenses on bonds	(78,253)	(81,611)
Interest expenses on finance leases	(1,340)	(1,530)
Interest expenses on loans from third parties	(665)	(560)
Loss on extinguishment of financial liabilities (Note 22)	(1,765)	-
Total finance costs	(85,148)	(90,879)
 <i>Included in the change in fair value of derivatives:</i>		
Interest component*	16,013	20,214
Foreign currency exchange component	(43,522)	21,875
Total change in fair value of derivatives (Note 23(i))	(27,509)	42,089
 Net foreign exchange gains/(losses) on financing activities	(75,185)	27,944
Finance income/(costs) – net	(185,281)	(18,798)

*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

2018 2017

<i>Included in 'finance income/(costs) – net' (Note 9)</i>	(75,185)	27,944
<i>Included in 'other gains/(losses) – net' (Note 7)</i>	453	(1,176)
Total	(74,732)	26,768

11. Income tax expense

(in thousands of US dollars)

For the year ended
31 December

	2018	2017
Current tax	33,243	32,932
Deferred tax (Note 24)	(28,551)	(4,116)
Total	4,692	28,816

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

	2018	2017
Profit/(loss) before tax	(53,637)	(24,131)
Tax calculated at the applicable tax rates – 20% ⁽¹⁾	(10,727)	(4,826)
Tax effect of expenses not deductible for tax purposes	9,047	20,242
Tax effect of share of profit in jointly controlled entities	2,485	14,653
Withholding tax on undistributed profits	3,887	(1,253)
Tax charge	4,692	28,816

⁽¹⁾ The applicable tax rate used for 2018 and 2017 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.

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.

(in thousands of US dollars)

For the year ended
31 December

	2018	2017
Profit attributable to the owners of the parent of the Company – in thousands of US dollars	(59,279)	(52,973)
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)	(0.10)	(0.09)

13. Dividend distribution

During 2018 and 2017 the Company did not declare or pay dividends to the equity holders of the Company.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / **Notes to the consolidated financial statements** / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

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 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 thousands of US dollars)	Land	Buildings and facilities	Assets under construction	Loading equipment and machinery	Other production equipment	Office equipment	Total
At 1 January 2018							
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
Additions	–	11,756	5,573	14,649	6,603	307	38,888
Transfers	–	4,696	(2,868)	(1,832)	3	1	–
Disposals	–	(161)	–	(97)	(79)	–	(337)
Depreciation charge (Note 6)	–	(20,128)	–	(12,831)	(2,543)	(262)	(35,764)
Translation reserve	(27,758)	(40,093)	(5,239)	(17,823)	(4,052)	(184)	(95,149)
Closing net book amount	134,693	192,850	24,486	86,427	21,577	909	460,942
At 31 December 2018							
Cost	134,693	310,970	24,486	174,489	38,184	2,534	685,356
Accumulated depreciation and impairment	–	(118,120)	–	(88,062)	(16,607)	(1,625)	(224,414)
Net book amount	134,693	192,850	24,486	86,427	21,577	909	460,942

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / **Notes to the consolidated financial statements** / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

14. Property, plant and equipment (continued)

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	
	2018	2017
Net book amount	337	209
Less: Non-cash items – write-offs of property, plant and equipment	(3)	(80)
	334	129
Profit on sale of property, plant and equipment ⁽¹⁾	129	162
Proceeds from sale of property, plant and equipment	463	291

⁽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	
	2018	2017
Buildings and constructions	6,371	7,951
Loading equipment	266	9,279
Total	6,637	17,230

Depreciation expense amounting to US\$34,310 thousand in 2018 (2017: US\$37,037 thousand) has been charged to 'cost of sales' and US\$1,454 thousand in 2018 (2017: US\$970 thousand) has been charged to 'administrative, selling and marketing' expenses (Note 6).

There were no capitalised borrowing costs in 2018 and 2017.

Lease rentals relating to the lease of machinery and property amounting to US\$2,827 thousand in 2018 (2017: US\$2,958 thousand) have been charged to 'cost of sales' and US\$1,295 thousand in 2018 (2017: US\$3,018 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2018 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US\$7,513 thousand (2017: US\$8,393 thousand).

15. Intangible assets

(in thousands of US dollars)	Goodwill	Contractual rights	Computer software	Total
At 1 January 2017				
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				
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
 Additions				
Amortisation charge (Note 6)	–	(12,013)	(896)	(12,909)
Translation reserve	(1,734)	(114,833)	(534)	(117,101)
Closing net book amount	8,415	551,823	5,000	565,238
 At 31 December 2018				
Cost	8,415	667,742	6,820	682,977
Accumulated amortisation and impairment	–	(115,919)	(1,820)	(117,739)
Net book amount	8,415	551,823	5,000	565,238

As at 31 December 2018 the remaining useful lives for contractual rights were up to 54 years (2017: up to 55 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	
	2018	2017
PLP (Russian ports segment)	3,640	4,390
VSC (Russian ports segment)	4,775	5,759
Total	8,415	10,149

The recoverable amount of the above CGUs 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(i) for details of assumptions used.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

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	
	2018	2017
<i>Financial assets at amortised costs (Loans and receivables at 31 December 2017):</i>		
Financial assets as per balance sheet:		
Trade and other receivables ⁽¹⁾	43,144	35,431
Cash and cash equivalents	91,613	130,434
Total	134,757	165,865
<i>Financial liabilities measured at amortised cost</i>		
Financial liabilities as per balance sheet:		
Borrowings	871,949	1,074,753
Trade and other payables ⁽²⁾	43,735	28,487
Total	915,684	1,103,240

⁽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 nor 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	
	2018	2017
<i>Trade and other receivables</i>		
Core customers – existing (more than one year of working history with the Group)	12,520	9,134
Trade and other receivables from other customers (third parties)	3,196	857
Trade and other receivables from related parties with Baa3 credit rating by Moody's Investors Service as at 31 December 2018	7,809	7,834
Total	23,525	17,825

*The total gross carrying amount of trade and other receivables from related parties (including past due but not impaired portion) with Baa3 credit rating as of 31 December 2018 was US\$8,414 thousand (Note 19).

Trade and other receivables from third parties 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)

As at 31 December

Agency	Rating	2018	2017
International rating agency Moody's Investors Service	A1 – Aa3	3,669	3,855
International rating agency Moody's Investors Service	B1 – Baa3	52,609	105,381
International rating agency Moody's Investors Service	Caa1 – Caa2	156	208
Fitch Ratings	BBB	35,008	20,912
* No rating	No rating	171	78
Total		91,613	130,434

* 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.

18. Inventories

(in thousands of US dollars)

As at 31 December

	2018	2017
Spare parts and consumables	6,555	5,769
Total	6,555	5,769

All inventories are stated at cost.

19. Trade and other receivables

(in thousands of US dollars)

As at 31 December

	2018	2017
Trade receivables – third parties	16,127	11,875
Trade receivables – related parties (Note 30(d))	8,414	7,817
Total trade receivables	24,541	19,692
Other receivables	3,661	1,157
Other receivables – related parties (Note 30(d))	–	23
Loans to related parties (Note 30(g))	14,942	14,559
VAT and other taxes recoverable	7,404	6,039
Total financial assets at amortised cost	26,007	21,778
Prepayments for goods and services	5,249	6,168
Prepayments for goods and services – related parties (Note 30(e))	2	551
Total trade and other receivables	55,799	48,189
<i>Less non-current portion:</i>		
Loans to related parties	(14,898)	(14,559)
Total non-current portion	(14,898)	(14,559)
Current portion	40,901	33,630

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

19. Trade and other receivables (continued)

According to management estimates the fair values of trade and other receivables do not materially differ from their carrying amounts.

The average effective interest rate on loans receivable from related parties were 6.4% (2017: 6.4%).

At 31 December 2018, trade and other receivables amounting to US\$23,525 thousand were zero days past due (31 December 2017: US\$17,825 thousand fully performing).

Trade and other receivables amounting to US\$4,677 thousand (31 December 2017: US\$3,047 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	
	2018	2017
Less than 1 month overdue	2,842	2,186
From 1 to 3 months overdue	1,781	436
From 3 to 6 months overdue	54	125
Over 6 months overdue	-	300
Total	4,677	3,047

During 2018 trade receivables amounting to US\$549 thousand (2017: US\$27 thousand) were impaired and written off in full. These are individually impaired receivables mainly related to customers, which were in a difficult economic situation.

Other classes within trade and other receivables do not contain impaired assets.

The fair value of receivables approximates their carrying value as the impact of the discounting is insignificant and is within Level 3 of the fair value hierarchy. The fair value is based on discounting of cash flows using 7% (2017: 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	
	2018	2017
Currency:		
US dollar	24,535	24,932
Russian rouble	31,111	22,952
Euro	153	305
Total	55,799	48,189

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

2018 2017

Cash at bank and in hand	35,155	31,342
Short-term bank deposits (less than 90 days)	56,458	99,092
Total	91,613	130,434

The effective average interest rate on short-term deposits was 1.93% in 2018 (2017: 1%) and these deposits have an average maturity of 22 days in 2018 (2017: 20 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

2018 2017

Cash and cash equivalents	91,613	130,434
Total	91,613	130,434

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	Share capital	Share premium	Total
At 1 January/31 December 2017 / 31 December 2018	573,171	57,317	923,511	980,828

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

22. Borrowings

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Non-current borrowings		
Bank loans	97	43,000
Non-convertible unsecured bonds	842,664	953,308
Finance lease liabilities	8,005	9,356
Total non-current borrowings	850,766	1,005,664
Current borrowings		
Bank loans	3	43,000
Interest payable on bank loans	–	156
Finance lease liabilities	–	840
Interest payable on finance lease liabilities	135	371
Loans from third parties	–	795
Interest payable on loans from third parties	–	246
Non-convertible unsecured bonds – interest payable	21,045	23,681
Total current borrowings	21,183	69,089
Total borrowings	871,949	1,074,753

The maturity of non-current borrowings (excluding finance lease liabilities) is analysed as follows:

(in thousands of US dollars)

As at 31 December

2018 2017

Between 1 and 2 years	71,746	42,729
Between 2 and 5 years	771,015	607,995
Over 5 years	–	345,584
Total	842,761	996,308

Bank borrowings mature until 2024 (31 December 2017: 2019) and bonds mature until 2023 (31 December 2017: 2023).

Changes in liabilities and assets arising from financing activities:

(in thousands of US dollars)

For the year ended 31 December 2018

	Borrowings and leases	Fair value of derivative financial instruments*	Total changes in assets and liabilities from financing activities
At beginning of year	1,074,753	(78,386)	996,367
Interest charged	9	83,383	85,148
Loss on extinguishment of financial liabilities	9	1,765	–
Bank loans and leases taken	376	–	376
Borrowings and leases repaid during the year	(156,341)	–	(154,950)
Interest repaid during the year and swap cash settlements	23(i)	(82,994)	15,350
Change in fair value of derivative financial instruments	9	–	27,509
Foreign exchange differences	(48,993)	7,813	(41,180)
Net proceeds received upon termination of derivative financial instruments	23(i)	–	27,714
At end of year	871,949	–	871,949

* Represents net position (liabilities less assets) of derivative financial instruments.

(in thousands of US dollars)

For the year ended 31 December 2017

	Borrowings and leases	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)	20,254	(68,840)
Change in fair value of derivative financial instruments	9 -	(42,089)	(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 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 swap agreements were terminated in the second half of 2018 (see Note 23).

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.

In 2018 the Group has repurchased some part of Eurobonds and derecognised the related liability.

Fair value of bank loans and non-convertible unsecured bonds was as follows:

(in thousands of US dollars)	As at 31 December	
	2018	2017
Non-convertible unsecured bonds	873,577	1,025,491
Bank loans	100	86,156
Total	873,677	1,111,647

Finance lease liabilities – minimum lease payments:

(in thousands of US dollars)	As at 31 December	
	2018	2017
Under 1 year	1,506	2,276
Between 1 and 2 years	1,576	1,441
Between 2 and 5 years	4,296	4,406
Over 5 years	50,150	63,793
Total	57,528	71,916
Future finance charges of finance leases	(49,388)	(61,349)
Present value of finance lease liabilities	8,140	10,567

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / **Notes to the consolidated financial statements** / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

22. Borrowings (continued)

The present value of finance lease liabilities is analysed as follows:

(in thousands of US dollars)	As at 31 December	
	2018	2017
Under 1 year	138	1,208
Between 1 and 2 years	73	7
Between 2 and 5 years	190	13
Over 5 years	7,739	9,339
Total	8,140	10,567

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	
	2018	2017
6 months or less	-	1,629
1-5 years	844,609	693,724
Over 5 years	6,160	354,946
Total	850,769	1,050,299

The carrying amounts of the Group's borrowings are denominated in the following currencies:

(in thousands of US dollars)	As at 31 December	
	2018	2017
Russian rouble	229,543	277,730
US dollar	642,406	797,023
Total	871,949	1,074,753

As of 31 December 2017 US\$267,820 thousand from the above amount of borrowings denominated in RUR were covered by swap arrangements effectively converting the RUR-denominated obligation into USD denominated one (Note 23). In 2018 these swap arrangements were terminated (see Note 23).

Agreements of the bank loans given to some of the subsidiaries the Group include certain covenants which set forth certain financial ratios that have to be complied with. The Group was in compliance with all covenants.

The weighted average effective interest rate on borrowings is 8.5% (2017: 8.4%). As of 31 December 2017 the weighted average effective interest rate on borrowings which includes the effect of the cross-currency swap would be 6.8%.

The Group is leasing mainly container loading equipment, cars and terminal facilities.

The finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

23. Derivative financial instruments

In 2018 the Group terminated the cross-currency interest rate swap arrangement (see Note 23(i)). As of 31 December 2017 the fair value of derivatives was positive – US\$78,386 thousand.

In 2017 the fair value of derivative was classified as a non-current asset if the remaining maturity of the hedging relationship is more than 12 months and, as a current asset, 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 a lower fixed interest rate. The Group decided not to apply hedge accounting rules to the 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”.

At the end of 2018 the Group terminated the cross-currency interest rate swap arrangements. The net proceeds received on termination of swaps amounted to US\$27,714 thousand.

(ii) Derivatives used for hedging

Upon acquisition of NCC at the end of 2013 the Group 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 led to the cancellation of the related interest rate cash flow hedge.

During 2017 there was recycled US\$57,426 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 thousand through the income statement under ‘other gains/losses – net’ (Note 7) and as a credit charge in amount of US\$12,140 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.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

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	
	2018	2017
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	60,499	45,529
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(130,436)	(163,942)
Deferred tax liabilities (net)	(69,937)	(118,413)

The gross movement on the deferred income tax account is as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2018	2017
At the beginning of the year	(118,413)	(118,271)
Income statement charge:		
Deferred tax credit (Note 11)	28,551	4,116
Other movements:		
Reclassification to liabilities directly associated with assets classified as held for sale	-	1,868
Currency translation differences	19,925	(6,126)
At the end of the year	(69,937)	(118,413)

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 2017	(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)
Income statement (Note 11)	1,777	(3,197)	2,245	49	21,930	22,804	5,747	28,551
Translation differences	10,205	630	22,659	-	(14,008)	19,486	439	19,925
At 31 December 2018	(48,156)	(4,465)	(108,934)	(280)	90,913	(70,922)	985	(69,937)

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\$659,619 thousand (2017: US\$848,103 thousand).

25. Trade and other payables

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Trade payables – third parties	3,351	3,690
Trade payables – related parties (Note 30(e))	109	304
Payables for property, plant and equipment	1,339	957
Other payables – third parties	4,777	1,338
Other payables – related parties (Note 30(e))	831	682
Payroll payable	1,858	1,875
Accrued expenses and deferred gains	18,867	18,298
Contract liabilities (2017: advances received)	3,987	5,007
Taxes payable (other than income tax)	3,657	3,535
Total trade and other payables	38,776	35,686
Less non-current portion	–	(9,266)
Current portion	38,776	26,420

The fair value of trade and other payables approximates their carrying amount at the balance sheet date.

26. Assets held for sale

(a) Disposal of Logistika-Terminal

In September 2018, upon obtaining approval of relevant regulatory authorities, the Group completed the sale of its 100% holding in JSC Logistika-Terminal (LT), one of the Group's two inland terminals located near St. Petersburg which was included in the Russian ports segment, to PJSC TransContainer for a cash consideration of RUR 1.9 billion. As previously announced, the proceeds from the sale went towards the further deleveraging.

The result of the disposal is a US\$615 thousand gain that is reflected within 'other gains/(losses) – net'. In addition, US\$(29,862) thousand (negative) are recycled to 'other gains/(losses) – net' from the currency translation reserve. This is the amount related to LT that was recognised in other comprehensive income and accumulated in the equity.

LT assets and liabilities were reclassified to assets and liabilities held for sale in August 2017 when the sales agreement was signed. The 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. As a result, an impairment of US\$11,400 thousand was recognised in 2017 (Note 14).

The movement in currency translation reserve related to LT since reclassification to assets held for sale until the disposal was US\$(3,472) thousand (negative).

The following assets and liabilities were classified as held for sale in relation to LT:

(in thousands of US dollars)

	As at	
	Time of sale	31 December 2017
Property, plant and equipment	28,549	33,713
Trade and other receivables and other current assets	759	865
Cash and cash equivalents	426	835
Assets classified as held for sale	29,734	35,413
Deferred tax liabilities	1,631	1,867
Trade and other payables	671	560
Liabilities directly associated with assets classified as held for sale	2,302	2,427
Net carrying amount classified as held for sale	27,432	32,986

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

26. Assets held for sale (continued)

(b) Potential disposal of VEOS

As a result of deterioration of the business environment for VEOS, in the end of 2018 the Group decided to put this joint venture for a potential sale. Due to this reason, the investment in VEOS was reclassified to assets held for sale. Its carrying amount is its fair value less costs to sell.

Once disposed, amounts recognised in other comprehensive income and accumulated in equity relating to VEOS will be recycled from the other comprehensive income to the income statement. As of 31 December 2018 this accumulated other comprehensive income relating to VEOS amounted to approximately US\$(33) million (negative). It is reflected within currency translation reserve in the consolidated balance sheet.

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 2018 and 31 December 2017 are as follows:

(in thousands of US dollars)	VEOS	MLT	CD Holding	Total
At 1 January 2018	7,341	48,315	1,262	56,918
Recognised share of profit/(loss)	5,020	(14,305)	(3,140)	(12,425)
Dividends declared by joint venture	–	(1,618)	–	(1,618)
Share of losses of joint ventures applied against other long-term interests (Note 30(g))	–	–	1,696	1,696
Reclassified to assets held for sale (Note 26(b))	(11,773)	–	–	(11,773)
Translation differences (through other comprehensive income/(loss))	(588)	(7,597)	182	(8,003)
At 31 December 2018	–	24,795	–	24,795

"Recognised share of profit/(loss)" includes US\$13,946 thousand of effect of impairment of the Group's investment in MLT (see Note 4(i)) and the Group's share of reversal of previously recognised impairment related to VEOS in the amount of US\$5,211 thousand.

(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 movements (Note 30(g))	–	–	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)).

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 2018

VEOS MLT CD Holding

Revenue	30,939	25,834	10,851
Depreciation, amortisation and impairment	(1,141)	(8,533)	(789)
Reversal of impairment of property, plant and equipment	10,422	-	-
Interest income	7	108	-
Interest expense	(244)	(261)	(936)
Profit/(loss) before income tax	10,040	(548)	(4,187)
Income tax expense	-	68	-
Profit/(loss) after tax	10,040	(480)	(4,187)
Other comprehensive income/(loss)	(1,175)	(5,579)	240
Total comprehensive income/(loss)	8,865	(6,059)	(3,947)
Dividends declared by joint venture	-	2,157	-

Selected balance sheet items

(in thousands of US dollars)

As at 31 December 2018

VEOS MLT CD Holding

Total non-current assets	19,073	25,085	14,272
Cash and cash equivalents (including current deposits with maturity over 90 days)	2,352	7,498	339
Other current assets	12,495	5,134	992
Total current assets	14,847	12,632	1,331
Total assets	33,920	37,717	15,603
Non-current financial liabilities	2,575	2,590	16,639
Other non-current liabilities	-	1,116	-
Total non-current liabilities	2,575	3,706	16,639
Current financial liabilities excluding trade and other payables	2,175	819	-
Other current liabilities including trade and other payables	5,624	3,595	1,226
Total current liabilities	7,799	4,414	1,226
Total liabilities	10,374	8,120	17,865
Net assets	23,546	29,597	(2,262)

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

27. Joint ventures (continued)

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	-

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

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 2018

	VEOS	MLT	CD Holding	Total
Opening net assets at the beginning of the year	14,681	37,813	638	53,132
Profit/(loss) for the period	10,040	(480)	(4,187)	5,373
Dividends declared	-	(2,157)	-	(2,157)
Other comprehensive income/(loss)	(1,175)	(5,579)	240	(6,514)
Closing net assets at the end of the year	23,546	29,597	(3,309)	49,834
Ownership interest	50%	75%	75%	
Interest in joint venture	11,773	22,197	(2,480)	31,490
Reclassification to assets held for sale (Note 26(b))	(11,773)	-	-	(11,773)
Share of losses of joint ventures applied against other long-term interests (Note 30(g))	-	-	1,696	1,696
Other movements	-	-	784	784
Goodwill	-	16,544	-	16,544
Impairment of investment (Note 4(i))	-	(13,946)	-	(13,946)
Carrying value on 31 December 2018	-	24,795	-	24,795

(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 movements	-	-	784	784
Goodwill	-	19,955	-	19,955
Carrying value on 31 December 2017	7,341	48,315	1,262	56,918

Notes to the consolidated financial statements (continued)

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 continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. The 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.

The tariff legislation has changed as of 14 August 2018 and requires all tariffs to be set in Russian roubles. The Group is in full compliance with the new legislation.

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.

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.

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. 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). The CFC income is subject to a 20% tax rate. 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 2018 and as of 31 December 2017 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:

(in thousands of US dollars)	As at 31 December	
	2018	2017
Property, plant and equipment	6,540	26,515
Total	6,540	26,515

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / **Notes to the consolidated financial statements** / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

29. Commitments (continued)

Operating lease commitments – Group as lessee

The future minimum lease payments payable under non-cancellable operating leases (mainly port infrastructure) are as follows:

(in thousands of US dollars)	As at 31 December	
	2018	2017
Not later than 1 year	2,598	3,022
Later than 1 year and not later than 5 years	10,005	11,807
Later than 5 years	44,205	54,954
Total	56,808	69,783

30. Related party transactions

Until April 2018 the Group was jointly controlled by Transportation Investments Holding Limited ("TIHL") and APM Terminals B.V. ("APM Terminals"). In April 2018 TIHL has completed the sale of its 30.75% stake in Global Ports to LLC Management Company "Delo" ("Delo Group"). The Group has been informed that in connection with the transaction, Delo Group has acceded to the shareholder agreement with APM Terminals B.V. and that TIHL has been released from its obligations under such agreement. Since April 2018 the Group is jointly controlled by Delo Group and 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

(in thousands of US dollars)	For the year ended 31 December	
	2018	2017
Entities under control of owners of controlling entities	93,089	86,118
Joint ventures in which GPI is a venturer	3	4
Other related parties	45	52
Total	93,137	86,174

(b) Purchases of services and incurred expenses

(in thousands of US dollars)	For the year ended 31 December	
	2018	2017
Entities under control of owners of controlling entities	330	2,561
Other related parties	2,334	2,452
Total	2,664	5,013

(c) Interest income

(in thousands of US dollars)

For the year ended
31 December

	2018	2017
Joint ventures in which GPI is a venturer	939	792
Total	939	792

(d) Trade and other receivables and prepayments

(in thousands of US dollars)

As at 31 December

	2018	2017
Entities under control of owners of controlling entities	8,414	8,368
Joint ventures in which GPI is a venturer	2	-
Other related parties	-	23
Total	8,416	8,391

(e) Trade and other payables

(in thousands of US dollars)

As at 31 December

	2018	2017
Entities under control of owners of controlling entities	853	796
Other related parties	87	190
Total	940	986

(f) Key management compensation/directors' remuneration

(in thousands of US dollars)

For the year ended
31 December

	2018	2017
<i>Key management compensation:</i>		
Salaries, payroll taxes and other short-term employee benefits	10,041	8,831
<i>Directors' remuneration (included also above):</i>		
Fees	375	408
Emoluments in their executive capacity	813	677
Total	1,188	1,085

(g) 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

	2018	2017
At the beginning of the year	14,559	8,472
Loans advanced during the year	1,400	7,500
Interest charged	939	792
Loan and interest repaid during the year	(260)	(1,204)
Fair value loss upon inception	-	(1,045)
GPI's share of losses of joint ventures applied against other long-term interests (Note 27)	(1,696)	-
Foreign exchange differences	-	44
At the end of the year (Note 19)	14,942	14,559

The loans are not secured, bear effective interest at 6.4% (2017: 6.4%) and are repayable in 2022.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / Independent Auditor's Report

Notes to the consolidated financial statements (continued)

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 2018, 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 26 to 93 and comprise:

- > the consolidated balance sheet as at 31 December 2018;
- > 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.

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Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / **Independent Auditor's Report**

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: US\$5,5 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.

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

US\$5,5 million

How we determined it

2.5% of EBITDA

**Rationale for the
materiality benchmark
applied**

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.

We chose 2.5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above US\$0,55 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

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / **Independent Auditor's Report**

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 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
<p>The Group performed an impairment test for all the cash generating units ("CGUs"). We focused on this area due to:</p> <ul style="list-style-type: none">➢ the size of the goodwill and other nonfinancial assets;➢ 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 and the estimation of the fair value less costs of disposal of the CGUs; and➢ the results of the impairment test may indicate a higher recoverable amount than the carrying amount of assets previously impaired (other than goodwill) and an assessment should be made whether reversal of impairment may be necessary, which involves subjective judgements. <p>In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the following CGUs:</p> <ul style="list-style-type: none">➢ Moby Dik (MD) CGU, a component of Multi Link Terminals Limited, due to the fact that there was material impairment during the period; and➢ First Container Terminal (FCT) and UstLuga Container Terminal (ULCT) CGUs as a reasonably possible change in the key assumptions would cause the carrying amounts of these CGUs to exceed their recoverable amounts.	<p>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 in value in use calculations as well as evaluating the fair value less cost to sell.</p> <p>For MD CGU, we challenged and evaluated whether the fair value less costs of disposal approach is more appropriate than value in use approach to determine the CGU's recoverable amount given the specific circumstances of the CGU. We further evaluated the work of the management's expert involved for the valuation of MD CGU's assets by assessing the competence, capabilities and objectivity of the independent appraiser and by also engaging PwC valuation experts to assess the methodology, models and inputs used by the management's expert.</p> <p>With respect to the value in use models used for FCT and ULCT CGUs and Multi Link Terminals Limited Oy (MLT Oy) we challenged and evaluated the composition of the future cash flow forecasts in the model including comparing them to the latest budgets approved by the Board of Directors.</p>

Key Audit Matter

The recoverable amount of the investment in joint venture Multi Link Terminals Limited (MLT) was determined based on the recoverable amounts of MD CGU and Multi Link Terminals Limited Oy (MLT Oy) CGU. The recoverable amount of MD CGU was determined by the Board of Directors based on the fair value less costs of disposal approach as following a substantial reduction in cargo volumes during the year, the fair value less costs of disposal approach was considered to give rise to higher recoverable amount than value in use approach. In determining the fair value of MD CGU, management involved an independent appraiser (the management's expert). The recoverable amount of MLT Oy CGU was based on value in use calculations.

The recoverable amounts of FCT and ULCT CGUs were determined based on value in use calculations.

The expected cash flows (budgets) for the year 2019 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 for the investment in joint venture Multi Link Terminals Limited amounting to US\$13,946 thousand that was recognised through the share of profit/(loss) of joint ventures, reducing the carrying amount of the investment in the joint venture to US\$24,795 thousand.

For 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 reversal as required by IAS 36 "Impairment of Assets"; and the tests are still sensitive to the change of certain key parameters.

Refer to Notes 4 and 27 to the consolidated financial statements for the related disclosures.

How our audit addressed the Key Audit Matter

We challenged and evaluated:

- > 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 FCT and ULCT CGUs, we have challenged and evaluated the Board of Directors on the reversal of previously recognised impairment.

We further challenged and evaluated the Board of Directors on the adequacy of their sensitivity calculations over FCT and ULCT 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.

We lastly evaluated the adequacy of the disclosures made in Notes 4 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 and data used within the models and disclosures are appropriate.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / **Independent Auditor's Report**

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, including the Corporate Governance Statement, and the Directors' responsibility 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 and will not express any form of assurance conclusion thereon.

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 Group'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.

Consolidated Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Consolidated income statement for the year ended 31 December 2018 / Consolidated statement of comprehensive income for the year ended 31 December 2018 / Consolidated balance sheet as at 31 December 2018 / Consolidated statement of changes in equity for the year ended 31 December 2018 / Consolidated statement of cash flows for the year ended 31 December 2018 / Notes to the consolidated financial statements / **Independent Auditor's Report**

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 International Standards on Auditing.

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 7 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 26 March 2019 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 nonaudit 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

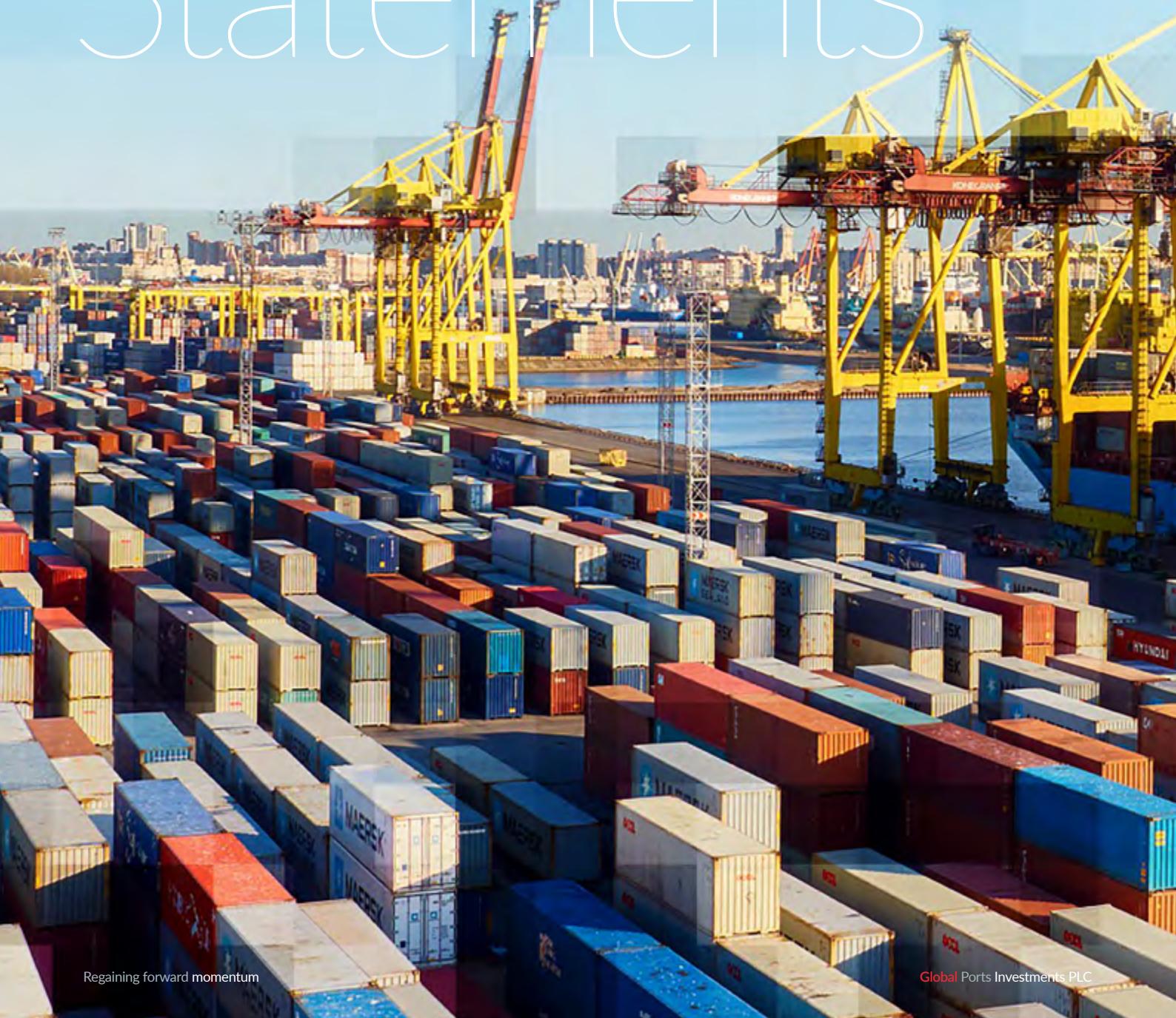
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

Limassol, 27 March 2019

Parent Company Financial Statements



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Table of Contents

Board of Directors and other officers	2
Management report	4
Directors' Responsibility Statement	23
Statement of comprehensive income for the year ended 31 December 2018	24
Balance sheet as at 31 December 2018	25
Statement of changes in equity for the year ended 31 December 2018	26
Statement of cash flows for the year ended 31 December 2018	27
Notes to the financial statements	28
1. General information	28
2. Summary of significant accounting policies	28
3. Financial risk management	37
4. Critical accounting estimates and judgments	40
5. Finance income – net	41
6. Administrative expenses	41
7. Other gains/(losses) – net	42
8. Staff costs	42
9. Finance costs	42
10. Income tax expense	42
11. Financial instruments by category	43
12. Credit quality of financial assets	44
13. Property, plant and equipment	45
14. Investments in subsidiaries	45
15. Investments in joint ventures	46
16. Loans receivable	47
17. Trade and other receivables	47
18. Cash and bank balances	48
19. Share capital, share premium and dividends	48
20. Trade and other payables	49
21. Contingencies and commitments	49
22. Related party transactions	50
23. Events after the balance sheet date	53
Independent auditor's report	54

Board of Directors and other officers

Board of Directors

Mr. Morten Henrick Engelstoft (appointed 31 October 2016)
(Mrs. Olga Gorbarenko is the alternate to Morten Henrick Engelstoft)
Chairman of the Board of Directors
Non-Executive Director
Member of Remuneration and Nomination Committees

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

Mr. Anton Chertkov (appointed 14 May 2018)
(Mr. Alexander Iodchin is the alternate to Mr. Anton Chertkov)
Non-Executive Director
Member of Remuneration and Nomination Committees

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

Mrs. Britta Dalunde (appointed 12 May 2017)
Senior Independent Non-Executive Director
Chairman of Audit and Risk Committee

Mr. Alexander Iodchin (appointed 15 August 2008)
Executive Director

Mr. Soren Jakobsen (appointed 02 March 2018)
(Mrs. Olga Gorbarenko is the alternate to Mr. Soren Jakobsen)
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

Mr. Demos Katsis (appointed 14 May 2018)
Non-Executive Director

Mrs. Inna Kuznetsova (appointed 01 January 2018)
Independent Non-Executive Director
Chairman of Remuneration and Nomination Committees
Member of Audit and Risk Committee

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

Mr. Lampros Papadopoulos (appointed 01 January 2018)
Independent Non-Executive Director
Member of Audit and Risk Committee

Mr. Stavros Pavlou (appointed 14 May 2018)
Non-Executive Director
Member of Remuneration and Nomination Committees

Board of Directors and other officers (continued)

Mr. Sergey Shishkarev (appointed 14 May 2018)

(Mr. Anton Chertkov and Mr. Stavros Pavlou are the alternates to Mr. Sergey Shishkarev)

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

Mr. George Yiallourides (appointed 14 May 2018)

Non-Executive Director

Member of Audit and Risk Committee

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

Mr. Peder Sondergaard (resigned on 01 February 2018)

Mr. Mikhail Loganov (resigned on 12 April 2018)

Mr. Nikita Mishin (resigned on 12 April 2018)

Mrs. Elia Nicolaou (resigned on 12 April 2018)

Mr. Konstantin Shirokov (resigned on 12 April 2018)

Mr. Vadim Kryukov (resigned on 14 May 2018)

Capt. Bryan Smith (resigned on 14 May 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 2018. 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 2018 the management of the Group continued its efforts in optimisation of the Group structure. LLC ZASM was merged with LLC Farwater. The management finalised the liquidation of LLC Container-Depot East and LLC Cargo Connexion East.
4. In September 2018 the Group completed the sale of its holding in JSC Logistika-Terminal (LT), one of the Group's two inland terminals, to PJSC TransContainer for a consideration of 1.9 billion Russian roubles. As previously announced, the proceeds from the sale went towards the further deleveraging of the Group.
5. During the year ended 31 December 2018 the Group disposed its two subsidiaries – LLC PLP Mineral (owner of handling equipment) and LLC Porttransservis (freight forwarding services in Saint-Petersburg). The Group acquired a 100% stake in LLC Transportmecanisation, a company rendering equipment repair and maintenance services in Saint-Petersburg.
6. There were no other material changes in the group structure.

Review of Developments, Position and Performance of the Group's Business

7. The Russian container market grew 10.0% in 2018 driven by the continued recovery in laden import of 8.2% and supported by strong growth in laden export containers of 13.9%, resulting in total Russian container market throughput of 4.87 million TEU.
8. The Group's Consolidated Marine Container Throughput increased 12.2% to 1,352 thousand TEU in 2018 compared to 1,205 thousand TEU in 2017. The growth rate of the Group's Consolidated Marine Container Throughput therefore outpaced that of the Russian container market.
9. The Group focused on increasing bulk cargo volumes to improve the utilisation of its terminals. As a result, Consolidated Marine Bulk Throughput increased by 15.9% to 3.12 million tonnes in 2018, a record level for the Group, driven by growth in bulk cargoes at PLP and ULCT.
10. As a part of its strategy to focus on developing additional revenue streams and optimising its existing terminal infrastructure, the Group commissioned a new coal handling facility at Ust-Luga Container Terminal in December 2018. ULCT has excellent rail connectivity and the capability to support up to 1.0 million tonnes of coal shipments per year.
11. Revenue in 2018 increased by 4.0% to USD 343.6 million compared to USD 330.5 million in 2017. This was mainly driven by 16.8% growth in Consolidated Non-Container Revenue. Consolidated Container Revenue was broadly flat in 2018 at USD 255.2 million, growth of 0.1% compared to 2017, as 12.2% growth in Consolidated Marine Container Throughput was partially offset by an 10.1% decline in Revenue per TEU. Only a low single digit percentage of the reduction in Revenue per TEU was attributable to change in tariffs, with the majority of the decline largely attributable to lower share of imports and the change in customer and service mix.
12. The Group continued to exert strict control over costs. Total Operating Cash Costs decreased by 2.0% during the reporting period despite double digit growth in throughput of both container and non-container cargoes. FX adjusted Total Operating Cash Costs¹ increased by around 5.8%.

¹ Management estimate calculated as if effective USD/RUB exchange rate in 2018 was the same as in 2017.

Management report (continued)

Review of Developments, Position and Performance of the Group's Business (continued)

13. Gross profit in 2018 increased 14.0% to USD 207.6 million or by 7.3% adjusted for impairments that took place in 2017.
14. Adjusted EBITDA in 2018 increased 7.8% to USD 217.3 million* mainly due to the growth in throughput and strict control over costs.
15. Adjusted EBITDA margin expanded by 224 basis points from 61.0% in 2017 to 63.2%* in 2018.
16. Operating profit in 2018 was USD 131.6 million compared to USD 5.3 million Operating loss in 2017. This substantial increase was driven both by the growth in Gross profit and the fact that 2017 was negatively impacted by 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. Loss before income tax increased from USD 24.1 million in 2017 to USD 53.6 million in 2018. This change was predominantly driven by the depreciation of the Russian rouble which resulted in mainly unrealised loss on revaluation of US dollar-denominated borrowings (from Group and non Group entities) in the Group's Russian subsidiaries using Russian rouble as their functional currency.
17. The Group's capital expenditure on a cash basis was USD 40.8 million in 2018. Maintenance capital expenditure focused on planned maintenance projects, scheduled upgrades of existing container handling equipment and coal handling equipment at VSC as well as the implementation of environmental protection measures related to coal handling. Maintenance capex remained in line with the Group's mid-term guidance of USD 25-35 million per annum with the remainder accounting for development of a new coal handling facility at ULCT.
18. Net cash from operating activities increased by USD 0.4 million, or 0.2%, from USD 173.9 million in 2017 to USD 174.3 million in 2018.
19. In August 2018, an amendment to the Law on Seaports came into force which prescribes that all handling tariffs in Russian ports are set in Russian roubles. While the law stipulates the mandatory currency of tariffs, it does not restrict port operators' ability to change actual tariff levels. Tariffs for stevedoring services in Russian ports remain unregulated and are market-driven. Since the law came into force, the Group has retained its legal ability to revise tariff policy in response to substantial changes in the industry, currency fluctuations or macro-economic environment. Although the share of Russian rouble nominated revenues is expected to increase in 2019, the group believes that its FX exposure is adequately balanced by the currency composition of its debt portfolio, the currency of its cash and deposits and the use of hedging instruments in relation to both revenue and debt.
20. The Group continued to deleverage and reduced Net Debt by a further USD 85.6 million* in 2018. The Group decreased its Total Debt by USD 124.4 million* in 2018.
21. Net Debt to Adjusted EBITDA decreased from 4.3x* to 3.6x* during 2018.
22. The loss of the Company for the year ended 31 December 2018 was US\$(84,182) thousand (2017: net profit US\$1,555 thousand). On 31 December 2017 the total assets of the Company were US\$650,646 thousand (2017: US\$736,092 thousand) and the net assets were US\$624,045 thousand (2017: US\$708,227 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.

Certain non-IFRS financial measures and operational information above which is derived from the management accounts is marked 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.

Adjusted EBITDA Margin (a non-IFRS financial measure) is calculated as Adjusted EBITDA divided by revenue, expressed as a percentage.

Consolidated Container Revenue is defined as revenue generated from containerised cargo services.

Consolidated Non-Container Revenue is defined as a difference between total revenue and Consolidated Container Revenue.

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.

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.

Revenue per TEU is defined as the Global Ports Group's Consolidated Container Revenue divided by total container marine throughput.

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.

Risk Management Process, Principal Risks and Uncertainties

23. GPI is exposed to a variety of risks and opportunities that can have commercial, 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.
24. 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. Global Ports has an 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.
25. The Board has overall oversight responsibility for the GPI's risk management and the establishment of the framework of prudent and effective controls 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.
26. The Board delegates to the Chief Executive Officer of LLC Global Ports Management 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 authorized by the Board to monitor, review and report on the organization, functionality and effectiveness of the Group's ERM system
27. 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.
28. 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.
29. 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.
30. The Company's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the financial statements.
31. The Company's contingencies are disclosed in Note 21 to the financial statements.

Management report (continued)

Risk Management Process, Principal Risks and Uncertainties (continued)

Risk factor	Risk management approach
Strategic risks	
Market conditions:	
<p>Global Ports' operations are dependent on the global macroeconomic environment and resulting trade flows, including in particular container volumes.</p>	<p>The Group has reacted to the volatility of throughput in the container market by:</p>
<p>Container market throughput is closely correlated to the volume of predominantly imported goods, which in turn is driven by domestic consumer demand, combined with volatility of the Russian rouble against USD/Euro.</p>	<ul style="list-style-type: none"> <li data-bbox="794 747 1472 797">> Focusing on quality and value-driven services (getting closer to the customer); <li data-bbox="794 804 1472 842">> Greater focus on export container flows; <li data-bbox="794 848 1472 887">> Offering operational flexibility to all clients; <li data-bbox="794 893 1472 932">> Effective cost containment; <li data-bbox="794 938 1472 943">> Adopting new revenue streams and attracting new cargo.
<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>	
Competition:	
<p>Barriers to entry are typically high in the container terminal industry due to the capital-intensive nature of the business. However, challenging market trading conditions mean that competition from other container terminals continues to be a significant factor. Further consolidation between container terminal operators and container shipping companies, introduction of new/upgraded capacity and carrier consolidation could result in greater price competition, lower utilisation, and a potential deterioration in profitability.</p>	<p>The Group actively monitors the competitive landscape and adjusts its commercial strategy accordingly, i.e. the Group prioritises building close long-term relationships with leading customers (locally, regionally and with headquarters) based on a global approach to account management and contractual agreements incentivizing growth of throughput and/or share of business.</p>
<p>In recent years, the Russian market has witnessed the introduction of significant new container handling capacity, an example being the new terminal at Bronka, which competes with the Group's ports in the Baltic Sea Basin.</p>	<p>The Group's focus on service quality is a key differentiator from its competition and the Group believes this is one of its key competitive advantages.</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>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 well-invested facilities with available berth capacity and sufficient land plots it has flexibility to balance minimal capital expenditure to maintain capacity at the existing level and its efficient development should market require it.</p>
<p>Given the historically high margins in the Russian container handling industry, this trend may continue.</p>	

Risk factor

Risk management approach

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.

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 may also be adversely affected by US, EU and other authorities sanctions against Russian business/companies 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.

In light of the macroeconomic challenges faced by the ports industry in recent years, the Group has focused on improving its resilience, in particular its ability to withstand short-term economic shocks/fluctuations in Russia, as well as the wider regional and global environment. This has included a strong focus on cost containment measures, and strengthening its financial position through a series of measures designed to derisk the Group's balance sheet, including refinancing all its debt switching to longer maturities at fixed rates. In addition, the Group has broadened its growth strategy to include exports as well as new revenue streams to counteract any lows in consumer sentiment and any macro-economic downturn.

The Group has developed a system to monitor compliance with restrictions posed by international sanctions and fend off the risk of secondary sanctions.

The Group continues to maintain an international base of shareholders, bondholders and business partners.

The Group is not aware of any specific sanctions risks related to its ownership or operations.

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. 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 remainder is held under long-term leases (up-to 54 years and usually renewable at immaterial costs).

Customer Profile and Concentration:

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, and this is further exacerbated by carrier consolidation.

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 has a clear strategy to reduce its dependence on its major customers, by targeting new potential customers, increasing the share of business from other existing global customers, and new cargo segments.

The Group is also steadily growing its share of non-container revenues through building its presence in marine bulk cargo like coal (share of non-container revenue was 26% and 23% in 2018 and 2017 respectively).

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 dialogue 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
Oil products:	The Group recognises, that global demand for oil products is cyclical in nature and might grow again over the medium term. Focus on storage and accumulation of large shipments, utilising the unique features of the tank farm consisting of 78 tanks of different sizes. This allows the Group's oil product business to decrease its dependency on changes in Russia's exports of oil products.
Tariff regulation:	Changes to tariff legislation (as of 14 August 2018) now require all tariffs to be set in Russian roubles. The Group believes it is in full compliance with the new legislation. 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 dialogue 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.
Human resources management:	The Group offers competitive salaries and benefits to employees at all levels to foster and retain skilled labour and provide yearly indications or revision of salaries. The Group invests in the professional development of its staff, including international best practices implementation and internal "learning effect" programmes realization. The Group engages in socially responsible business practices and support of 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.
Health, safety, security and environment:	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, to build a sustainable safety culture across 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

Regulatory risks**Regulatory compliance:**

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.

Changes in regulations:

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.

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.

Compliance and shareholder risk**Conflict of interests:**

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.

The Group maintains a constructive dialogue 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 dialogue should ensure it has time to react to changes in the regulatory environment.

Legal and tax risks:

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.

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.

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 relevant tax legislation and court practice in the countries where its companies are located and develops the Group's legal and tax position accordingly.

Management report (continued)

Risk Management Process, Principal Risks and Uncertainties (continued)

Risk factor	Risk management approach
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>Starting from 2019, a significant part of the Group's revenue will be denominated in Russian rouble as the Group has switched the currency of its tariffs to RUR, 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. In order to mitigate the risk of FX mismatch between the currency of revenue and the currency of debt, the Group has begun to convert its existing US\$ debt into the currency of revenue to avoid significant foreign exchange risks arising from such a mismatch, i.e. in 2018 the Group cancelled cross-currency swaps on the RUB denominated bonds issued by the First Container Terminal Inc. The Group also plans to employ various different instruments and strategies to minimise future risks that may arise from volatility in the value of the Russian rouble and US dollar. Although the Group has negotiated with its customers the right to change its Russian rouble tariffs should the exchange rate move by 5, 10 or 15%, the risk above the levels of these currency moves remains.</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 2018 and continued reduction of the debt above and beyond minimum repayment requirements remains a management priority in 2019.</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>

Risk factor

Risk management approach

Information technology and security:

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.

Any IT glitches can create major disruptions for complex logistic supply chains.

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.

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. We are in the process of alignment of our IT strategy with the business objectives.

We regularly review, update and evaluate all software, applications, systems, infrastructure and security.

All software and systems are upgraded or patched regularly to ensure that we have minimised our vulnerabilities.

Each of our business units has an IT disaster recovery plan.

Our security policies and infrastructure tools are updated or replaced regularly to keep pace with changing and growing threats.

Our security infrastructure is updated regularly and employs multiple layers of defence.

Connectivity to our partners' systems is controlled, monitored and logged.

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

32. 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.
33. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
34. 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;
35. 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

36. 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. For a description of the Group's financial risk management objectives and policies and a summary of the Group's exposure to financial risks please refer to Note 3 of the consolidated financial statements.

Parent Company Financial Statements ►

Board of Directors and other officers / [Management report](#) / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / Notes to the financial statements / Independent auditor's report

Management report (continued)

Future Developments of the Company

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

Results

38. The Company's results for the year are set out on page 24.

Dividends

39. 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 Depository and paid to holders of GDRs net of currency conversion expenses.
40. 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, and 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.
41. 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.
42. In 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 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, subject to maintaining conservative leverage ratios.
43. During the years 2017 and 2018 the Company did not declare or pay any dividends.
44. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2018.

Share Capital

Authorised share capital

45. 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

46. 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.

47. 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

48. 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.

Corporate Governance

49. The Group 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. 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 with standard listing and admitted to trading at London Stock Exchange.

50. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012, 2015, 2016 and 2018 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. On 18 September 2018 the Board approved the amended and restated versions of the policies marked with (*) below. On the same day the Board adopted a new Investigation policy.

51. 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, Nomination and Remuneration Committees;
- > Code of Ethics and Conduct;
- > Antifraud policy*;
- > Policy on Reporting of Improper Activities*;
- > Investigation policy;
- > Anti-Corruption Policy*;
- > Foreign Trade Controls Policy*;
- > Insurance Standard;
- > Charity and Sponsorship Policy; and
- > Group Securities Dealing Code.

52. 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, continued in 2018 and will finalise in the year 2019. Currently the key operating assets of the Group have implemented this framework.

53. 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. Throughout 2018 the Board together with the management worked on raising the awareness about the hotline among the Group workforce.

Management report (continued)

Code of ethics and conduct

54. 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.
55. 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.
56. The Board is updated on a regular basis on any breaches various policies with the specific focus on the fraud incidents and resulting actions, although significant breaches have to be reported to the Board immediately.

The Role of the Board of Directors

57. The Company is governed by its Board of Directors (also referred as "the Board") which is collectively responsible to the shareholders for the short- and long-term sustainable success of the Group, generating value to shareholders and contributing to wider society as a whole. Its responsibility is to promote adherence to best-in-class corporate governance.
58. The Board of Directors' role is to provide entrepreneurial leadership to the Group through establishing the Group's purpose, values and strategy, setting out the corporate governance standards, satisfying itself that these and its culture are aligned, ensuring that the necessary financial and human resources are in place for the Group to meet its 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 and ensures all obligations to shareholders are understood and met. The Board ensures the Group establishes a framework of prudent and effective controls, which enables risk to be assessed and managed and maintains a sound system of internal control, corporate compliance and enterprise risk management to safeguard the Group's assets and shareholders' investments in the Group.
59. The roles and responsibilities of the Chairman, Senior Independent Director, board and committees' members are set out in writing in the Terms of Reference of the Board and committees. 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 Company's website.

Members of the Board of Directors

60. 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 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.
61. The Board currently has 15 members and they were appointed as shown on pages 2 and 3.
62. 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, Mrs. Elia Nicolaou and Mr. Konstantin Shirokov resigned from the Board. They were replaced by Mr. Anton Chertkov, Mr. Stavros Pavlou, Mr. Sergey Shishkarev and Mr. George Yiannourides on 14 May 2018. On 14 May 2018 Mr. Vadim Kryukov resigned from the Board and Mr. Demos Katsis replaced him on the same day. Capt. Bryan Smith resigned from the Board on 14 May 2018. All new Board members were reviewed and recommended for appointment by Nominations Committee.
63. All other Directors were members of the Board throughout the year ended 31 December 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 Meeting held on 14 May 2018 all present directors are subject to re-election at the next Annual General Meeting of the Shareholders of the Company. An EGM was called for 19 April 2019 to consider the resignation of Mrs. Iana Boyd and appointment of Mr. Tom Hydelund to the Board.

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

66. Mr. Peder Sondergaard was the Chairman of the Board until 01 February 2018. Mr. Morten Henrick Engelstoft was elected the Chairman of the Board of Directors on 26 February 2018. Mrs. Britta Dalunde was elected the Senior Independent Director on 31 May 2018 following the resignation of Capt. Bryan Smith. There were no other significant changes in the responsibilities of the Directors during 2018 except for membership in the committees as described below.

Directors' Interests

67. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2018 and 31 December 2017 are shown below:

Name	Type of holding	Shares held at 31 December 2018	Shares held at 31 December 2017
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	NOT APPLICABLE	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	7,000 GDRs representing 21,000 ordinary shares
Sergey Shishkarev	Through shareholding in LLC Management Company "Delo" and other related entities	126,814,024 ordinary shares 49,435,976 ordinary non-voting shares	NOT APPLICABLE

Chairman of the Board of Directors

68. Mr. Morten Engelstoft was appointed Chairman of the Board in February 2018.

69. 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 ensure 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.

70. 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 Chairman should demonstrate objective judgement and promote a culture of openness and debate. In addition, the Chairman facilitates constructive board relations and the effective contribution of all non-executive directors.

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

Non-executive and Independent Directors

72. There are fourteen non-executive directors (including the chairman).

73. Mrs. Britta Dalunde, Mrs. Inna Kuznetsova and Mr. Lampros 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.

Management report (continued)

Non-executive and Independent Directors (continued)

74. 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.
75. Mrs. Britta Dalunde was appointed as the Senior Independent Director on 31 May 2018 replacing Capt. Bryan Smith, who stepped down from the Board. The role of Senior Independent Director is to provide a sounding board for the Chairman and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance, and on other occasions as necessary.

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.

The Audit and Risk 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) and its other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Lampros Papadopoulos (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Soren Jakobsen (appointed as of 02 March 2018) and Mr. George Yiallourides (appointed as of 14 May 2018). Mr. Morten Henrick Engelstoft and Mr. Konstantin Shirokov resigned from the Audit and Risk Committee on 26 February 2018 and 12 April 2018 respectively.
78. The Committee is responsible for:
 - > monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;
 - > providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
 - > reviewing the company's internal financial controls and internal control and risk management systems;
 - > monitoring and reviewing the effectiveness of the company's internal audit function;
 - > making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and giving the recommendations in relation to remuneration and terms of engagement of the external auditor for audit and non-audit services;
 - > reviewing and monitoring the external auditor's independence and objectivity;
 - > reviewing the effectiveness of the external audit process;
 - > developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
 - > reporting to the Board on how it has discharged its responsibilities.
79. In 2018 the Audit and Risk Committee met 17 times to review and discuss inter alia the following significant issues and matters in addition and on top of those listed above:
 - a. Review of the press releases containing financial information and rating agencies' presentations in relation to compliance with the financial statements, the disclosure and transparency requirements and Board's view on mid and long-term development of the Group;
 - b. Discussion of the level of clarity and completeness of disclosures in financial statements with the management and external auditors and making the recommendations;
 - c. 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. The Committee's task was to align the impairment models with the short-, mid- and long-term forecasts and to understand what impact the new standards would have on the financial statements and Group's compliance with the covenants. The Committee also discussed, how to incorporate the new requirements of the standards into the budgeting process;

- d. Review of the major risks, including but not limited to strategic, fraud and compliance, commercial, operational, financial, human resources, environmental and other risks. The Committee discussed the approach to establishment and monitoring of the risk appetite of the Group;
- e. Review of internal control framework and its deficiencies, consideration of management proposals on its further development and improvement. The Committee concentrated on the integration of automatic controls into the ERP system and on further development and integration of authority matrix framework into day-to-day processes;
- f. Discussing the level of Corporate governance in the Group and making the recommendations to the Board and the management on how further to improve it;
- g. Consideration of various reports from the management;
- h. Meetings with external and internal auditors to discuss the matters related to the audit work done by them and any issues arising from their audits;
- i. Consideration of various updated and restated Group Policies and making the recommendations to the Board on their approval. In particular, the Committee reviewed the Policy on Assessment of Independence and Objectivity of External Auditor and the Accounting Policy of the Group;
- j. Consideration and approval of the engagement of external auditors for rendering of non-audit services. In each particular case the Committee was assessing the impact of non-audit services on the independence and objectivity of the external auditor. The Committee reviewed the scope of services on compliance with the list of permitted non-audit services, the potential impact of the services on the audit work and financial statements and discussed with the external auditor how their internal compliance procedures were performed and whether all internal compliance requirements were met. The Committee monitors the share of non-audit service in relation to its compliance with the standards. During the year 2018 the share of fees for non-audit services was significantly below the 70% of the last three years average audit fees;
- k. Assessment of efficiency of external auditor by discussing the audit approach and audit plan, monitoring of compliance with the plan, receiving the feedback from the members of the management team, involved in the audit process, assessing the internal resources allocated by the external auditor, the key risks to the audit process and their mitigation measures, review of the auditor's management letter, consideration of the level and quality of communication between the external auditor and Committee during the audit process;
- l. Discussion of the term of tenure of the current audit partner – Mr. Tasos Nolas and making the recommendations to extend it from five to six years;
- m. Conducting the executive search for the new Head of Internal Audit function and discussing and giving the recommendations on the strengthening of Internal Audit function and extending its scope to joint-venture companies of the Group;
- n. Review of IT security setup, corporate social responsibility report, legal matters report, differences between Russian GAAP and IFRS, site visits to the Group terminals located in Saint-Petersburg area and Far-East of Russia, discussion with the Board of the results of these site-visits;
- o. Discussion of the training requirements of the Committee members.

The Nomination Committee

80. The Nomination Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as a member of Committee as of 01.01.2018 and as a Chairman as of 14 May 2018). Mrs. Inna Kuznetsova replaced Capt. Bryan Smith who stepped down from the Board. The other members are Mr. Anton Chertkov (appointed on 14 May 2018), Mr. Morten Henrick Engelstoft, Mr. Soren Jakobsen (appointed on 02 March 2018) and Mr. Stavros Pavlou (appointed on 14 May 2018). Mr. Peder Sondergaard resigned from his position as a member of the Nomination Committee in February 2018 and Mr. Nikita Mishin and Mrs. Elia Nicolaou resigned from their positions as members in April 2018.

81. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors as well as the Key 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 Key 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 Key Management as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee. The Committee monitors the compliance of the appointment procedures with the corporate governance standards and makes the recommendations to the Board and the management on changes to these procedures. The Committee develops plans for orderly succession to both the Board and Key Management positions and oversees the development of a diverse pipeline for succession. The Committee relies on both independent search consultancy and internal sources in making the proposals for the Board and Key Management appointments.

Management report (continued)

The Nomination Committee (continued)

82. In 2018 the Nomination Committee met eleven times to discuss and recommend to the Board the appointment of Key Management of the Group companies, including the change of the CEO of LLC Global Ports Management and also to recommend the Directors the candidates to the Board and the position of the Chairman of the Board and to discuss and recommend the composition of the Board Committees. In the year 2019 one of the key focuses of the work of Nomination Committee will be the succession planning for the Board and the Key Management and talent management.

The Remuneration Committee

83. The Remuneration Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Remuneration Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as a member of Committee as of 01 January 2018 and as a Chairman as of 14 May 2018). Mrs. Inna Kuznetsova replaced Capt. Bryan Smith who stepped down from the Board. The other members are Mr. Anton Chertkov (appointed on 14 May 2018), Mr. Morten Henrick Engelstoft, Mr. Soren Jakobsen (appointed on 02 March 2018) and Mr. Stavros Pavlou (appointed on 14 May 2018) Mr. Peder Sondergaard resigned from his position as a member of the Remuneration Committee in February 2018 and Mr. Nikita Mishin and Mrs. Elia Nicolaou resigned from their positions as members in April 2018.

84. The Committee is responsible for determining and reviewing the remuneration of the executive directors, Chairman and the Key Management and the Company's remuneration policies. The Committee also reviews the policy on payment of performance based bonuses and the alignment of incentives and rewards with culture. 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 2018 the Remuneration Committee met 13 times to discuss and recommend to the Board the Group management remuneration guidelines and the remuneration of the new Board members and the Key Management of the Group. In determining the level of remuneration of the key senior management of the Group the Committee referred to the level of skills and expertise, the position and scope of work and responsibilities as well as to the market levels for similar positions. The Committee did not engage any external remuneration consultants. In addition the Committee considered and recommended to the Board to approve the changes to the principles of payment of performance based bonuses to the management. The recommendations were approved by the Board in full.

Board Performance

86. The Board meets at least five 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.

87. In 2018 the Board met formally 21 (2017: 25) times to review current performance and to discuss and approve important business decisions.

88. In 2018 the Board met to discuss and approve important business decisions:

- FY2017 financial statements, 1H2018 interim financial statements and Annual Report;
- Review of segments financial and operational performance;
- Consideration of 2019 financial budget, major risks and uncertainties, commercial strategy, corporate social responsibility matters, internal control framework;
- Changes in Group management and the Board of Directors, election of the new Chairman and Senior Independent Director;
- Revision of various group wide policies and regulations;
- Consideration of various compliance matters;
- Consideration and approval of the revision of external and internal financing arrangements and organizational restructurings;
- Consideration and approval of major capital expenditures and investment projects; and
- Consideration and approval of various resolutions related to the operations of the Company's subsidiaries and joint ventures.

89. The number of Board and Board Committee meetings held in the year 2018 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
Iana Boyd	18	21	-	-	-	-	-	-
Anton Chertkov	12	14	6	6	8	9	-	-
Michalakis Christofides	21	21	-	-	-	-	-	-
Britta Dalunde	20	21	-	-	-	-	17	17
Morten Henrick Engelstoft	20	21	11	11	13	13	1	1
Alexander Iodchin	19	21	-	-	-	-	-	-
Soren Jakobsen	18	18	8	8	12	12	16	16
Demos Katsis	14	14	-	-	-	-	-	-
Vadim Kryukov	7	7	-	-	-	-	-	-
Inna Kuznetsova	21	21	11	11	13	13	16	17
Mikhail Loganov	3	6	-	-	-	-	-	-
Laura Michael	20	21	-	-	-	-	-	-
Nikita Mishin	4	6	2	4	3	3	-	-
Elia Nicolaou	6	6	4	4	3	3	-	-
Lampros Papadopoulos	21	21	-	-	-	-	17	17
Stavros Pavlou	12	14	6	6	9	9	-	-
Konstantin Shirokov	6	6	-	-	-	-	3	3
Sergey Shishkarev	12	14	-	-	-	-	-	-
Bryan Smith	7	7	5	5	4	4	-	-
Peder Sondergaard	2	2	1	1	-	-	-	-
Nicholas Charles Terry	20	21	-	-	-	-	-	-
George Yiallourides	12	14	-	-	-	-	12	12

A = Number of meetings attended

B = Number of meetings eligible to attend during the year

90. 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 2017 and 2018.

Board Diversity

91. The Company does not have a formal Board diversity policy with regard to matters 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.

92. As of the date of publication of these financial statements the Board has 3 females representing 20% from the total number of directors. The average age of directors is 49 years ranging from 33 to 71 years. The Board has a necessary balance of skills and expertise to run the Company and the Group. The Board members have the following educational backgrounds: port and transportation industry, accounting and financial, banking sector and legal. There are 6 nationalities present in the Board. The Board members reside in 6 countries with the majority of the Board members being the tax residents of Cyprus.

Board and Management Remuneration

93. 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.

94. 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. Non-executive Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Group. The Chairmen of the committees receive additional remuneration.

95. The shareholders of the Company approved the remuneration of the members of the Board on 12 May 2017, 11 December 2017, 29 January 2018, 2 March 2018 14 May 2018 and 29 June 2018.

Parent Company Financial Statements ►

Board of Directors and other officers / [Management report](#) / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / Notes to the financial statements / Independent auditor's report

Management report (continued)

Board and Management Remuneration (continued)

96. 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.
97. The performance based part of the remuneration of the 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 with the last update on 18 October 2018. The Remuneration Committee monitors the efficiency of the Rules and makes the recommendations to the Board on their amendment and revision.
98. Neither the Board members, nor the management have long-term incentive schemes.
99. Refer to Note 22(g) to the financial statements for details of the remuneration paid to the members of the Board and key management.

Managing director

100. Mr. 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 US\$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.
101. 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.
102. Mr Iodchin is also acting as the Board Secretary since December 2008.

Company Secretary

103. 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.
104. Team Nominees Limited has been acting as the company secretary since the Group's incorporation in February 2008.
105. 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.

Corporate Social Responsibility Report

106. 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

107. The events after the balance sheet date are disclosed in Note 23 to the financial statements.

Research and development activities

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

Branches

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

Treasury shares

110. 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

111. 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 2019 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.

Internal audit

112. 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;
- > there is 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;
- > programs, 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.

113. The Head of the IAS, Mr. Ilya Kotlov, reports directly to the Audit and Risk Committee.

External auditors

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

115. This follows proposals drafted by the Audit and Risk Committee for the Board of Directors regarding the reappointment of the external auditor of the Group.

116. In 2018, the shareholders of Global Ports re-appointed the Independent Auditors, PricewaterhouseCoopers as the external auditor for the purposes of auditing the Group's IFRS financial statements for 2018.

117. 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

Morten Engelstoft
Chairman of the Board

27 March 2019

Alexander Iodchin
Secretary of the Board

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / **Directors' Responsibility Statement** / **Statement of comprehensive income for the year ended 31 December 2018** /
Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / Notes to the financial statements / Independent auditor's report

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 24 to 53 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

Morten Engelstoft
Chairman of the Board

Limassol
27 March 2019

Alexander Iodchin
Secretary of the Board

Statement of comprehensive income

for the year ended 31 December 2018

(in thousands of US dollars)

		For the year ended 31 December	
	Note	2018	2017
Revenue	22(a)	110	20
Dividend income	22(b)	3,892	7,494
Finance income – net	5	(13)	401
Administrative expenses	6	(5,506)	(5,427)
Other gains/(losses) – net	7	2,245	1,226
Impairment of investments in subsidiaries and joint ventures	4	(83,713)	(961)
Operating profit/(loss)		(82,985)	2,753
Finance costs	9	(1,197)	(1,197)
Profit/(loss) before income tax		(84,182)	1,556
Income tax expense	10	-	(1)
Profit/(loss) for the year		(84,182)	1,555
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		(84,182)	1,555

The notes on pages 28 to 53 are an integral part of these financial statements.

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / **Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / Notes to the financial statements / Independent auditor's report**

Balance sheet

as at 31 December 2018

(in thousands of US dollars)

	Note	At 31 December	
		2018	2017
ASSETS			
Property, plant and equipment	13	117	66
Investments in subsidiaries	14	624,638	638,899
Investments in joint ventures	15	24,838	94,978
Non-current assets		649,593	733,943
Loans receivable	16	-	251
Trade and other receivables	17	309	259
Cash and cash equivalents	18	744	1,639
Current assets		1,053	2,149
TOTAL ASSETS		650,646	736,092
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		(458,083)	(373,901)
Total equity		624,045	708,227
Borrowings	22(i)	22,197	21,000
Non-current liabilities		22,197	21,000
Trade and other payables	20	4,404	6,865
Current liabilities		4,404	6,865
Total liabilities		26,601	27,865
TOTAL EQUITY AND LIABILITIES		650,646	736,092

On 27 March 2019 the Board of Directors of Global Ports Investments Plc authorised these financial statements for issue.

Morten Engelstoft, Director

Alexander Iodchin, Director

The notes on pages 28 to 53 are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2018

(in thousands of US dollars)

	Share capital	Share premium	Capital contribution	Retained earnings*	Total
Balance at 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 / 1 January 2018	57,317	923,511	101,300	(373,901)	708,227
Comprehensive loss					
Loss for the year	-	-	-	(84,182)	(84,182)
Balance at 31 December 2018	57,317	923,511	101,300	(458,083)	624,045

(*) Retained earnings is the only reserve that is available for distribution.

The notes on pages 28 to 53 are an integral part of these financial statements.

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / **Statement of cash flows for the year ended 31 December 2018** / **Notes to the financial statements** / Independent auditor's report

Statement of cash flows

for the year ended 31 December 2018

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
	Note	
Cash flows from operating activities		
Profit/(loss) before tax	(84,182)	1,556
Adjustments for:		
Depreciation of property, plant and equipment	6.13	13
Impairment of investments in subsidiaries and joint ventures	14.15	83,713
Dividend income	22(b)	(3,892)
Finance income	5	(7)
Finance costs	9	1,197
Amortisation and derecognition of financial guarantee	7	(2,369)
Foreign exchange (gains)/losses and other non-monetary items		211
Operating cash flows before working capital changes	(5,316)	(5,565)
 Changes in working capital:		
Trade and other receivables	(50)	57
Trade and other payables	(90)	306
Cash used in operating activities	(5,456)	(5,202)
Tax paid	-	-
Net cash used in operating activities	(5,456)	(5,202)
 Cash flows from investing activities		
Investments in subsidiaries	14	-
Réparation of original cost of subsidiaries	14	696
Purchase of investments in joint ventures	15	(8)
Purchase of property, plant and equipment		(64)
Loans advanced to related parties	22(h)	-
Loan repayments received from related parties		50
Interest received	7	415
Dividends received	3,892	11,445
Net cash from investing activities	4,573	8,356
 Cash flows from financing activities		
Interest paid	22(i)	-
Net cash used in financing activities		(2,394)
 Net increase/(decrease) in cash and cash equivalents	(883)	760
Cash and cash equivalents at beginning of the year		1,639
Exchange gains/(losses) on cash and cash equivalents		(12)
Cash and cash equivalents at end of the year	18	744
		1,639

The notes on pages 28 to 53 are an integral part of these financial statements.

Notes to the 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".

Until April 2018 the Company was 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. In April 2018 TIHL has completed the sale of its 30.75% stake in Global Ports to LLC Management Company "Delo" ("Delo Group"). The Company has been informed that in connection with the transaction, Delo Group has acceded to the shareholder agreement with APM Terminals B.V. and that TIHL has been released from its obligations under such agreement. Since April 2018 the Company is jointly controlled by Delo Group and APM Terminals.

Approval of the parent company financial statements

These parent company financial statements were authorized for issue by the Board of Directors on 27 March 2019.

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 2018 have been adopted by the EU through the endorsement procedure established by the European Commission.

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.

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / Independent auditor's report

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

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 2018 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

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 2018:

- > IFRS 9 Financial Instruments;
- > IFRS 15 Revenue from Contracts with Customers;
- > Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;
- > Annual Improvements 2014-2016 cycle;
- > Transfers to Investment Property – Amendments to IAS40;
- > Interpretation 22 Foreign Currency Transactions and Advance Consideration.

Apart from the accounting policy changes resulting from the adoption of IFRS 9 that is effective from 1 January 2018, the adoption of the remaining standards and amendments listed above did not have a material effect on the accounting policies of the Company.

IFRS 9 and IFRS 15 were adopted using the simplified transition method without restating the comparative information, with any impact on adoption to be recognised in the opening retained earnings and other components of equity as appropriate.

On 1 January 2018, the date of initial application of IFRS 9, the Company has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. Based on the analysis performed, the financial assets previously classified into 'loans and receivables' category were reclassified into those measured subsequently at amortized cost, with no impact on their measurement. The Company did not have any financial assets in other than the 'loans and receivables' category as at the date of transition. The changes in the classification category did not result in changes of presentation in the balance sheet. Classification and measurement of the Company's financial liabilities at amortized cost under IFRS 9 remained consistent with IAS 39, since the new requirements mainly affect the accounting for financial liabilities measured at fair value through profit or loss and the Company does not have any such financial liabilities. No adjustments to the opening retained earnings were required in relation to the Company's loans and borrowings, as none of the loans receivable outstanding on 1 January 2018 had been refinanced in prior periods and the assessed impact from the modification of borrowings in prior years was not significant to adjust the borrowings balance as at 1 January 2018.

From 1 January 2018, the Company assessed on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost, cash and cash equivalents and financial guarantees. After taking into consideration the risk profile of the Company's trade and loan receivables, financial guarantees, their repayment terms, the history and probability of default (including assessment of the debtors' capability to meet their obligations) and the expected loss in case of default, the Company did not identify any material expected credit losses as a result of the application of the new impairment model and therefore no adjustments were made in opening balances for the impact of expected credit losses.

The adoption of IFRS 9 Financial Instruments did not have a material impact on the amounts recognized in these financial statements, however the accounting policies of the Company for financial instruments have been amended to be consistent to the requirements of the new standard as detailed below. The comparatives are stated based on the previous accounting policies of the Company for financial instruments, which are also presented below to the extent that these are different from the new accounting policies.

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 2018 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 16 Leases

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.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(b) Other accounting standards that have not been endorsed by EU

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- Amendments to IAS 1 and IAS 8: Definition of materiality (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

(i) Interest income

Accounting policies applied from 1 January 2018:

Interest income on financial assets at amortised cost is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired (Stage 3 financial assets – see below). For credit – impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Accounting policies applied until 31 December 2017:

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-net". 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 realized 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.

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.

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / Independent auditor's report

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

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). Nonfinancial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

Accounting policies applied from 1 January 2018:

(a) Classification

From 1 January 2018, the Company classifies its financial assets into those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and measurement

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. For loans provided to related parties other than the Company's 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.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other gains/(losses)-net', together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. Financial assets measured at amortised cost comprise cash and cash equivalents, loans receivable and trade and other receivables.

(c) Impairment of financial assets

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and cash and cash equivalents. The Company measures expected credit losses ('ECL') and recognises credit loss allowance at each reporting date. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'net impairment losses on financial assets'.

The Company applies a general approach – three stage model for recognizing and measuring expected losses based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ('12 Months ECL'). If the Company identifies a significant increase in credit risk ('SICR') since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ('Lifetime ECL').

Accounting policies applied until 31 December 2017:

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 Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

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".

Parent Company Financial Statements ►

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / Independent auditor's report

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

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 straightline 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 drawdown 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.

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.

Accounting policies applied from 1 January 2018:

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee in "other gains/(losses) – net" in profit or loss.

At the end of each reporting period, the guarantee is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Accounting policies applied until 31 December 2017:

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".

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / Independent auditor's report

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

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% (2017: 15%) against the US dollar and all other variables remained unchanged, the posttax loss of the Company for the year ended 31 December 2018, would have decreased/increased by US\$16 thousand (2017: profit for the year would have increased/decreased by US\$23 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of 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 (loss)/profit of the Company would not significantly change for the years ended 31 December 2018 and 31 December 2017. 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 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, trade and other receivables and cash and cash equivalents.

At 31 December 2018 and 2017, the Company did not identify any material expected credit losses with respect to the Company's financial assets and issued guarantees that are subject to IFRS 9 impairment model.

At 31 December 2018, issued financial guarantee liabilities with carrying amount of US\$2,668 thousand are within Stage 1 of IFRS 9 general impairment model (2017: US\$5,038 thousand).

Financial assets are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with 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 2018					
Trade and other payables	1,736	-	-	-	1,736
Financial guarantee *	869,013	-	-	-	869,013
Borrowings	-	-	24,591	-	24,591
Total	870,749	-	24,591	-	895,340
As of 31 December 2017					
Trade and other payables	1,827	-	-	-	1,827
Financial guarantee *	1,070,525	-	-	-	1,070,525
Borrowings	-	-	24,591	-	24,591
Total	1,072,352	-	24,591	-	1,096,943

* Full amount payable if the loans and bonds guaranteed are non-performing (Note 22(k)).

Notes to the financial statements (continued)

3. Financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

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 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. 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 Company 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 Company'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 Arytano Holdings Limited (FCT, PLP and ULCT CGUs) and NCC Pacific Investments Limited (VSC 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). Cash flow projections cover a period of five years based on the assumptions of the next 12 months. Cash flows beyond that five-year 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 (2017: 3%). The discount rate applied for Russian CGUs in projections prepared as at 31 December 2018 is 10.6% (2017: 10.4%).

Key assumptions for all the above 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 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 for all CGUs mentioned above no impairment was recognised in 2018.

For MD CGU (part of the investment in Multi Link Terminals Limited) following the substantial reduction of cargo volumes the recoverable amount was determined based on the expected fair value less cost to sell of those assets which have active market and their value could be reliably determined. As a result the investment in Multi Link Terminals Limited was impaired by US\$70,148 thousand (see Note 15). In the prior year, the recoverable amount of MD was determined based on value-in-use model using terminal growth rate for Russian CGUs of 3% and a discount rate of 10.4%. No impairment was identified in 2017.

The recoverable amount of NCC Group Limited (ex-parent holding of NCC Group acquired by the Company in 2013) was determined based on its net asset value which approximates its fair value less cost to sell. Based on the results of the impairment testing, an impairment amounting to US\$13,565 thousand (2017: US\$961 thousand) was recognised with respect to investment in NCC Group Limited (see Note 14).

For all investments, 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.

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / Independent auditor's report

Notes to the financial statements (continued)

4. Critical accounting estimates and judgments (continued)

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	
	2018	2017
Interest income on cash balances	7	3
Interest income on loans to related parties (Note 22(c))	-	325
Total interest income calculated using effective interest rate method	7	328
Net foreign exchange gains/(losses) on cash and cash equivalents and loans receivable*	(20)	73
Total	(13)	401

* The total net foreign exchange gain recognised in the statement of comprehensive income amounted to US\$19 thousand (2017: losses US\$1 thousand). Refer also to Note 7.

6. Administrative expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Legal, consulting and other professional services	2,032	2,185
Staff costs (Note 8)	1,608	1,325
Travelling expenses	532	630
Taxes other than on income	272	443
Auditors' remuneration	584	477
Advertising and promotion	28	38
Insurance	87	88
Bank charges	24	19
Depreciation of property, plant and equipment (Note 13)	13	1
Operating lease rentals	80	19
Other expenses	246	202
Total	5,506	5,427

The auditors' remuneration stated above include fees of US\$254 thousand (2017: US\$249 thousand) for statutory audit services and US\$63 thousand (2017: US\$60 thousand) for other assurance services charged by the Company's statutory audit firm.

The legal and consulting fees stated above include fees of US\$1 thousand (2017: US\$4 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	
	2018	2017
Net foreign exchange transaction losses on non-financing activities	39	(74)
Derecognition of financial guarantee (Note 22(k))	1,180	-
Amortisation of financial guarantee (Note 22(k))	1,189	1,300
Other gains/(losses) – net	(163)	-
Total	2 245	1,226

8. Staff costs

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Salaries	1,514	1,274
Social insurance costs	87	39
Other staff costs	7	12
Total	1,608	1,325
Average number of staff employed during the year	6	5

9. Finance costs

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Interest expense on loans from related parties (Note 22(c))	1,197	1,197
Total	1,197	1,197

10. Income tax expense

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Defence contribution	-	1
Total income tax	-	1

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

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / Independent auditor's report

Notes to the financial statements (continued)

10. Income tax expense (continued)

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Profit/(loss) before tax	(84,182)	1,556
Tax calculated at the applicable corporation tax rate of 12.5%	(10,523)	194
Tax effect of expenses not deductible for tax purposes	11,303	931
Tax effect of allowances and income not subject to tax	(786)	(1,105)
Group relief	-	(20)
Tax effect of tax losses for which no deferred tax assets were recognised	6	-
Defence contribution	-	1
Tax charge	-	1

The Company is subject to corporation tax on taxable profits at the rate of 12.5%.

Brought forward losses of only five years may be utilized.

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.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon, etc) are exempt from Cyprus income tax.

11. Financial instruments by category

(in thousands of US dollars)

	As at 31 December	
	2018	2017
<i>Financial assets at amortised cost (Loans and receivables at 31 December 2017)</i>		
Financial assets as per balance sheet		
Current loan receivables	-	251
Cash and bank balances	744	1,639
Total	744	1,890
<i>Financial liabilities measured at amortised cost</i>		
Financial liabilities as per balance sheet		
Trade and other payables	4,127	6,718
Borrowings (Note 22(i))	22,197	21,000
Total	26,324	27,718

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	
	2018	2017
Counterparties without external rating		
Group 1	-	59
Group 2	-	192
Total	-	251

Group 1 – Loans receivable from related parties with no defaults in the past.

Group 2 – Loans receivable from third parties with no defaults in the past.

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Cash and bank		
A3 (Moody's)	696	1,612
Aa3 (Moody's)	42	19
Caa1 (Moody's)	6	8
Total	744	1,639

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / Independent auditor's report

Notes to the financial statements (continued)

13. Property, plant and equipment

(in thousands of US dollars)

Motor vehicles and other equipment

At 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 2017/1 January 2018	
Cost	67
Accumulated depreciation	(1)
Net book amount	66
Additions	64
Depreciation charge for 2018	(13)
Closing net book amount at 31 December 2018	117
 At 31 December 2018	
Cost	131
Accumulated depreciation	(14)
Net book amount	117

14. Investments in subsidiaries

(in thousands of US dollars)

For the year ended 31 December

2018 2017

At beginning of year	638,899	630,499
Additions	-	9,713
Dividends set off against cost of investment *	(696)	(352)
Impairment charge (Note 4)	(13,565)	(961)
At end of year	624,638	638,899

* Dividends received by a subsidiary of the Company have been recognised 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.

The Company's direct interests in subsidiaries, all of which are unlisted, were as follows:

Name	Principal activity	Country of incorporation	2018 % holding	2017 % 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 LLC	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)); and an oil product terminal AS Vopak E.O.S (VEOS) (classified as assets held for sale in the consolidated financial statements of the Group). 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	
	2018	2017
At beginning of year	94,978	94,969
Additions	8	9
Impairment charge (Note 4)	(70,148)	-
At end of year	24,838	94,978

The Company's interests in joint ventures, all of which are unlisted, are as follows:

Name	Principal activity	Country of incorporation	2018 % holding	2017 % 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 (MLT OY CGU), a container terminal in Russia (Moby Dik CGU) and an inland container terminal in Russia (Yanino Logistics Park CGU (YLP)).

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / Independent auditor's report

Notes to the financial statements (continued)

16. Loans receivable

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Loans to related parties (Note 22(h))	-	59
Loans to third parties	-	192
Total current	-	251
Total loans receivable	-	251

The weighted average effective interest rates on loans receivable at the balance sheet date were as follows:

	2018	2017
	%	%
Loans to related parties	-	3.8

The carrying amounts of the Company's loans receivable are denominated in the following currencies:

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Currency:		
Euro	-	251
Total	-	251

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	
	2018	2017
Prepayments	309	259
Total trade and other receivables	309	259

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	
	2018	2017
Cash at bank	744	1,639
Total	744	1,639

Cash and cash equivalents are denominated in the following currencies:

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Currency:		
US dollar	47	1,619
Euro	697	20
Total	744	1,639

Non-cash transaction

There were no principal non-cash transactions during 2018 and 2017.

19. Share capital, share premium and dividends

(in thousands of US dollars)

	Share capital	Share premium	Total
At 1 January 2017/31 December 2017/31 December 2018	57,317	923,511	980,828

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. All issued shares are fully paid.

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 2018 and 2017.

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / Independent auditor's report

Notes to the financial statements (continued)

20. Trade and other payables

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Financial guarantee (Note 22(k))	2,668	5,038
Other payables	438	580
Other payables to related parties (Note 22(j))	620	681
Accrued expenses	277	147
Payroll payable	401	419
Total trade and other payables	4,404	6,865

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 continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. The operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company'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.

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(k) for details of guarantees granted to direct and indirect subsidiaries.

Commitments

There were no material commitments as of 31 December 2018.

22. Related party transactions

Until April 2018 the Company was 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. In April 2018 TIHL has completed the sale of its 30.75% stake in Global Ports to LLC Management Company "Delo" ("Delo Group"). The Company has been informed that in connection with the transaction, Delo Group has acceded to the shareholder agreement with APM Terminals B.V. and that TIHL has been released from its obligations under such agreement. Since April 2018 the Company is jointly controlled by Delo Group and 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) Revenue

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Management fees from:		
Subsidiaries	110	20
Total	110	20

(b) Dividend income

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Subsidiaries	2,167	630
Joint ventures	1,725	6,864
Total	3,892	7,494

(c) Interest income and expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Interest income:		
Subsidiaries	-	260
Joint ventures	-	65
Total interest income	-	325
Interest expense:		
Subsidiaries	1,197	1,197
Total interest expenses	1,197	1,197

Parent Company Financial Statements ►

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / Independent auditor's report

Notes to the financial statements (continued)

22. Related party transactions (continued)

(d) Other gains/(losses) – net

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Subsidiaries (Note 22(k))	2,369	1,300
Total	2,369	1,300

(e) Purchases of services

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Subsidiaries	227	218
Total	227	218

(f) Acquisitions/disposals of subsidiaries/joint ventures

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Additions/contributions:		
Subsidiaries	-	9,713
Joint ventures	8	9
Total	8	9,722
Disposals/distributions of equity:		
Subsidiaries	696	352
Total	696	352

(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	
	2018	2017
Key management compensation:		
Salaries, fees, payroll taxes and other short term employee benefits	1,188	1,085
Directors' remuneration:		
Fees	375	408
Emoluments in their executive capacity	813	677
Total	1,188	1,085

(h) Loans to related parties**Loans to subsidiaries:**

(in thousands of US dollars)	For the year ended 31 December	
	2018	2017
At beginning of year	-	4,882
Loans advanced during the year	-	7,500
Interest charged	-	260
Loan and interest repaid during the year	-	(12,642)
At end of year	-	-

Loans to joint ventures:

(in thousands of US dollars)	For the year ended 31 December	
	2018	2017
At beginning of year	59	1,154
Interest charged	-	65
Loan and interest repaid during the year	(50)	(1,204)
Foreign exchange differences	(9)	44
At end of year	-	59

The loan to joint ventures bore interest at the rate of 3.8%, was unsecured and was repaid in 2018.

(i) Borrowings from related parties**Loans from subsidiaries:**

(in thousands of US dollars)	For the year ended 31 December	
	2018	2017
At beginning of year	21,000	22,197
Loan and interest repaid during the year	-	(2,394)
Interest charged	1,197	1,197
At end of year	22,197	21,000

The borrowings from related parties are USD-denominated, bear effective interest at the rate of 5.7%, are unsecured and repayable by January 2021. The fair value of borrowings as at 31 December 2018 approximates to their carrying value.

Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / [Notes to the financial statements](#) / [Independent auditor's report](#)

Notes to the financial statements (continued)

22. Related party transactions (continued)

(j) Other payables

(in thousands of US dollars)	As at 31 December	
	2018	2017
Payroll payable (Note 20)	325	332
Entities under control of owners of controlling entities (Note 20)	620	681
Total	945	1,013

(k) 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\$222,134 thousand (including interest accrued) as at 31 December 2018 (31 December 2017: US\$267,820 thousand). At inception the fair value of these guarantees was US\$2,575 thousand. As at 31 December 2018 the unamortised balance of these guarantees was US\$1,098 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 was repaid in October 2018 (31 December 2017 had a balance of US\$86,156 thousand (including interest accrued)). The guarantee was provided free of charge and was valid until December 2020. At inception the fair value of the guarantee was US\$1,011 thousand. As at 31 December 2018 following the early repayment of the loan there were no unamortised balance of these guarantees (31 December 2017: 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\$646,879 thousand (including interest accrued) as at 31 December 2018 (31 December 2017: US\$716,549 thousand). At inception the fair value of the guarantee was US\$3,588 thousand. As at 31 December 2018 the unamortised balance of this guarantee was US\$1,570 thousand.

The probability of default by the debtors in relation to the guaranteed loans is considered low.

23. 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 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 2018, 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 24 to 53 and comprise:

- > the balance sheet as at 31 December 2018;
- > 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.

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Parent Company Financial Statements ▶

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / Notes to the financial statements / **Independent auditor's report**



Overall materiality: US\$6,5 million, which represents 1% of total assets.

We audited the complete financial statements of the Company.

We have identified the impairment assessment of investments 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 group materiality	US\$6,5 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 the 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 US\$0,55 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

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;
- > 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 and the estimation of the fair value less costs of disposal of the CGUs; and
- > the results of the impairment test may indicate a higher recoverable amount than the carrying amount of assets previously impaired and an assessment should be made whether reversal of impairment may be necessary, which involves subjective judgements.

In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the following investments:

- > Investments in Multi Link Terminals Limited and NCC Group Limited due to the fact that there were material impairment losses recognised with respect to these investments during the period; and
- > Investment in Arytano Holdings Limited as for certain of its CGUs a reasonably possible change in the key assumptions would cause the carrying amount of the CGUs to exceed its recoverable amounts.

The recoverable amount of the investment in NCC Group Limited was determined by the Board of Directors based on the fair value less costs of disposal approach. The recoverable amount of the investment in Multi Link Terminals Limited was determined based on the recoverable amounts of Mobi Dik (MD) CGU and Multi Link Terminals Limited Oy (MLT Oy) CGU.

For MD CGU, following a substantial reduction in cargo volumes during the year, the fair value less costs of disposal approach was considered to give rise to higher recoverable amount than value in use approach. In determining the fair value of MD CGU, management involved an independent appraiser (the management's expert). The recoverable amount of MLT Oy CGU was based on value in use calculations.

For NCC Group Limited, the recoverable amount was based on the net assets of the subsidiary which approximate its fair value less costs of disposal.

How our audit addressed the Key Audit Matter

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 value in use calculations as well as evaluating the fair value less costs to sell.

For MD CGU, we challenged and evaluated whether the fair value less costs of disposal approach is more appropriate than value in use approach to determine the CGU's recoverable amount given the specific circumstances of the CGU.

We further evaluated the work of the management's expert involved for the valuation of MD CGU's assets by assessing the competence, capabilities and objectivity of the independent appraiser and by also engaging PwC valuation experts to assess the methodology, models and inputs used by the management's expert.

With respect to the value in use models used for the CGUs of Arytano Holdings Limited and MLT Oy, we challenged and evaluated 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 and evaluated:

- > 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 the investment in Arytano Holdings Limited, we have also challenged and evaluated the Board of Directors on the no reversal of previously recognised impairment.

Parent Company Financial Statements ►

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / Notes to the financial statements / **Independent auditor's report**

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The recoverable amount of the investment in Arytano Holdings Limited (FCT, PLP and ULCT CGUs) was determined based on value in use calculations for each CGU.</p>	
<p>The expected cash flows (budgets) for the year 2019 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 calculation were considered to be key estimates.</p>	
<p>Based on the results of the impairment tests the Company recognised an impairment charge amounting to US\$13,565 thousand and US\$70,148 thousand in relation to the investment in subsidiary NCC Group Limited and the investment in joint venture Multi Link Terminals Limited respectively.</p>	
<p>For the investment in Arytano Holdings Limited, it was determined that despite the fact that the impairment test has shown an overall recoverable amount higher than the carrying amount of the investment, 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".</p> <p>Refer to Notes 4, 14 and 15 to the financial statements for the related disclosures.</p>	<p>We lastly evaluated the adequacy of the disclosures made in Notes 4, 14 and 15 of the financial statements, including those regarding the key assumptions as required.</p> <p>Based on the evidence obtained, we found that the methodologies, assumptions and data used within the models and disclosures are appropriate.</p>

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, including the Corporate Governance Statement, and the Directors' responsibility 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 and will 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.

Parent Company Financial Statements ►

Board of Directors and other officers / Management report / Directors' Responsibility Statement / Statement of comprehensive income for the year ended 31 December 2018 / Balance sheet as at 31 December 2018 / Statement of changes in equity for the year ended 31 December 2018 / Statement of cash flows for the year ended 31 December 2018 / Notes to the financial statements / **Independent auditor's report**

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 International Standards on Auditing.

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 7 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 26 March 2019 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 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, 27 March 2019

Additional Information

/ Directors' Responsibility Statement /
/ Definitions /
/ Shareholder Information and Key Contacts /

01

02

05





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 Group 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.

ASOP is Association of Sea Commercial Ports (www.morport.com).

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 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.

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.

CD Holding group consists of Yanino Logistics Park (an inland terminal in the vicinity of St. Petersburg) and CD Holding. 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 Container Revenue is defined as revenue generated from containerised cargo services.

Consolidated Inland Bulk Throughput is defined as combined bulk throughput by consolidated inland terminals: LT.

Consolidated Inland Container Throughput is defined as combined container throughput by consolidated inland terminals: LT.

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.

Consolidated Non-Container Revenue is defined as a difference between total revenue and Consolidated Container Revenue.

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 Purchases 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.

Group is Global Ports Investments Plc and its subsidiaries and joint ventures. In April 2019 the Group sold its effective share ownership in AS Vopak E.O.S. (VEOS).

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. In September 2018 the Group completed the previously announced¹ sale of its holding in JSC Logistika-Terminal, one of the Group's two inland terminals, to PJSC TransContainer for a consideration of 1.9 billion Russian roubles.

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), MLT-Ireland and some other entities. 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).

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). In April 2019 the Group sold its effective share ownership in AS Vopak E.O.S. (VEOS).

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 Consolidated 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%), Logistika Terminal (100%) (prior to its disposal), 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), as well as certain other entities. 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).

¹ See Group's release dated 16 August 2017.

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 related to borrowings.

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). In April 2019 the Group sold its effective share ownership in AS Vopak E.O.S. (VEOS).

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

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