2012: MARKET LEADER AND A TRULY WORLD-CLASS PORTS OPERATOR

globalports

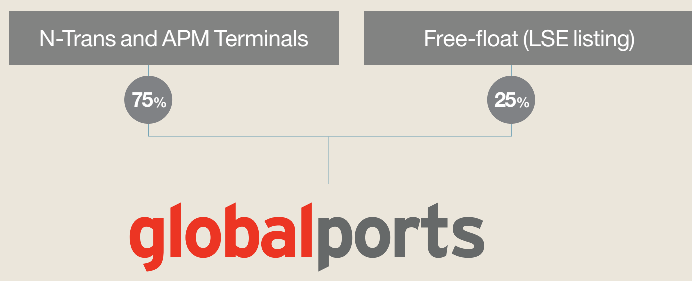
Annual Report 2012

GLOBAL PORTS IS A LEADING CONTAINER PORT OPERATOR SERVICING RUSSIA'S CARGO FLOWS

Ownership structure

Transportation Investments Holding Limited (TIHL) is one of the largest privately-owned transportation groups in Russia, the CIS and the Baltic Region with strategic interests in rail transportation and port operations. TIHL carries on business under the brand name N-Trans. Nikita Mishin, Konstantin Nikolaev and Andrey Filatov jointly control TIHL.

APM Terminals B.V. (a member of A.P. Moller-Maersk A/S, a leading oil and transportation conglomerate) is a global terminal network of 62 port and terminal facilities and more than 170 Inland Services operations, giving APM Terminals a global presence in 68 countries.



Russian Ports segment

100% – VSC
Location: Nakhodka (Far East of Russia)
Cargo handled: containers, Ro-Ro, bulk cargo (coal)

100% – PLP
Location: Saint-Petersburg
Cargo handled: containers, Ro-Ro, bulk and general cargo

75% – Moby Dik
Location: Kronstadt (Saint-Petersburg)
Cargo handled: containers, Ro-Ro, bulk and general cargo

75% – Yanino
Location: Yanino – inland faciltity (near Saint-Petersburg)
Cargo handled: containers, bulk

Finnish Ports segment

75% – Finnish Ports
Location: Helsinki and Kotka, Finland
Cargo handled: containers, Ro-Ro, bulk

Oil Products segment

50% – Vopak E.O.S.
Location: Tallinn, Estonia
Cargo handled: oil products

* Certain financial information which is derived from the management accounts is marked in this Annual Report with an asterisk.

NO. 1 container terminal operator in Russia

29.5%[1]

market share of the Russian Container Market

2.6*

is the potential increase in Container handling capacity that could be achieved on the existing footprint in Russian ports

NO.1

independent oil products terminal operator in the Baltics

1. Market share calculated as Global Ports' Russian Ports segments' Gross Container Throughput in corresponding period divided by Container Throughput in the Russian Federation Ports in the same period. Source: ASOP

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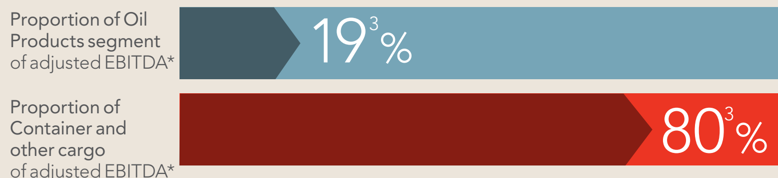
APPENDICES

Directors' Report and Consolidated Financial Statements for the year ended 31 December 2012

Directors' Report and Parent Company Financial Statements for the year ended 31 December 2012

Financial Highlights

In 2012 the Group's Adjusted EBITDA Margin increased 109 basis points and cash flow from operating activities increased 9%, which enabled the Group to invest and pay record dividends to its shareholders.



$502m

Revenue
Group revenue broadly flat year on year

$288m*

Adjusted EBITDA
Adjusted EBITDA increased 2% year on year

0.8x*

Net Debt/Adjusted EBITDA
Leaving ample headroom for the target gearing ratio of 1.5x-2x*

Key data

Russian Ports segment Adjusted EBITDA Margin

Adjusted EBITDA* up 11% to USD 242 million*. Adjusted EBITDA margin improved by 155 basis points to 64.1%

64*%

Oil Products segment Adjusted EBITDA Margin

Generated USD 113 million of net cash from operating activities, maintaining high adjusted EBITDA margin of 49%

49*%

Costs

Total Operating Cash Costs fell 2.4%* to USD 214 million* mainly due to strict cost control and improved efficiency in the Russian Ports' segment, a decline in expenses in other segments as well as a positive foreign exchange rate effect

-2.4*%

Adjusted EBITDA Margin

The Group's Adjusted EBITDA Margin increased to 57.4%* compared to 56.3%* in 2011

57.4*%

CAPEX

On an accrued basis was USD 110.9 million. CapEx on a cash basis was USD 79.8 million

$110.9*m

Adjusted Net Profit

Net Profit Adjusted for Impairment increased 17%* to USD 171.2 million*

+17*%

Dividends

Total dividends (full dividends for 2012 and special dividend) of USD 164.5 million[2]

$164.5*m

2. Includes USD 37.6 million, approved by an Annual General Meeting, USD 47 million of 2012 interim dividends paid in September 2012 and special dividend of USD 79.9 million paid in February 2013. Dividend yield of 7.5% at average GDR price for 2012 of USD 13.96, average 2012 market capitalisation of USD 2,187 million. Source: Bloomberg
3. Excluding Adjusted EBITDA of Holding. 1% – Finnish Ports segment

Global Ports consolidated financial and operating data

USDm	2011	**2012**	change %
Selected IFRS financial information			
Income Statement			
Revenue	501.3	**501.8**	0%
Cost of sales, administrative, selling and marketing expenses	(277.4)	**(343.2)**	24%
Operating profit	226.0	**157.3**	(30%)
Profit for the period	146.9	**123.5**	(16%)
Balance Sheet and Cash Flow Statements			
Total assets	1,338.0	**1,308.9**	(2%)
Net Debt	66.0	**229.6**	248%
Net Cash from operating activities	230.2	**251.8**	9%
CapEx on cash basis	(132.0)	**(79.8)**	(40%)
Selected non-IFRS financial information			
Cost of Sales, Adjusted for Impairment	(237.6)	**(241.8)**	2%
Total Operating Cash Costs	(219.2)	**(213.9)**	(2%)
Operating Profit Adjusted for Impairment	226.0	**215.3**	(5%)
Profit for the Period Adjusted for Impairment	146.9	**171.2**	17%
Adjusted EBITDA	282.2	**287.9**	2%
Adjusted EBITDA margin, %	56.3%	**57.4%**	–
Net Debt to Adjusted EBITDA	0.2	**0.8**	–
CapEx on accrual basis	103.8	**110.9**	7%
ROCE, %	22%	**21%**	–

Global Ports segments data

USDm	2011	**2012**	change %
Russian Ports segment			
Gross Container Throughput, 000s TEU	1,344.0	**1,450.0**	8%
Revenue	349.7	**377.5**	8%
Adjusted EBITDA	218.8	**242.0**	11%
Adjusted EBITDA margin, %	62.6%	**64.1%**	–
Oil Products Terminal segment			
Average Storage Capacity, 000s m^3	1,026.0	**1,026.0**	0%
Oil Products Gross Throughput, million tonnes	15.9	**10.4**	(35%)
Revenue per cbm of storage	279	**227**	(18%)
Revenue per tonne of throughput	18.0	**22.4**	25%
Revenue, USDm	285.9	**233.2**	(18%)
EBITDA, USDm	145.2	**113.8**	(22%)
EBITDA margin, %	51%	**49%**	–
Finnish Ports			
Gross Container Throughput, 000s TEU	163.0	**178.0**	9%
Revenue	31.0	**23.5**	(24%)
Adjusted EBITDA	6.3	**2.8**	(56%)
Adjusted EBITDA margin	20%	**12%**	–

The Group's main business is container handling. The Group also handles a number of other types of cargo, including cars, roll-on roll-off cargo and bulk cargo.

RUSSIAN PORTS

The Russian Ports segment consists of Petrolesport and Moby Dik container terminals in St. Petersburg in the Baltic Sea Basin, Yanino inland logistics park and Vostochnaya Stevedoring Company container terminal in Russia's Far East Basin.

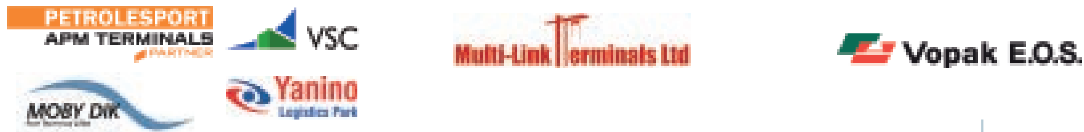
FINNISH PORTS

The Finnish Ports segment consists of two terminals operating in the major ports in Finland – MLT Kotka and MLT Helsinki. MLT Kotka operates in the port of Kotka and focuses primarily on Russian import and Finnish export cargo flows.

OIL PRODUCTS TERMINAL

The Oil Products Terminal segment consists of Vopak E.O.S.'s oil products terminal. Vopak E.O.S. is the largest oil products terminal in the Baltic Sea Basin by throughput. It accounts for 18% of the Former Soviet Union's (FSU's) total dark oil products marine terminal throughput.

GROUP COMPANIES



MAIN SERVICES

Russian Ports

Container handling, including:
- Loading/unloading
- Storage

Car/ro-ro handling
Bulk cargo handling
Additional services, including:
- Stuffing/unstuffing
- Scheduled block trains
- Services driven by customs requirements

Finnish Ports

Container handling, including:
- Loading/unloading
- Storage

Ro-ro handling
Bulk cargo handling
Additional services

Oil Products Terminal

Oil products handling, including:
- Loading/unloading
- Storage/segregated storage

Additional services, including:
- Blending
- Segregation
- On-site lab analysis
- Railway operations (E.R.S.)

CARGOES HANDLED

Russian Ports and Finnish Ports

Containerised cargo, including:
- Full/empty/reefer containers/OOG/Hazardous
- 20/40/45 feet
- Import/export/transit and cabotage

Non-containerised cargo, including:

Russian Ports:
- Cars/Ro-Ro
- Bulk (coal, scrap metal, others)

Finnish Ports:
- Ro-Ro
- Bulk

Oil Products Terminal

Dark oil products, including:
- Fuel oil
- Vacuum gas oil

Light oil products, including:
- Jet fuel
- Diesel
- Gasoline
- Naphtha

Our operations

Baltic Sea Basin

PETROLESPORT
Location:
GREATER PORT OF ST PETERSBURG
Current capacity:
1,000,000 TEU

MOBY DIK
Location:
KRONSTADT ISLAND (ST PETERSBURG)
Capacity:
400,000 TEU

VOPAK E.O.S.
Location:
MUUGA, ESTONIA
Current storage capacity:
1,026,000 M³

YANINO (INLAND)
Location:
ST PETERSBURG AREA
Current capacity:
200,000 TEU
400,000 tonnes (general cargo)

MLT-HELSINKI
Location:
HELSINKI, FINLAND
Current capacity:
270,000 TEU

MLT-KOTKA
Location:
KOTKA, FINLAND
Current capacity:
90,000 TEU

36%

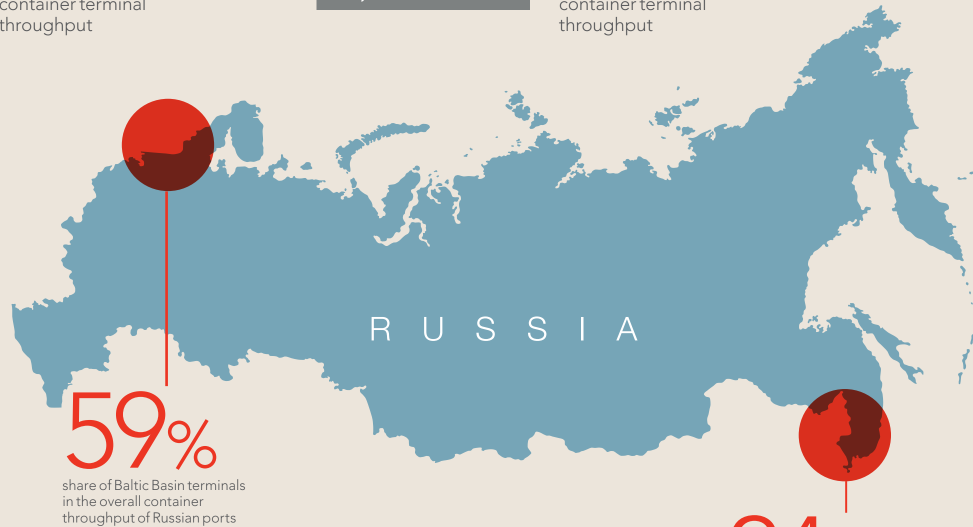
Global Ports' share of Russia's Baltic Basin container terminal throughput

Far East Basin

VOSTOCHNAYA STEVEDORING COMPANY
Location:
PORT VOSTOCHNY
Current capacity:
550,000 TEU

34%

Global Ports' share of Russia's Far East Basin container terminal throughput



59%
share of Baltic Basin terminals in the overall container throughput of Russian ports

24%
share of Far East Basin terminals in the overall Russian container throughput of Russian ports

Royal Vopak (50% in Vopak E.O.S.)

- Global market leader in independent bulk liquid storage terminals
- 84 terminals in 31 countires worldwide

Container Finance Ltd Oy (25% in Moby Dik and Yanino)

- Finnish operator
- Shareholder of Containerships intra-European door-to-door container transport company

GLOBAL PORTS' MODERN TERMINALS ARE LOCATED IN ESTABLISHED PORTS

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

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

- **The oil products terminal is situated in the easily accessible, ice-free port of Muuga.** The proximity of Russia and the infrastructure of the port of Muuga allows Vopak E.O.S. to offer unique opportunities for its clients

Key Strengths

A partnership of global expertise and regional leadership

- Global Ports operates in Russia, CIS and the Baltic States and has APM Terminals and N-Trans as core strategic shareholders.
- APMT's strategic partnership with N-Trans provides (i) global expertise (ii) boosts the Group's positioning with the world's major shipping lines and (iii) will be a platform for joint expansion in the region. Russia's leading infrastructure investment group N-Trans has unrivalled experience in the CIS infrastructure market and longstanding experience in international partnerships.

Market leader in containers and strong position in oil products export

- 29.5% market share of overall Container Throughput in the Russian Federation ports in 2012.
- Vopak E.O.S. is the largest independent oil products terminal in the Baltic Sea Basin. It is not affiliated with any oil or trader company.

Market demand based expansion

- Discretionary and demand based CapEx plan. An extra 21% of Global Ports' ports container capacity to be added in mid 2013.
- Significant scope for further expansion: potential to more than double container capacity at existing sites at lower cost compared to 'greenfield' option.

Excellent customer base

- Blue-chip client base in containers and oil products.
- In the container operations, the business customer base consists mainly of mainline operators, as well as feeder lines, freight forwarders, and end customers.
- The Group's oil products terminal customers include oil majors as well as oil traders.

Strong and secured asset base

- The Group holds the freehold title to 78% of its total terminal land, including 90% in the Russian Ports segment. The rest of the land is held under long-term leases.
- Unlike many terminal operators in other jurisdictions, the Group's terminals are not subject to concession or profit sharing arrangements.

KEY MILESTONES OF 2012

JULY

Customs point opened at Yanino Logistics Park.

SEPTEMBER

APM Terminals, a global port, terminal and inland services operator (part of A.P. Moller-Maersk A/S, a leading oil and transportation conglomerate), signed agreements to become a major shareholder of Global Ports and a strategic partner of N-Trans, one of Russia's largest privately owned transportation groups.

OCTOBER

Extraordinary General Meeting of shareholders approved Terms of reference of the Board of Directors of the Company to reflect terms of the new strategic partnership.

OCTOBER

Western High Speed Diameter road was opened enabling containers to be delivered from PLP to the city ring road in 15 minutes, bypassing city traffic.

DECEMBER

$139m

The Board of Directors approved a CapEx programme for 2013 of USD 139 million[4] to drive further growth and lay the foundations for the next phase of container capacity development.

4. On 100% cash basis. USD 129 million on consolidated cash basis

SEPTEMBER

$47m

2012 interim dividend payment of USD 47 million or USD 0.30 per GDR.

OCTOBER

The Group increases its ownership interest in VSC from 75% to 100%, acquiring the 25% stake held by DP World. VSC can expand its capacity fourfold on its current site and in 2012 it recorded a year on year increase in container throughput of 17%.

NOVEMBER

Unloading capacity of Vopak E.O.S. increased by 28%, (132 positions) enabling it to handle volumes from distant refineries during the winter peak season when there is a deficit of unloading capacity.

DECEMBER

$79.9m

The Board of Directors recommended payment of a special dividend paid in February 2013 of USD 79.9 million (or USD 0.51 per GDR).

DECEMBER

Moby Dik began receiving vessel calls from new client, CMA CGM.

> It has been a year of solid performance for Global Ports, during which the Group made excellent progress towards its strategic objectives

Nikita Mishin
Chairman

2012 – Consolidating our leadership position

It has been a year of solid performance for Global Ports, during which the Group made excellent progress towards its strategic objectives. In 2012, the Group retained its undisputed leadership in the Russian container industry, increased its profitability, improved its operational efficiency and invested in further expansion. Most notably it formed a partnership with APM Terminals, a global leader in our industry, whereby APM Terminals became a cornerstone shareholder in Global Ports and the strategic partner of N-Trans, further consolidating our leadership position in the Russian container industry.

The Russian container market is a top performer globally

Despite issues in the broader global economy, Russia's own economic performance in 2012 was solid, with GDP growing at 3.4% over the period. I am pleased that our own optimism about prospects for the container sector in 2012 was well founded as the Russian container market proved to be one of the star performers in the global container sector. The Russian container market grew 9%, more than twice the rate of the global container market, and above what many industry analysts had predicted. Russia is now one of the fastest growing container markets in the world, outperforming not just the developed markets of Europe and the United States, but also those of the three big emerging economies of China, India and Brazil.

THE RUSSIAN CONTAINER MARKET IS A TOP PERFORMER GLOBALLY

Strategic partnership to accelerate growth and create long-term value

In my statement last year, I discussed our strategy to grow the Group and deliver value to our shareholders, the first pillar of which involves capitalising on the growth of the container industry which is still in its infancy in Russia. Despite the fact that over the last decade, the container market in Russia has grown at a double-digit rate, container penetration levels still lag far behind those of most major economies and many emerging countries. According to independent industry estimates, container penetration in 2012 in Russia, as measured in TEU per 1,000 capita, was roughly half that of the overall world market, and about a quarter of that of the United States and the EU and half the levels seen in China. Our view, which we think is supported by the data, is that the long-term commercial prospects for the Russian container sector remain compelling.

The decision by APM Terminals, one of the largest global container terminals operators, to acquire a 37.5% stake in Global Ports and partner with N-Trans, has been rightly hailed as a landmark transaction. First, the deal is a clear endorsement of the long-term attractiveness of the Russian container market, a view we share. Second, it confirms Global Ports' status as a regional leader in the container terminal sector; it also underscores the attractiveness of our asset base which is concentrated in the key Baltic and Far East Basins, locations which accounted for virtually all of the market's growth in 2012. Third, it brings together two management teams that share a common management philosophy and strategic vision that is based on long-term investment, operational efficiency, innovation and customer service. Operationally, the combination of Global Ports' strong regional position and APM Terminals' global expertise should create an exceptional platform from which to accelerate our growth in the region. Through the relationship with APM Terminals, we gain access to its global expertise in key areas like capacity planning, logistics and procurement, which should also improve our business performance.

Our performance in 2012

Our performance in the container market was encouraging. In a competitive environment, we retained our leadership position, maintaining our close to 30% market share despite the fact that approximately an additional 15% of capacity was released onto the market by competitors during the period. We saw strong growth in both container traffic and bulk cargo turnover and we improved our capacity utilisation. We also continued to invest in our operations in 2012. We expanded our facilities at Petrolesport, our biggest container terminal, which will result in significantly increased capacity when it comes on stream in mid 2013. We also took full ownership of Vostochnaya Stevedoring Company, our second largest container facility, purchasing DP World's 25% stake in the terminal. This was an important strategic move as we consolidated our ownership of VSC, our gateway terminal for Asia. VSC grew its volumes in 2012 by 17% and, as it has substantial scope to expand its capacity, it is likely to be an increasingly important asset to the Group given Asia's strong macroeconomic prospects and likely world trade flows.

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THE AGREEMENT WITH APM TERMINALS BRINGS WITH IT GLOBAL EXPERTISE

Conditions in the fuel oil business were far more challenging. We had to deal with a much more competitive market place caused in large part by the opening of the fuel oil terminal at Ust Luga. Inevitably this affected Vopak E.O.S. (VEOS), our oil products terminal at Tallinn in the Baltic, which suffered a fall in handling volumes as a result. However, I am pleased to report that much of the impact of this increased competition was mitigated by steps undertaken by the management team and VEOS's unique position as a sophisticated hub terminal. Whilst 2012 was not a standout year for the VEOS business, it comes after years of very strong growth. VEOS remains a solid business which has generated substantial operational cash flows and solid profitability over the years, producing Adjusted EBITDA margins that compare very favourably to other terminal facilities, 49% in the period under review.

Financial results

Our financial performance in 2012 demonstrated the benefits of our balanced business. Group revenues remained virtually unchanged year on year, at USD 502 million as the strong performance of our Russian Ports operations where revenues grew 8%, offset the drop in revenues from the Oil Products Terminal segment. Profits grew slightly with growth in Adjusted EBITDA of 2%, but with a notable improvement in the operating margin with the Adjusted EBITDA margin increasing by 109 basis points.

One of strengths of the Group is its ability to produce good operational cash flows in excess of its capital expenditure requirements. In 2012 we again generated significant levels of cash which together with our modest gearing allowed the Group not only to increase its dividend payout significantly above the Group's stated minimum target ratio, but also to pay a special dividend to shareholders. The Group's dividend payout in 2012 totalled USD 164.5 million, equivalent to 7.5% of the Group's average 2012 market capitalization.

The fact that in a competitive market Global Ports was able to grow its Adjusted EBITDA, expand its margins and increase dividends speaks to the overall resilience of our business.

Corporate Responsibility

We pay careful attention to our impact on society and our relationships with all our stakeholders. Consequently, corporate social responsibility matters are an important part of the Board's agenda and we are committed to ensuring that our CSR policies and practices are seen by all our people as an integral part of how we conduct our business.

I am pleased to say that in 2012 we made further progress in our health, safety and environmental performance.

Governance

The Board recognises that good governance is central to the effective stewardship of the business and to retaining the confidence of our shareholders. A proper governance structure means we can make informed decisions that support the long-term success of the

> The Group's ability to generate strong cash flows is a feature of our business enabling us to invest for future growth while also returning cash to our shareholders by way of dividend payments

business, so we see governance very much as a strategic asset.

In September 2012, we announced our landmark partnership with APM Terminals. With it, we announced a new governance structure to support the publicly-listed status of Global Ports, which we regard as a vital component of our long-term strategy. The governance structure has been designed to reflect the principles of joint decision-making between equal partners with equal rights, while ensuring all shareholders are properly represented. Importantly it increases the voting rights of free-float shareholders from approximately 25% to around 40% and enhances the role of the Independent Directors who chair all Board committees.

The new governance structure is consistent with the Board's continued desire to conduct itself with openness and transparency and it will enable us to run the business responsibly.

Our people

On behalf of the Board, I wish to express my sincere thanks to all our colleagues across the Group for their support. Our strong financial performance could not be achieved without their continued hard work and commitment, and I would like to congratulate all of them for making 2012 such a successful year.

Conclusion

Underlying trends in the Russian container market point toward continued strong growth for the sector as containerisation levels continue to rise. Russia's good economic performance and events like the country's recent accession to the WTO are also contributing to that process. So, the long-term outlook for the industry remains bright.

Equally, I believe that the long-term prospects for Global Ports are as strong as ever. We are the largest container terminal operator in Russia and we have scale where it matters, in the key Baltic Basin and Pacific regions. We have a highly experienced management team that has been together now for over 15 years and a clear growth strategy. I believe it is exactly these attributes that attracted APM Terminals to invest in Global Ports and I am delighted at the prospect of cooperation and sharing our joint knowledge and expertise to provide world-class services to our existing clients and, in the process, attract new customers for the future.

As one looks ahead one can identify a number of potential challenges to our markets, be it the threat of increased economic headwinds at home and in the broader global economy, or increased competition in our industries. Whatever transpires, we can approach 2013 with confidence in the knowledge that our clear strategy, leading market business and strong financial position should enable Global Ports to make further progress in the years ahead.

Nikita Mishin
Chairman of the Board of Directors

IMPROVED PROFITABILITY AND SUSTAINED LEADERSHIP POSITION

Improved profitability, sustained leadership position

In 2012, Global Ports made excellent progress on a number of different fronts: corporate, operational and financial. Undoubtedly, it was the corporate activity that made the headlines but the Group also delivered a strong underlying operational performance, maintaining its number one position in the Russian container market and delivering a solid financial result. The Group's Adjusted EBITDA margin increased 109 basis points and net cash from operating activity increased 9%, which enabled the Group to pay record dividends to its shareholders.

Financial performance

Against a backdrop of stable revenue of USD 502 million, the Group's Adjusted EBITDA grew 2% to USD 288 million. Continued growth in the Russian Ports segment, which accounts for 80% of the Group's Adjusted EBITDA, enabled us to offset the decline in profits from the Oil Products operations.

One of the main contributors to our strong financial performance in recent years has been the relentless focus on cost management and in 2012 we kept a tight rein on the cost base. Total operating cash costs for the period fell 2.4%, helped by lower staff costs and a decrease in transportation expenses mainly in the Oil Products Terminal segment. The Group's Adjusted EBITDA margin increased to 57.4%, with the main contributor being the Russian Ports segment, where the margin expanded 155 basis points to 64.1%. Adjusted for the exchange rate influence, the results of the Russian Ports segment demonstrated further underlying efficiency gains. Total cash costs for the segment increased by only 10% in roubles, despite Russia's inflation rate of 6.6 %, growth in Global Ports' gross container volumes of 8%, a 50% rise in car volumes and a 39% increase in bulk cargo volumes.

The Group's ability to generate strong cash flows is a feature of our business enabling us to invest for future growth while also returning cash to shareholders by way of dividend payments. In 2012, net cash generated from operating activity rose 9% to USD 252 million, more than double the capital expenditure of USD 110.9 million[5]. Despite the USD 230 million acquisition of DP World's 25% stake in VSC and returning a record USD 165 million to shareholders by way of dividends, we ended the year with a modest Net Debt to Adjusted EBITDA ratio of 0.8x, well below our target ceiling of 1.5x-2.0x.

Operational performance

The container market in Russia continued to expand at a rapid pace in 2012. Total Russian volumes increased 9.1% over the period, more than twice the average rate of growth for the global market. Global Ports' own performance in 2012 was similarly robust. Container throughput in the Group's Russian Ports segment, measured in TEU, grew 8% year on year. Its share of the overall Container Throughput in the Russian Federation Ports in 2012 was 29.5 %, maintaining the

continued

Dr. Alexander Nazarchuk
Chief Executive Officer

5. On accrual basis

“In 2012, cash generated from operations rose 9% to USD 252 million, more than double our capital expenditure of USD 110.9 million”

Group's status as the undisputed leader of the Russian container market. We maintained our market leadership despite the fact that competitors increased industry capacity by around 15% over the period. Nevertheless, the average utilization rate for the industry remains relatively high at 72%, giving scope for further growth.

Container throughput at our biggest container terminal Petrolesport (PLP) grew 6% in 2012, with the result that utilization rates for the terminal climbed to 83%. The extra 40% capacity we plan to add at PLP in 2013 (400,000 TEU) is therefore very timely, as it will serve to reassure customers that Global Ports is capable of providing high levels of service to enable their businesses to grow.

At VSC, container throughput grew 17% last year in line with the general trend of rapid throughput growth in the Far East in comparison to the Baltic Basin. Growth in the Far East Basin was underpinned by increasing sea freight rates on the main East-West trade routes thereby increasing the relative attractiveness of the transhipment route using the Trans-Siberian Railway and exposure to the growing intra-Asian trades.

Our terminals continue to be the terminals of choice for customers due to our highly efficient offering and the diversity and high standard of our value-added services. This is a key reason why we were able to increase our headline tariffs in 2013 for the third successive year in a row. We continue to try to improve the utilization of our land plots at our terminals, primarily through focusing on developing additional cargo handling. The

TAKING FULL ADVANTAGE OF THE GROWTH OPPORTUNITIES PRESENTED BY THE MARKET

opening of the VSC coal terminal in 2012 was a significant contributor to the 39% uplift in bulk cargo throughput recorded in 2012. In addition, there was also a substantial increase in car throughput, which rose 50%, giving the Group's terminals an 11% share[6] of the new car import handling market.

The opening of the new terminal in Ust-Luga led to a fundamental shift in the competitive situation in the oil products market. The emergence, for the first time in many years, of a new entrant with significant capacity affected the market and Vopak E.O.S.'s volume throughput declined by more than a third from the previous year. In response, the Group sought to maximize the use of the terminal's unique features, substantially broadening the suite of services offered and the mix of cargoes handled, contibuting to a 25% increase in revenue per tonne of throughput. The success of management actions meant that we were able to manage the rate of revenue decline and keep it significantly lower than the rate of volume decline, and more importantly, maintained the Adjusted EBITDA margin at a very healthy 49%. Furthermore the oil products handling business remains highly cash generative, producing cash flow from operations of USD113 million in 2012.

CapEx plan

In 2012 we invested further in the expansion of capacity at PLP. We expect to commission a further 400,000 TEU in 2013, which will increase the Russian Ports' total container throughput capacity by 21%. This expansion is set to be the only new sizeable capacity to come on line in the industry in 2013. Prior to the winter season, we also increased Vopak E.O.S.'s rail unloading capacity by 28%, which contributed considerably to the Group's performance in the 2012/2013 winter.

In December 2012, the Board approved the investment plan for 2013, at a total of USD 129 million[7]. The vast majority of this amount, more than USD 120 million, will be invested in the Russian Ports segment where the main priority is to prepare the terminals for their next stage of development. We plan to upgrade PLP's infrastructure, including improvements to the internal road network, the provision of additional electrical capacity, and the purchase of more maintenance equipment. We are also going to upgrade some of the handling equipment at VSC.

Despite the tough global economic environment, we are pursuing our strategy of investing for the future throughout all the phases of the economic cycle. Our approach is very much demand-driven and we are able to flex capital expenditure to fit operational requirements and the prevailing market conditions. We will balance investment in further expansion with distributions to shareholders.

The current land footprint in the Russian terminals, the bulk of which is owned freehold, provides scope to double the container throughput capacity of our existing facilities in the Baltic and to increase capacity in the Far East by fourfold in the longer term. Therefore, we are able, on a discretionary basis, to respond to the increased demand for container handling services in the dynamic Russian container market.

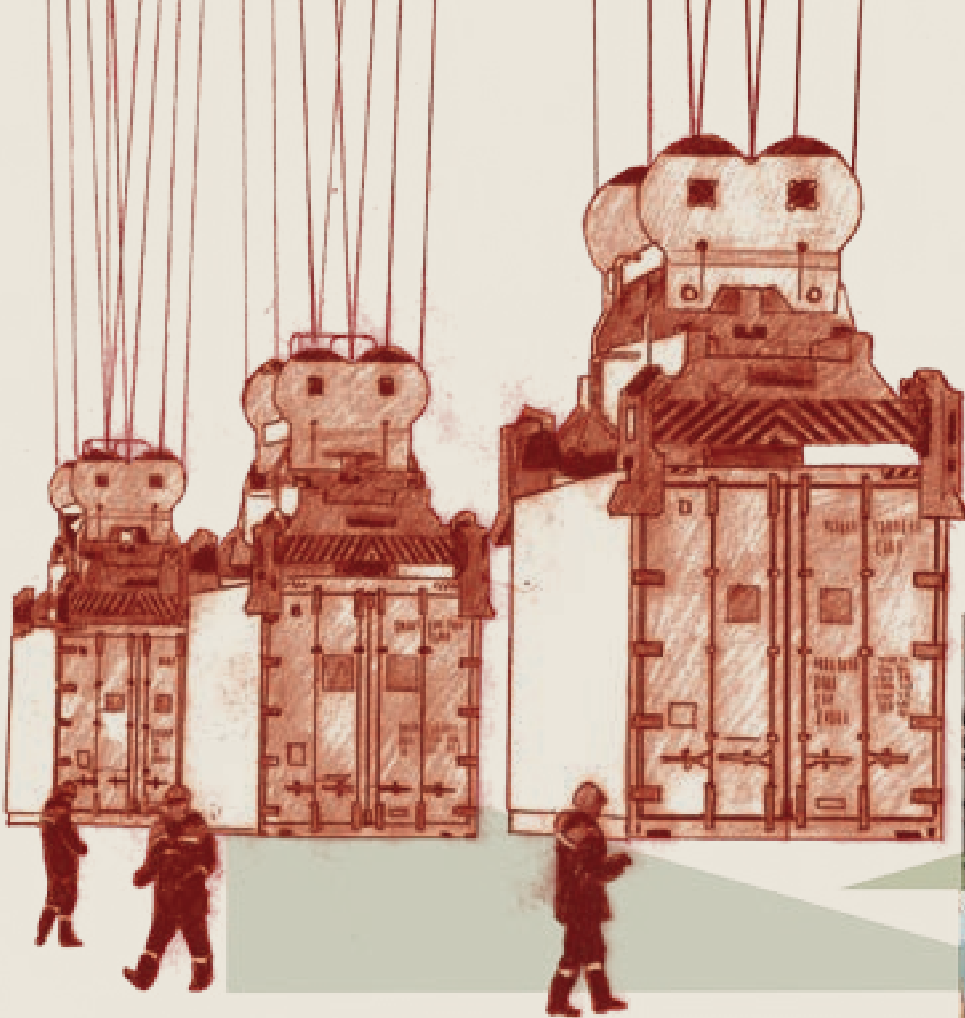
Summary

The primary strategic goals for Global Ports in 2012 were to strengthen our leading position in the Russian market, focus on efficiency, and take full advantage of the growth opportunities presented by the market, as well as to manage the structural changes in the oil products market. We were successful in achieving these goals, in what was a very busy and challenging twelve months for the Group, and we are very pleased with the progress made over the year.

In 2013, our goals remain the same. We will continue to work towards achieving these goals whilst maintaining Global Ports' profitability and strong liquidity position and focusing on operational efficiency through strict cost management initiatives. With the arrival of a new shareholder, APM Terminals, one of the largest international terminal operators with global experience, we believe we will have enhanced capabilities to achieve these objectives and maximize opportunities for growth as containerization develops. The year has started well and we are confident of making further progress on our strategic objectives in 2013.

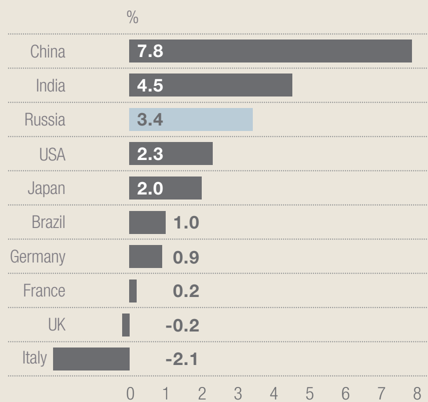
Dr. Alexander Nazarchuk
Chief Executive Officer

6. Source: PwC report
7. On a cash and consolidated basis

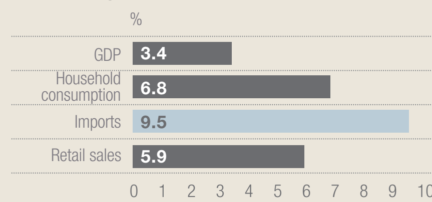


Container market highlights

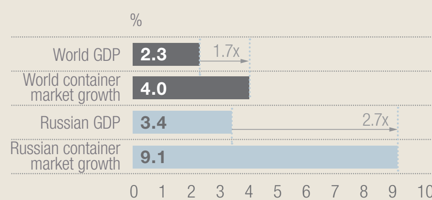
Real GDP growth in 2012



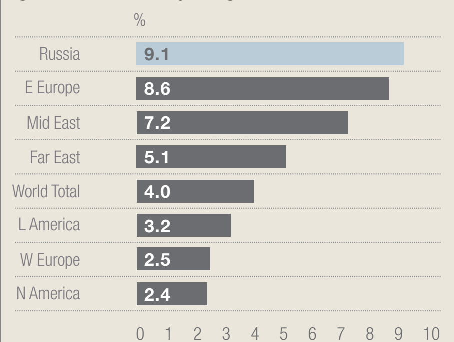
Key drivers of Russian container market growth in 2012



Container market vs. GDP growth in 2012



2012 global container market growth rate by region



Source: Drewry, ASOP

Source: INF World Economic Outlook Update, January 2013; Rosstat, Drewry

Russian container market

THE RUSSIAN MARKET REMAINED ONE OF THE FASTEST GROWING IN THE WORLD

In 2012 the Russian economy expanded at a much faster pace compared to most other countries. In 2012, Russia's GDP grew by 3.4%[8], which was faster than the U.S., EU countries and a number of the emerging markets. Major contributing factors to the growth of the container market also continued to move ahead – household consumption grew by 6.8%[8] and retail sales increased by 5.9%[8].

The dynamics of container turnover have always been closely related to GDP dynamics and, historically, in the Russian market, container traffic has consistently outpaced economic growth. This remained true for 2012 as Russia's container market expanded at 2.7 times the rate of underlying Russian GDP growth.

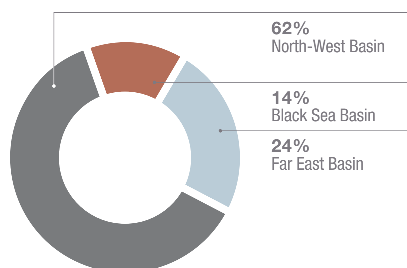
Total container turnover grew at more than double the growth rate of the global container market, reaching 9.1%. In terms of growth, the Russian market has not only significantly overtaken the major developed markets, but also outperformed such emerging markets as Brazil, China and Turkey.

In total, in 2012 Russia handled 0.41 million TEU more than the previous year, while the total turnover reached 4.92 million TEU.

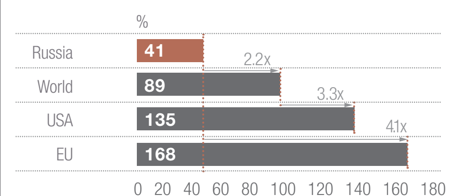
In terms of its containerisation levels, Russia still lags far behind most main developed and emerging markets, a legacy of the fact that Russia began the process of containerisation decades after it had become widespread elsewhere in the world.

Russian container penetration per thousand capita is 41 TEUs, which is 2.2 times lower than the rate for the global market. It is 3.3 times lower than container penetration per thousand capita in the U.S., and 4.1 times lower than in Europe. Compared to other main emerging markets, Russian container penetration per capita is three times lower than that of China, and 2.3 times lower than that of Turkey. The North-West and the Far East Basin ports continue to be the main gateways for the Russian container market. In 2012 they handled 86% of all container volumes, with

Russian container flow in 2012, %

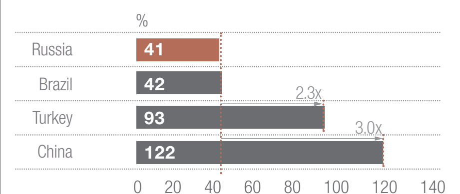


Container penetration in 2012, TEU '000 capita



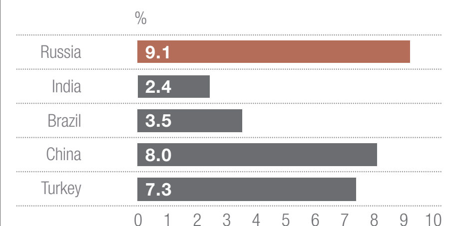
Source: Drewry

Container penetration in 2012, TEU '000 capita, emerging markets



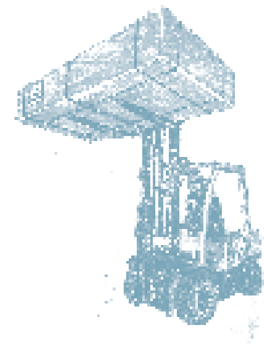
In terms of its containerization levels, Russia still lags far behind most main developed and emerging markets

2012 emerging markets container market growth

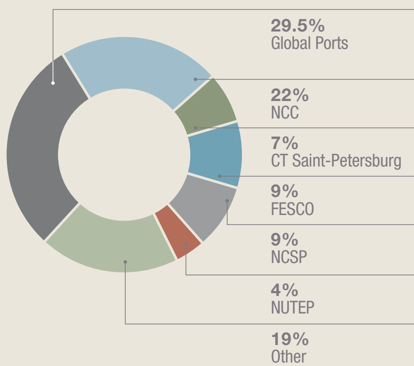


Source: Drewry, ASOP

8. Source: Rosstat

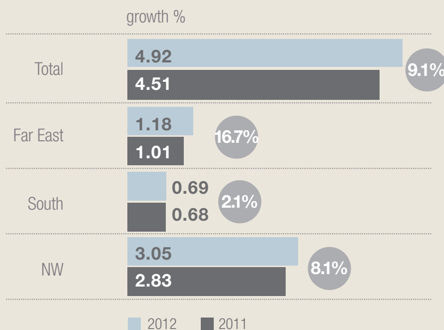


Russian market throughput by key players in 2012



Source: ASOP, Company estimates, open sources

Russian container market by basin million TEU



0.4 million TEU (or 97%) of the total growth of 0.41 million TEU in 2012 coming through the Far East or North-West.

In 2012, total capacity at Russian terminals increased by approximately 15%, to 6.9 million TEU. The main contributors to the increase were the Ust-Luga terminal coming into operation in the Baltic Basin adding 440,000 TEU of capacity and, in the Far East, the FESCO Group, which increased its capacity to 600,000 TEU.

Despite this, capacity utilization in Russia still remains at very high levels – 72% compared to 75% in 2011.

High market growth rates plus healthy capacity utilization of Russian terminals drives market demand for new capacity. In 2013 only PLP is expected to add capacity and it is likely to become the largest terminal in the country, with a handling capacity of 1.4 million TEU.

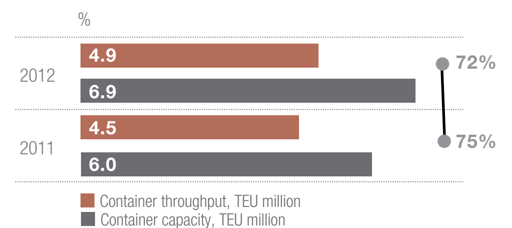
97%

0.4 million TEU (or 97%) of the total growth of 0.41 million TEU in 2012 coming through the Far East or North-West

72%

Utilization rate of container terminals in Russia

Capacity utilization dynamics[9]



Source: ASOP, Drewery, Public sources, Company estimations

Global Ports maintained its #1 position in container throughput with a market share of 29.5% in 2012, despite an approximate 15% additional industry capacity released by competitors

9. Capacity utilization rate is defined as container throughput in the corresponding period divided by container handling capacity for the period

IN 2012 OVERALL PRODUCTION VOLUMES OF FUEL OIL IN THE COUNTRY GREW BY 5.8%

Oil products market

In 2012, crude oil production in Russia hit a post-Soviet record high of 10.3 million barrels per day. In total, crude oil production increased by 1.3% to reach 518 million tonnes, cementing Russia's position as the world's biggest oil producer, ahead of Saudi Arabia.

Russian refinery output showed further solid growth in 2012, driven by an expanding domestic economy accompanied by continued strong growth in retail spending. Overall domestic refining volumes increased by 4.5% to 266 million tonnes[10]. The needs of the transport sector continued to exert a strong influence on Russia's refining industry, as growth in car ownership helped stimulate demand for higher quality oil products, in particular gasoline, where volumes increased by 5.3%[10].

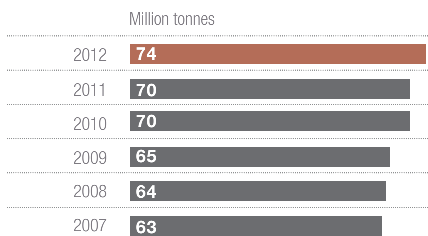
Higher oil production and refining output resulted in a significant increase in production volumes of fuel oil, which is used in the power sector, in refineries, in heavy industries and for marine vessels (bunkers). In 2012, overall production volumes of fuel oil increased by 4.1 million tonnes, to 74.4 million tonnes[10], an increase of 5.8%. Of this, 73% or 55 million tonnes[11] of fuel oil were exported.

In the last five years (2007-2012) crude oil production volumes have increased by 5.5%[11], while fuel oil production volumes during the same period have increased by 19% or 12 million tonnes[12]. This situation reflects the fact that much of Russia's refining industry dates from the Soviet era, and these refineries continue to produce far lower yields of gasoline and other light distillates per barrel of oil than sophisticated refineries around the globe.

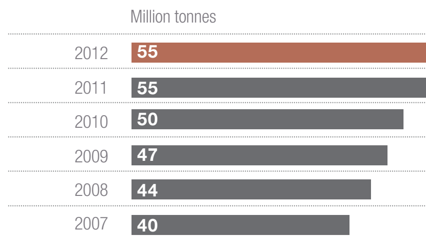
11.7m tonnes

the growth in fuel oil production in Russia in 2007-2012

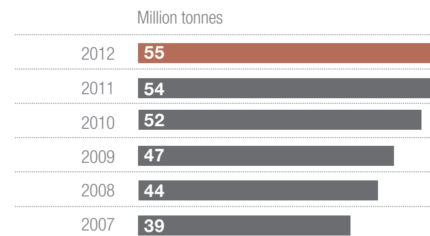
Fuel oil production in Russia



Fuel oil export from Russia



Dark oil products throughput in Baltic ports



Source: Argus, other sources

10. Source – Ministry of Energy of Russian Federation
11. Source Argus, Ministry of Energy of Russian Federation, Company Estimates
12. Source – Rosstat, Ministry of Energy of Russian Federation

1. Alexander Nazarchuk
Chief Executive Officer
Dr. Nazarchuk was appointed as an executive member of the Board of Directors in 2008 and has been the Chief Executive Officer of the Company since 2008. Mr. Nazarchuk has also held the positions of chairman of the council of Vopak E.O.S. (earlier E.O.S.) since December 2004, member of the Board of Directors of Petrolesport since December 2007 and member of the Board of Directors of VSC since October 2005. Mr. Nazarchuk served as a member of the Board of New Forwarding Company OAO from June 2003 until August 2008, a member of the Board of Directors of Sevtekhnotrans OOO from September 2007 until August 2008, a member of the Board of Directors of AS Spacecom from April 2003 until June 2008 and a senior scientist in International Centre of Scientific and Technical Information of Moscow from December 1996 until December 1998. He graduated from the Lomonosov Moscow State University with a Doctorate in Philosophy. Dr. Nazarchuk has been a Professor of The Philosophy faculty at the Lomonosov Moscow State University since September 2002. He is the author of four books and numerous articles.

2. Alexander Gusyatiner
Chief Operational Officer
Mr. Gusyatiner has extensive experience in the ports industry, having worked in Canada, Australia and the Middle East. Before joining the Group, he worked for Aecom-Perth, Australia, as a Senior Engineer of the Ports and Marine Department, where he was involved in ports and container terminal engineering consulting and operational planning. Prior to that, he worked for Ausenco Sandwell Engineering for four years as a senior container terminal and transportation specialist, where he managed engineering projects and was responsible for ports and container terminal operational development. From August 2004 to December 2006, he was a Technology Director at DP World, responsible for container terminal operation. Between 1993 and 2004, he worked for Terminal Systems Inc. (TSI) in Vancouver as project manager.

3. Valery Mestulov
General Manager, VSC
Mr. Mestulov was appointed General Manager of VSC in 2012. Before that he had served as a General Manager of Moby Dik since July 2010. Mr. Mestulov's experience within the Group over ten years includes roles as Deputy General

Manager of Vostochny Port OAO, General Manager of VSC, General Manager of Yanino Logistics Park, and General Manager of Vladivostok Container Terminal OOO. Prior to joining the Group, Mr. Mestulov was Head of Department of the governmental stock company, Ukrresourses, and Deputy President of the Management Board of Interbudmontazh ZAO. He graduated from Borisoglebsk Road Technikum as a building-technician specialist and also has a BA in Economics and a degree in the Economics of Engineering.

4. Roy Cummins

Chief Commercial Officer

Mr. Cummins has more than 20 years of experience in the ports and shipping industry, having worked in Europe, Asia, the Middle East and Australia. Prior to joining the Group, he worked for DP World for three years as Chief Executive Officer and a member of the Board of Directors of Saigon Premier Container Terminal, a "greenfield" port development project in Vietnam. Prior to that, Mr. Cummins held various positions in the P&O Group in both the Liner shipping division (P&O Nedlloyd) and the Ports division (P&O Ports), where, in the latter case, he held the positions of General Manager of the Port Botany Terminal in Sydney, Australia, and the West Swanson Terminal in Melbourne, Australia. Mr. Cummins graduated from the University of Durham in the UK and he also holds an MBA from the University of Warwick in the UK.

5. Dirk van Assendelft

General Manager, Multi-Link Terminals

Mr. van Assendelft has served as the Managing Director of Multi-Link Terminals Ltd Oy since December 2004 and was the Chief Executive officer of Moby Dik from June 2004 until July 2010. He has also held a position as a member of the Board of Directors of Niinisaaren Portti Osakeyhti ö 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.

6. Oleg Novikov

Chief Financial Officer

Mr. Novikov has served as the Chief Financial Officer of the Company since 2008.
He has more than 15 years' experience in various managerial positions in the N-Trans group of companies. In the past, he served as a member of the Board of Directors from April 2008, a member of the Board of Directors at New Forwarding Company OAO from June 2003 until August 2008, a member of the Board of Directors at Sevtekhnotrans OOO from September 2007 until August 2008, a member of the Board of Directors at Balttransservis OOO from April 2007 to March 2010 and a member of the Board of Directors at NPK-Finance OOO from August 2007 to April 2008. Mr. Novikov was Deputy General Director responsible for finance at Severstaltrans ZAO from May 1996 to September 2009. He graduated from Lomonosov Moscow State University where he studied Philosophy and Logics. Also Mr. Novikov graduated from the All-Russian Distance Institute of Finance and Economics where he majored in audit and accounting.

7. Victoria Scherbakova

Acting General Manager, Yanino Logistics Park LLC

Ms. Scherbakova has been working with the Group as Director of forwarding companies since 2009. In 2012 she was appointed Director General of Yanino Logistics Park LLC. Prior to joining the Group, Ms. Scherbakova held executive positions in such Russia's largest transport companies as Concern "SVT (Moscow) and Magistral Container Lines (Moscow), and others. Moreover, since 2005 she has been a senior lecturer at Moscow State Academy of Water Transport where she lectures on economics for senior students. The professional experience of Ms. Scherbakova in the transport sector is over 20 years. She graduated from Odessa State Academy of Refrigeration where she majored in thermal physics. Ms. Scherbakova also holds a degree in economics and psychology.

8. Eduard Chovushyan

General Manager, PLP

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

9. Alexander Dudko

General Manager, Moby Dik

Mr. Dudko was appointed General Manager of Moby Dik in March 2012. Before that Mr. Dudko served as Operations Director of VSC from early 2011 when he joined the company from DP World Southampton (UK), where he spent three years in various positions. He started his career in the ports industry working for First Container Terminal in Saint-Petersburg where he had a role in the Finance Department between 2004 and 2006. Mr. Dudko has a First Class degree from the State Marine Technical University in Saint-Petersburg and an MSc in Logistics, Trade and Finance from Cass Business School, London. He is a member of the Chartered Institute of Logistics and Transport.

10. Arnout Dirk Lugtmeijer

General Manager, VOPAK E.O.S

Mr. Lugtmeijer has served as the Chairman of the Management Board of Vopak E.O.S. since 1996 (and as a member of the Management Board since 1994). He has also served as member of the Management Board of E.R.S. since April 2008 and EK Holding AS since September 2005 and as member of the Supervisory Board of Stivterminal (a subsidiary, which was merged into Vopak E.O.S. in 2011) since June 2006 and Pakterminal (which was acquired by Vopak E.O.S. in May 2008 and merged into Vopak E.O.S. in May 2010) since June 2008. Mr. Lugtmeijer studied at Delft Technical University in Holland and graduated in 1991.

CHINA SHIPPING
CHINA SHIPPING
"K" LINE
"K" LINE

IN 2012 GLOBAL PORTS INCREASED ITS CONTAINER THROUGHPUT VOLUMES IN THE RUSSIAN PORTS SEGMENT BY 8%

Growth in the Russian Ports segment, strict cost control and improved efficiency as well as the positive foreign exchange rate effect all positively impacted the Group's Adjusted EBITDA Margin which expanded by 109 basis points to 57.4%*. The Group's Adjusted EBITDA increased 2% to USD 288 million*.

Key highlights

- Global Ports became a strategic partnership between APM Terminals and N-Trans in Russia, the CIS and the Baltic States;
- Global Ports maintained its leading position in the Russian container market with 29.5%* market share[13] of overall container throughput through Russian Federation ports. The Group's Russian Ports segment container throughput increased 8% year on year to approximately 1,450 thousand* TEUs (twenty-foot equivalent units) in 2012;
- Total Operating Cash Costs declined 2.4%* to USD 214 million* mainly due to strict cost control and improved efficiency in the Russian Ports' segment, a decline in expenses in other segments as well as a positive foreign exchange rate effect;
- The Group's Adjusted EBITDA Margin increased to 57.4%* compared to 56.3%* in 2011 with Adjusted EBITDA up by 2%* to USD 288 million*;
- Net Profit Adjusted for Impairment increased 17%* to USD 171.2 million*;
- Net cash from operating activities increased 9% to USD 252 million;
- Net Debt to Adjusted EBITDA was 0.8x* at 31 December 2012 leaving sufficient headroom for the target gearing ratio of 1.5x-2x* to be reached by balancing further expansion with dividend distribution;
- CapEx on an accrued basis was USD 110.9 million. CapEx on a cash basis was USD 79.8 million. Investments were made to enable capacity expansion (the construction of 400 thousand TEUs of capacity at Petrolesport), for equipment renewal, and to improve the services rendered to clients;
- On the basis of the improved financial results and strong balance sheet of the Group, the Board of Directors is recommending an additional dividend payment of USD 37.6 million or USD 0.24 per GDR subject to shareholder approval at the Annual General Meeting. This together with a dividend payment of USD 47 million or USD 0.30 per GDR in September 2012 results in a total regular dividend for the year 2012 at USD 0.54 per GDR (USD 84.6 million);
- Taking into account the CapEx program,me the Group's liquidity position and low leverage, the Board recommended a special dividend in December 2012 for the total amount of USD 79.9 million (USD 0.51 per GDR) which was paid in February 2013;
- In 2012 Global Ports increased to 100% the Group's ownership interest in VSC, one of the key gateways for Russian container transport in the Far East of Russia.

continued

Net Profit Adjusted for Impairment increased 17%* to USD 171.2 million*

13. Market share calculated as Global Ports' Russian Ports segment's Gross Container Throughput in corresponding period divided by Container Throughput in the Russian Federation Ports in the same period. Source: ASOP

GLOBAL PORTS CONSOLIDATED DATA FOR 2012

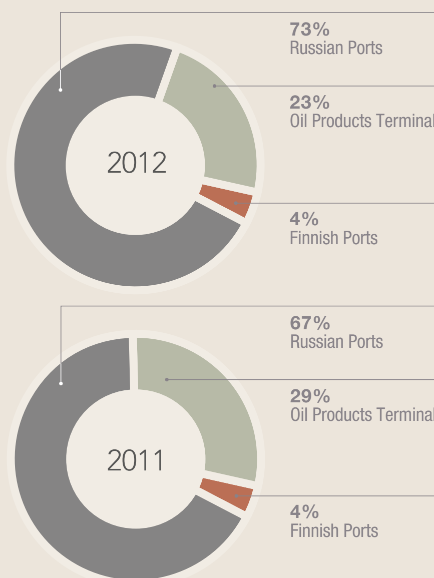
Group financial performance

Financial results summary

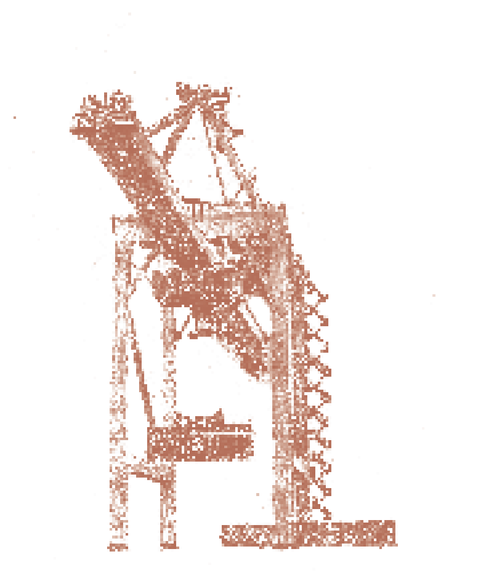
The following table sets forth the Group's key financial information for the full year of 2012.

	2011 USD mln	**2012 USD mln**	Change USD mln	%
Selected consolidated IFRS financial information				
Revenue	501.3	**501.8**	0.5	0.1%
Cost of sales, administrative, selling and marketing expenses	(277.4)	**(343.2)**	(65.8)	24%
Operating profit	226.0	**157.3**	(68.7)	(30%)
Profit for the period	146.9	**123.5**	(23.5)	(16%)
Basic and diluted earnings per share for profit attributable to the owners of the Company during the period	0.29	**0.23**	(0.06)	(21%)
Selected Non-IFRS financial information				
Cost of Sales, Adjusted for Impairment	(237.6)	**(241.8)**	4.2	2%
Total Operating Cash Costs	219.2	**213.9**	(5.2)	(2%)
Operating Profit Adjusted for Impairment	226.0	**215.3**	(10.7)	(5%)
Profit for the Period Adjusted for Impairment	146.9	**171.2**	24.3	17%
Adjusted EBITDA	282.2	**287.9**	5.7	2%
Adjusted EBITDA Margin	56.3%	**57.4%**		
ROCE	22%	**21%**		

Revenue by segment



In 2012 the Russian Ports segment contributed 73% of the Group's revenues



Impairment charge adjustment

Cost of sales includes an impairment charge for property, plant and equipment as well as an impairment charge for goodwill in 2012 for a combined USD 58 million in relation to Yanino Logistics Park, the inland terminal of the Group. The impairment of property, plant and equipment also resulted in a deferred tax credit for the amount of USD 10.3 million. The impairment is discussed in greater detail on page 37.

Revenue

The Group's revenue for full year 2012 remained almost unchanged compared to 2011 at USD 501.8 million. This result reflects the increased revenues of the Russian Ports segment offset by decreased revenues in the Oil Products Terminal segment.

In 2012 the Russian Ports segment contributed 73% of the Group's revenues. The contribution of the Oil Products Terminal segment revenue decreased from 29% in 2011 to 23% in 2012. The Finnish Ports segment's contribution accounted for 4% of the Group's revenue.

The table below sets out the Group's revenue by operating segments adjusted for the effect of proportionate consolidation.

The Group's revenue is discussed in greater detail in the Analysis by Operating Segment section that follows.

Cost of sales

The Group's Cost of Sales, Adjusted for Impairment grew 1.7%* or USD 4.2 million* to USD 242 million*.

The Group's Cash Cost of Sales in 2012 decreased 5%* or USD 9 million* to USD 172 million* compared to 2011, due to a decrease in transportation expenses (down 17% or USD 8.3 million) mainly in the Oil Products Terminal segment and lower staff costs (down 5% or USD 3 million).

The Group's total cost of sales in 2012 increased 26% or USD 62.2 million largely driven by an impairment charge of property, plant and equipment (USD 51.5 million) and an impairment charge of goodwill (USD 6.5 million) in relation to the Yanino Logistics Park.

Administrative, selling and marketing expenses

The Group's total administrative, selling and marketing expenses in 2012 increased 9% or USD 3.6 million to USD 43.4 million compared to 2011 due to an increase in staff costs (12% or USD 2.2 million) and other expenses (31% or USD 2.6 million) which was partially offset by the decrease in legal, consulting and other professional services which fell 37% or USD 2 million. Legal, consulting and other professional services expenses for 2011 reflect the additional expenses associated with the Initial Public Offering and listing of Global Depositary Receipts of the Company on the Main Market of the London Stock Exchange.

continued

REVENUE

	2011 USD mln	% of total	**2012 USD mln**	% of total
Russian Ports segment	337.8*	67%*	**367.8***	73%*
Oil Products Terminal segment	143.0*	29%*	**116.6***	23%*
Finnish Ports segment	20.6*	4%*	**17.4***	4%*
Total revenue of operating segments	**501.3**	**100%**	**501.8**	**100%**

Total Operating Cash Costs

Total Operating Cash Costs declined 2.4% to USD 214 million in 2012.

Operating profit

Operating Profit Adjusted for Impairment decreased 5%* or USD 11 million* to USD 215 million* during the reporting period.

Operating profit decreased 30% to USD 157.3 million for the reasons detailed above.

Finance income/(costs) – net

In 2012 the Group recorded a net finance loss of USD 4 million compared to a net finance loss of USD 30 million in 2011. The decrease in net finance loss was due to the fact that in 2012 interest expenses (USD 15 million) and net foreign exchange losses on cash and cash equivalents (USD 3.4 million) were largely offset by net foreign exchange gains on borrowings and other financial items (USD 12 million) and interest income (USD 2.8 million).

Profit Before Income Tax

Profit Before Income Tax Adjusted for Impairment increased 8%* or USD 16 million* to USD 212 million* compared to 2011, due to the factors detailed above.

Profit before income tax decreased 22%* or USD 42.3 million* to USD 154 million* compared to 2011, due to the factors detailed above.

FINANCE INCOME – NET

	2011 USD mln	**2012 USD mln**	Change USD mln	Change %
Included in finance income:				
Interest income	2.7	**2.8**	0.1	3%
Net foreign exchange gains/(losses) on cash and cash equivalents	(2.8)	**(3.4)**	(0.6)	23%
Finance income total	**(0.1)**	**(0.6)**	**(0.5)**	**–**
Included in finance costs:				
Interest expenses	(13.8)	**(15.0)**	(1.2)	9%
Net foreign exchange gains/(losses) on borrowings and other financial items	(16.2)	**12.0**	28.2	(174%)
Finance costs total	**(30.0)**	**(3.0)**	**27.0**	**(90%)**
Finance income/(costs) – net	**(30.1)**	**(3.7)**	**26.4**	**(88%)**

ADJUSTED EBITDA (NON-IFRS FINANCIAL MEASURE)

	2011 USD mln	**2012 USD mln**	Change USD mln	Change %
Profit for the period	**147**	**123**	**(23)**	**(16%)**
Plus (minus)				
Income tax expense	49	**30**	(19)	(38%)
Finance costs – net	30	**4**	(26)	(88%)
Amortisation of intangible assets	8	**7**	(1)	(10%)
Depreciation of property, plant and equipment	50	**64**	14	28%
Impairment of PPE and Goodwill	–	**58**	58	
Other losses/(gains)	(2)	**1**	3	(167%)
Adjusted EBITDA*	**282***	**288***	**6***	**2%***

Income tax expense

Income tax expense in 2012 decreased 38% or USD 19 million to USD 30.1 million. This was mainly driven by (i) a decrease in profit before income tax as described above and (ii) a decrease in withholding tax on undistributed profits by USD 11.9 million. The significant change in withholding tax on undistributed profits was mainly caused by the fact that in 2011 there was a change in intention for distribution of profits in the Oil Products Terminal segment. This resulted in the recognition of a one-off deferred tax provision of USD 8.9 million attributable to the profits earned for the periods prior to 2011 and USD 12.5 million relating to the undistributed profits of 2011.

Profit for the year

Profit for the period decreased 16% to USD 123.5 million compared to the previous year mainly due to the impairment detailed above.

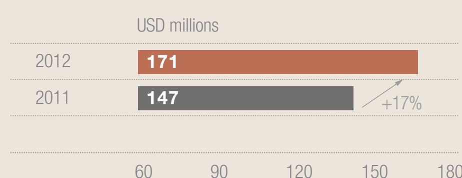
Profit for the Period Adjusted for Impairment increased 17%* (USD 24.3 million*) to USD 171.2 million*.

Adjusted EBITDA (Non-IFRS financial measure)

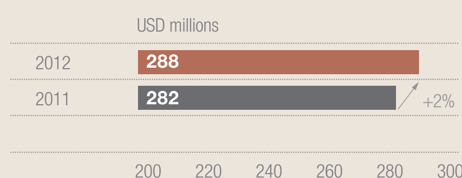
The Group's Adjusted EBITDA for the period increased 2%* or USD 6 million* compared to 2011, rising to USD 288 million*.

The Group's profitability improved with the Adjusted EBITDA Margin increasing to 57.4%* compared to 56.3%* in the same period of the previous year, reflecting growth in Russian Ports segment, strict cost control and improved efficiency as well as a positive foreign exchange rate effect.

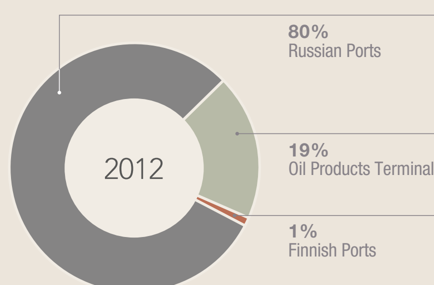
Group's Net Profit Adjusted for Impairment

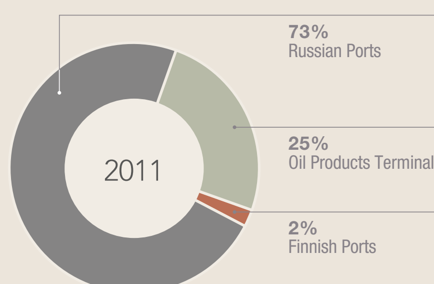


Group's Adjusted EBITDA



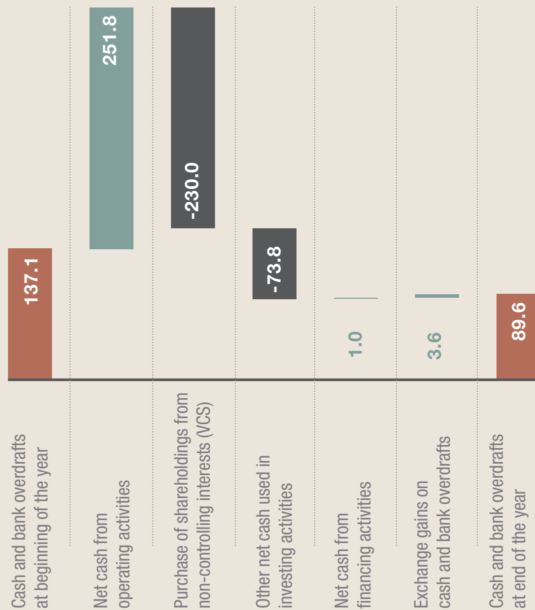
Adjusted EBITDA by business segment[14]





14. Excluding adjusted EBITDA of the Holding

Cash and cash equivalents



USD164.5m dividends for 2012

Liquidity and capital resources

The Group's liquidity requirements arise primarily in connection with the capital investment programmes of each of its operational subsidiaries as well as their operating costs. In the period under review, the Group's liquidity needs were met primarily by revenue generated from operating activities and borrowings. The management of the Group expects to fund its liquidity requirements in both the short and medium term with cash generated from operating activities, borrowings and cash balances.

Cash flows

Net cash from operating activities increased from USD 230.2 million in 2011 to USD 251.8 million in 2012, an increase of 9.4%.

Net cash used in investing activities was USD 303.8 million compared to USD 110.2 million in 2011, primarily due to:

- The USD 230 million acquisition of a non-controlling interest due to the acquisition of the remaining 25% stake in VSC in October 2012;
- A USD 20.3 million (99%) decrease in purchases of intangible assets related to a one-off intangible assets purchase in 2011;
- Purchases of property, plant and equipment decreasing by 40% or USD 52.2 million, due to reasons described below (see Capital expenditure (on a cash basis));

- Net cash from bank deposits with maturity over 90 days decreasing USD 25.7 million or 164%; and
- Loan repayments received from related parties decreasing USD 11.6 million in 2012 compared to 2011.

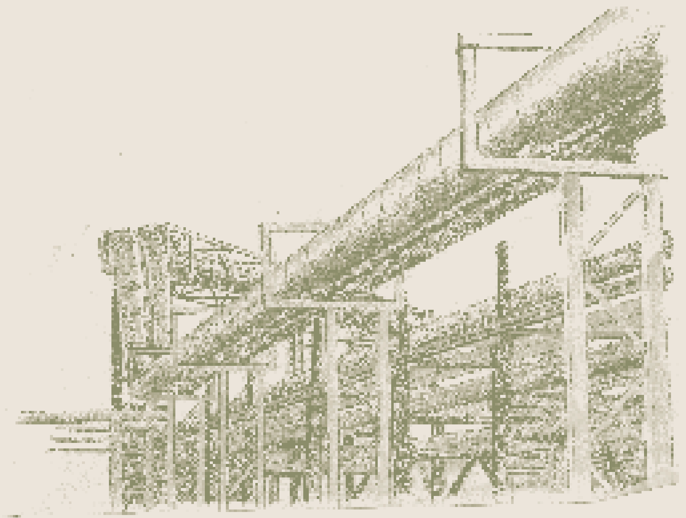
Net cash from financing activities was USD 1 million compared to net cash used in financing activities of USD 25.8 million for 2011. Net cash received from financing activities in 2012 can largely be broken down as follows:

- Net cash inflows from borrowings and financial leases of USD 108.1 million reflecting the net effect of proceeds from borrowings in the amount of USD 330.1 million, repayments of borrowings of USD 214.9 million, and finance lease principal payments to third parties of USD 7.1 million in the reporting period;
- Interest paid of USD 12.3 million;
- Dividends paid to the owners of the Company of USD 79.9 million; and
- Dividends paid to non-controlling interests of USD 14.9 million.

Capital expenditures (on a cash basis)
During the reporting period the Group continued the expansion of its terminal facilities and the purchase and renovation of equipment as well as making investments to develop its service offering. The Group's capital expenditures on a cash basis in 2012 decreased USD 52.2 million compared to

CASH FLOWS

	2011 USD mln	**2012 USD mln**	Change USD mln	Change %
Cash generated from operations	**264.8**	**293.1**	**28.3**	**11%**
Tax paid	(34.6)	**(41.3)**	(6.6)	19%
Net cash from operating activities	**230.2**	**251.8**	**21.7**	**9.4%**
Net cash used in investing activities	**(110.2)**	**(303.8)**	**(193.5)**	**176%**
Acquisition of non-controlling interest	–	**(230.0)**	(230.0)	–
Purchases of intangible assets	(20.5)	**(0.2)**	20.3	(99%)
Purchases of property, plant and equipment	(132.0)	**(79.8)**	52.2	(40%)
Net cash from/(invested in) bank deposits with maturity over 90 days	15.7	**(10.0)**	(25.7)	(164%)
Loan repayments received from related parties	25.8	**14.1**	(11.6)	(45%)
Other	0.8	**2.1**	1.4	176%
Net cash (used in)/from financing activities	**(25.8)**	**1.0**	**26.7**	**(104%)**
Net cash outflows from borrowings and financial leases	(41.0)	**108.1**	149.2	(363%)
Interest paid	(17.0)	**(12.3)**	4.6	(27%)
Proceeds from issue of shares – net	96.6	**–**	(96.6)	(100%)
Dividends paid to the owners of the Company	(53.2)	**(79.9)**	(26.7)	50%
Dividends paid to non-controlling interests	(11.2)	**(14.9)**	(3.8)	34%



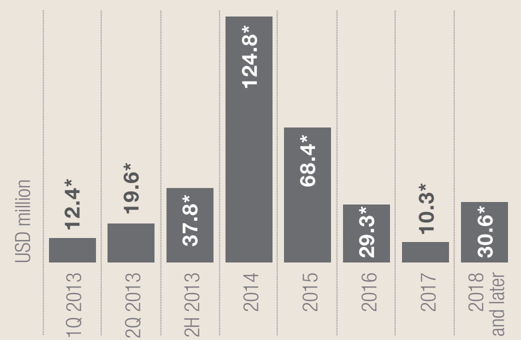
the previous year, mainly reflecting the effect of the deferred payment schedule for construction works at the Group's subsidiary PLP.

The Russian Ports segment's capital expenditure on a cash and 100% basis decreased USD 51.7 million year on year to USD 66 million in 2012 and were primarily used to finance the capacity expansion of PLP by 400,000 TEU to be commissioned in mid-2013.

The Oil Products Terminal segment's capital expenditure on a cash and 100% basis decreased USD 1.8 million year on year to USD 27.8 million in 2012. The majority of investments were used to finance the construction of a new additional railcar unloading facility and the construction of additional pipelines aimed at improving terminal interconnectivity and thus increasing the degree of flexibility for customers. The new additional railcar unloading facility was commissioned in autumn 2012.

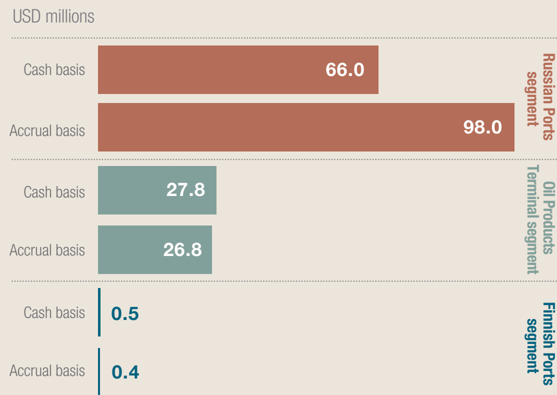
The Finnish Ports segment's capital expenditure on a cash and 100% basis were USD 0.5 million.

Debt repayment schedule

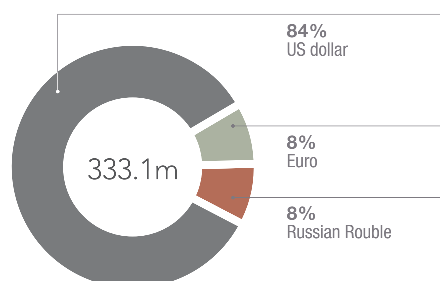


Capital expenditure breakdown in 2012

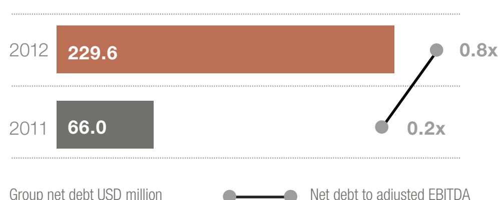
USD millions



Group's total debt breakdown by currencies, 2012



Group net debt and gearing



Capital resources

The Group's financial indebtedness consisting of bank borrowings, loans from third parties and finance lease liabilities increased 61% or USD 126.2 million in 2012 to USD 333.1 million as at 31 December 2012.

As at 31 December 2012, the Group had USD 103.5 million in cash and cash equivalents and bank deposits with maturity over 90 days. The Group's Net Debt increased by 3.5 times or USD 163.6 million to USD 229.6 million* at 31 December 2012 compared to USD 66 million at the end of the previous year. The Net Debt to Adjusted EBITDA ratio increased to 0.8x* at 31 December 2012 compared to 0.2x* at the end of 2011. The proceeds from the borrowings were mainly used for the financing of the acquisition of the remaining 25% of VSC.

The Group's weighted average effective interest rate as at 31 December 2012 was 5.8%*.

The following table sets forth the maturity profile of the Group's borrowings (including finance leases) as at 31 December 2012. As at 31 December 2012 and 31 December 2011, the carrying amounts of the Group's borrowings were denominated in the currencies shown in the table, right.

MATURITY PROFILE OF THE GROUP'S BORROWINGS

	As at 31 December 2012 USD mln
1st quarter 2013	12.4*
2nd quarter 2013	19.6*
2nd half 2013	37.8*
2014	124.8*
2015	68.4*
2016	29.3*
2017	10.3*
2018 and after	30.6*
Total	333.1

GROUP'S BORROWING BREAKDOWN BY CURRENCIES, 2012

	As at 31 December 2011 USD mln	% of total	**As at 31 December 2012 USD mln**	% of total
US dollar	144.8	70%	**279.7**	84%
Russian rouble	13.9	7%	**27.0**	8%
Euro	48.2	23%	**26.4**	8%
Total	206.9	100%	333.1	100%

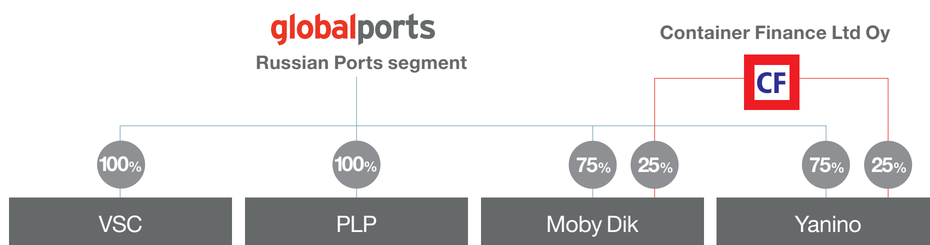
Russian Ports segment

THE RUSSIAN CONTAINER MARKET GREW BY 9.1% IN 2012

Gross Container Throughput increased at both PLP, located in the Baltic Sea Basin, delivering a 6% rise in activity and VSC, located in the Far East Basin, posting a 17% increase.

from left to right:

1. **Eduard Chovushyan**
   General Manager, PLP
2. **Valery Mestulov**
   General Manager, VSC
3. **Alexander Dudko**
   General Manager, Moby Dik
4. **Victoria Scherbakova**
   Acting General Manager, Yanino



Operational performance

The Russian container market grew 9.1% in 2012, 2.3 times more than the global container market (4.0%)[15]. The growth of the Russian market accelerated in the second half of 2012 to 11% in July-December 2012 (vs. July-December 2011) compared to 7% in January-June 2012 (vs. January-June 2011). Container Throughput in the Russian Federation Ports during the reporting period was 4.92 million* TEUs.

In 2012 the Group's Russian Ports segment maintained market leadership with a 29.5%* share[16] of the overall Container Throughput in the Russian Federation Ports.

Overall industry capacity utilization[17] levels remained at a healthy 72% during 2012 compared to 75% in 2011. The container capacity utilization of the Group's Russian Ports segment improved to 74%* in 2012 with capacity utilization of PLP, VSC and Moby Dik at 83%, 72% and 57% respectively.

Gross Container Throughput increased at both PLP (located in the Baltic Sea Basin) delivering a 6% rise in activity and VSC (located in the Far East Basin) posting a 17% increase. These increases were broadly in line with the overall market growth in the respective basins. Growth in the Far East Basin was underpinned by increasing sea freight rates on the main East-West trades, thereby increasing the relative attractiveness of the transhipment route using the Trans-Siberian railway.

Cars and traditional Ro-Ro throughput increased 50%* and 8%* respectively in 2012 compared to the previous year driven by growth in the construction and agriculture sectors and the continuing strong 15%[18] growth in passenger car imports in Russia.

Financial performance

The Russian Ports segment consists of the Group's 100% interest in PLP, 100% interest in VSC, and 75% interest in Moby Dik and Yanino (in each of which Container Finance currently has a

RUSSIAN PORTS SEGMENT'S REVENUE

	2011 USD mln	**2012 USD mln**	Change USD mln	%
Revenue	**349.7**	**377.5**	**27.8**	**8%**
Container handling	261.4*	**283.0***	21.6	8%
Other	88.3*	**94.5***	6.2	7%

15. Source: Drewry
16. Market share calculated as Global Ports' Russian Ports segment's Gross Container Throughput in corresponding period divided by Container Throughput in the Russian Federation Ports in the same period. Sourced from ASOP ("Association of Sea Commercial Ports", www.morport.com)
17. Container capacity utilization is defined as container throughput for the corresponding period divided by annual container handling capacity for the period. It excludes the Group's inland container terminal, Yanino. Source: ASOP and publicly available data
18. PWC, Russia's automotive market in 2012: performance and outlook, January 2013

25% effective ownership interest). The financial results of Moby Dik and Yanino are proportionally consolidated and the financial results of PLP and VSC are fully consolidated.

Revenue

The Russian Ports segment's revenue increased 8%* or USD 27.8 million* year on year to USD 377.5 million* in 2012.

Revenue from container handling contributed 75%* of the segment's total revenue in 2012 and increased 8%* to USD 283 million*. This reflected both an increase of 8% in container throughput and broadly stable revenue per TEU. The Group increased its headline tariffs from the beginning of 2012 but, due to an industry-wide decline in the storage time of containers at ports in the second half of 2011 (negatively affecting revenue per TEU during the second half 2011), the average revenue per TEU in 2012 remained broadly the same as in 2011. Several factors drove this change including the increased efficiency in customs clearance processes and a greater take-up of electronic customs clearance by the industry. The service mix (including storage) was generally stable in the course of 2012.

Other revenue, accounting for 25%* of the segment's revenue, increased 7%* year on year to USD 94.5 million* supported by a strong increase in car handling volumes as well as new additional revenues from coal handling.

The following table sets forth the components of the Russian Ports segment's revenue for 2012 and 2011 on a 100% basis.

Total cost of sales, administrative, selling and marketing expenses

Russian Ports segment's total cost of sales, administrative, selling and marketing expenses increased 52% year on year to USD 271.9 million in 2012. Property, plant and equipment and goodwill impairment of USD 75.2 million (as described more fully below) was the biggest contributor to the growth of total cost of sales, administrative, selling and marketing expenses.

8%

The Russian Ports segment's revenue increased 8%* or USD 27.8 million* year on year to USD 377.5 million* in 2012

TOTAL COST OF SALES, ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

	2012 % of total	2011 USD mln	2012 USD mln	Change %
Staff costs	**21%**	58.9	**58.3**	(1%)
Depreciation of property, plant and equipment and amortisation of intangible assets	**23%**	47.9	**61.2**	28%
Transportation expenses	**6%**	13.7	**15.4**	12%
Fuel, electricity and gas	**4%**	10.7	**11.0**	3%
Repair and maintenance of property, plant and equipment	**4%**	11.3	**12.0**	7%
PPE and goodwill impairment	**28%**	–	**75.2**	
Total	**86%**	142.6	**233.1**	63%
Other Operating Expenses (non-IFRS measure)	**14%**	36.3	**38.8**	7%
Total cost of sales, administrative, selling and marketing expenses	**100%**	**178.9**	**271.9**	**52%**
Operating Cash Costs of Russian Ports Segment	**50%**	**130.9**	**135.5**	**3%**

Russian Ports segment's **Operating Cash Costs of Russian Ports Segment** increased 3%* year on year to USD 135.5 million* in 2012, well below the 8%* growth rate of the segment's revenue.

Staff costs, which accounted for 43% of the Operating Cash Costs of the Russian Ports Segment, were down 1% or USD 0.6 million year on year to USD 58.3 million. This result was primarily driven by staff optimisation measures, increased efficiency and outsourcing as well and a positive foreign exchange rate effect.

Transportation expenses accounting for 11% of the Operating Cash Costs of the Russian Ports Segment were up 12% or USD 1.7 million year on year at USD 15.4 million, mainly due to growing handling volumes.

Fuel, electricity and gas contributed 8% of the Operating Cash Costs of Russian Ports Segment and increased 3% or USD 0.3 million year on year to USD 11 million.

Adjusted EBITDA (Non-IFRS financial measure)

The segment's **Adjusted EBITDA** increased 10.6% or USD 23.2 million* to USD 242 million* compared to 2011 reflecting the factors described above.

The segment's profitability improved with the **Adjusted EBITDA Margin** increasing to 64.1%* compared to 62.6%* in the previous year reflecting improvement in the segment's operations coupled with the depreciation effect of the Russian rouble on segments costs.

Estimated impairment of goodwill and property, plant and equipment

The Group tests annually whether goodwill has suffered an impairment. In addition the Group reviews long-term assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For all units except Yanino Logistics Park (YLP), being an inland terminal within the vicinity of Saint-Petersburg, 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 2012 for YLP an impairment charge of USD 58 million was recognised resulting in the carrying amount of YLP being written down to its recoverable amount. The impairment charge allocated to goodwill and property, plant and equipment was USD 6.5 million and USD 51.5 million respectively. The impairment was caused primarily by a change in growth estimates due to more moderate actual growth of the business than was previously expected. The impairment of property, plant and equipment also resulted in a deferred tax credit in the amount of USD 10.3 million.

The impairment had the following impact on Group's Income statement for 2012 (in thousand dollars):

	2012 before impairment	YLP impairment	2012 after impairment
Revenue	501,829		501,829
Cost of sales	(241,782)	(58,025)	(299,807)
Gross profit	**260,047**	**(58,025)**	**202,022**
Administrative, selling and marketing expenses	(43,377)		(43,377)
Other gains/(losses) – net	(1,387)		(1,387)
Operating profit	**215,283**	**(58,025)**	**157,258**
Financial costs	(3,660)		(3,660)
Profit before income tax	**211,623**	**(58,025)**	**153,598**
Income tax expense	(40,432)	10,308	(30,124)
Profit for the year	**171,191**	**(47,717)**	**123,474**
Attributable to:			
Owners of the Company	155,539	(47,717)	107,822
Non-controlling interest	15,652		15,652
Adjusted EBITDA	**287,907**		**287,907**

Oil Products Terminal segment

OPERATED WELL IN A DIFFICULT ENVIRONMENT

VEOS has diversified its cargo base and services resulting in a 25% increase in Revenue per Tonne of Throughput.

Operational performance

Vopak E.O.S.'s (VEOS) average Storage Capacity remained unchanged in 2012. The Revenue per CBM of Storage in the reporting period decreased 18%* compared to 2011 reflecting changes in the competitive landscape.

VEOS has diversified its cargo base and services resulting in a 25% increase in Revenue per Tonne of Throughput.

Financial performance

The 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 proportionally consolidated, but are included in the segment figures and discussion to follow on a 100% basis.

Arnout Dirk Lugtmeijer

General Manager,
Vopak E.O.S.

Revenue

The Oil Products Terminal segment's revenue in 2012 decreased 18%* year on year to USD 233.2 million* as a result of Revenue per CBM of Storage decreasing 18%*. The latter is a net result of Oil Products Gross Throughput decreasing 35% which was partially offset by a 25% increase of Revenue per Tonne of Throughput.

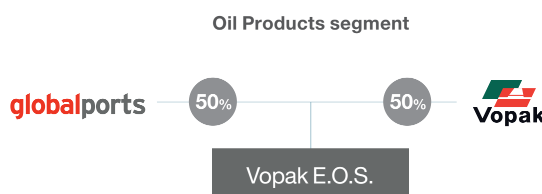
Total cost of sales, administrative, selling and marketing expenses

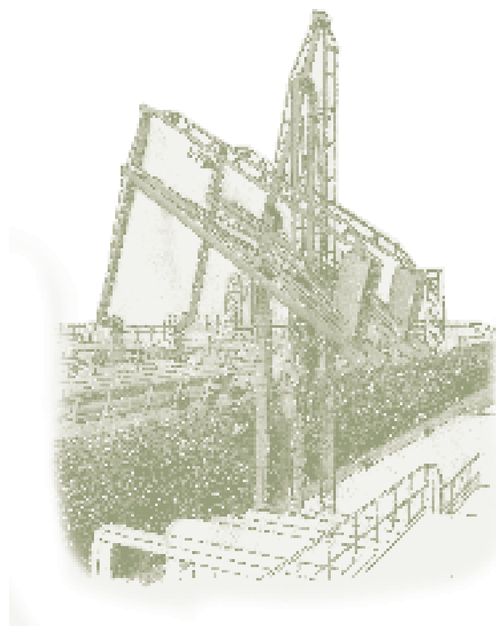
Operating Cash Costs of Oil Products Terminal Segment decreased 15% to USD 119.4 million in 2012.

The Oil Products Terminal segment's **total cost of sales, administrative, selling and marketing expenses** decreased 13% year on year to USD 140.8 million in 2012 primarily due to a reduction in transportation expenses (28% to USD 50.0 million) resulting mainly from lower throughput volumes and staff costs (5% to USD 25.1 million).

Adjusted EBITDA (Non-IFRS financial measure)

The segment's Adjusted EBITDA in the reporting period decreased 22%* year on year to USD 114 million* reflecting the factors described above.





REVENUE PER TONNE OF THROUGHPUT

	2011	**2012**	Change %
Average Storage Capacity	1026	**1026**	0%
Revenue per CBM of Storage	279	**227**	(18%)
Oil Products Gross Throughput (million tonnes)	15.9	**10.4**	(35%)
Revenue per Tonne of Throughput	18.0	**22.4**	25%

OPERATING CASH COSTS OF THE OIL PRODUCTS TERMINAL SEGMENT

	2011	**2012**	Change %
Revenue, USD million	286	**233**	(18%)
Operating Cash Costs of the Oil Products Terminal Segment	141	**119**	(15%)
EBITDA, USD million	145	**114**	(22%)
EBITDA margin, %	51%	**49%**	–

OPERATING CASH COSTS OF OIL PRODUCTS TERMINAL SEGMENT

	2012 % of total	2011 USD mln	**2012 USD mln**	Change %
Staff costs	**18%**	26.3	**25.1**	(5%)
Depreciation of property plant and equipment and amortisation of intangible assets	**15%**	21.4	**21.4**	0%
Transportation expenses	**35%**	69.3	**50.0**	(28%)
Fuel, electricity and gas	**21%**	29.1	**29.1**	(0%)
Repair and maintenance of property, plant and equipment	**3%**	4.7	**4.5**	(4%)
Total	**92%**	150.7	**130.1**	(14%)
Other Operating Expenses (non-IFRS measure)	**8%**	11.4	**10.7**	(6%)
Total cost of sales, administrative, selling and marketing expenses	**100%**	**162.1**	**140.8**	**(13%)**
Operating Cash Costs of the Oil Products Terminal Segment	**85%**	**140.7**	**119.4**	**(15%)**

Finnish Ports segment

THE GROSS CONTAINER THROUGHPUT OF THE FINNISH PORT SEGMENT INCREASED 9%* YEAR ON YEAR

Operational performance

The Gross Container Throughput of the Finnish Port segment increased 9%* year on year to 178 thousand* TEUs.

Financial performance

The Finnish Ports segment consists of the Group's 75% ownership interest in MLT Kotka and MLT Helsinki (in each of which Container Finance currently has a 25% effective ownership interest). The results of the Finnish Ports segment are proportionally consolidated, but are included in the segment figures and discussion below on a 100% basis.

Revenue

The Finnish Ports segment's revenue decreased 24%* year on year to USD 23.5 million* in 2012 largely reflecting the 8% depreciation of the average exchange rate of the Euro against the US dollar and the change of revenue per TEU.

Total cost of sales, administrative, selling and marketing expenses

The Operating Cash Costs of the Finnish Ports Segment decreased 16% year on year to USD 20.8 million* in 2012. Total cost of sales, administrative, selling and marketing expenses decreased despite the Gross Container throughput growth as a result of cost-cutting initiatives implemented by management and the 8%* depreciation of the average exchange rate of the Euro against the US dollar.

Adjusted EBITDA (Non-IFRS financial measure)

The segment's **Adjusted EBITDA** decreased by USD 3.5 million* to USD 2.8 million* compared to 2011, reflecting the factors described above.

Adjusted EBITDA Margin for the reporting period was 12%*.

Dirk van Assendelft
General Manager,
Multi-Link Terminals

TOTAL COST OF SALE, ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

	2012 % of total	2011 USD mln	**2012 USD mln**	Change %
Staff costs	**39%**	11.0	**9.2**	(16%)
Depreciation of property plant and equipment and amortisation of intangible assets	**12%**	3.1	**2.7**	(13%)
Transportation expenses	**10%**	2.9	**2.4**	(18%)
Fuel, electricity and gas	**5%**	1.4	**1.1**	(18%)
Repair and maintenance of property, plant and equipment	**5**	1.3	**1.3**	(1%)
Total	**71%**	19.8	**16.8**	(15%)
Other Operating Expenses (non-IFRS measure)	**29%**	8.1	**6.7**	(17%)
Total cost of sale, administrative, selling and marketing expenses	100%	27.9	23.5	(16%)
Operating Cash Costs of Finnish Ports Segment	88%	24.7	20.8	(16%)

THE BOARD'S ROLE IS TO PROVIDE ENTREPRENEURIAL LEADERSHIP TO THE GROUP

1 2 3 4 5 6 7

Below, from left to right:

1. Kim Fejfer
2. George Sofocleous
3. Robert Dirk Korbijn
4. Alexander Nazarchuk
5. Nikita Mishin
6. Alexander Iodchin
7. Siobhan Walker
8. Tiemen Meester
9. Mikhail Loganov
10. Chrystalla Stylianou
11. Michael Thomaides
12. Konstantin Shirokov
13. Capt. Bryan Smith
14. Laura Michael

See p45 for the Directors' biographies

8 9 10 11 12 13 14

THE GROUP HAS BEST IN CLASS CORPORATE GOVERNANCE OF AN INTERNATIONAL STANDARD

The Board manages the Group transparently and aims to be in line with international standards.

The Group is determined to match international corporate governance best practice. As such, the Group seeks to ensure its corporate governance framework is in line with the expectations of investors and other stakeholders.

Global Ports' Board believes that its participation in an established investment market carries significant responsibility to manage the Group transparently and in a manner appropriate to a successful business. Accordingly, the Board aims to match international corporate governance standards in time and endeavours to ensure that its corporate governance framework is in line with the interests of shareholders and other stakeholders.

Policies

To improve its corporate governance framework in accordance with internationally recognised best practices, Global Ports adopted a number of key policies and procedures in 2008. These policies and practices are designed to ensure the Group is focused on upholding its responsibilities to shareholders.

They include, inter alia:

- Appointment policy;
- Terms of reference of the Board of Directors;
- Terms of reference of the Audit and Risk Committee;
- Terms of reference of the Nomination Committee;
- Terms of reference of the Remuneration Committee;
- Anti fraud policy;
- Policy on reporting and investigating allegations of suspected improper activities (“Whistleblowing” policy)
- Code of Ethics and Conduct which outlines Global Ports' general business ethics and acceptable standards of professional behaviour we expect of all our Directors, employees and contractors. This Code, which is given to all new staff as part of their induction, means that everyone at Global Ports is accountable for their own decisions and conduct. The Code covers general behaviour expectations, fraud and corruption responsibilities, including approaches on acceptance of gifts and benefits and ethics and conflicts of interest requirements. As such, employees are encouraged to report any suspected breaches.

The Code is available to all staff on Global Ports' website (under the Corporate Governance section) and at the HR department at each of the Group's production facilities. The Code also interacts with other more detailed policies concerning Anti-fraud policy and policy on reporting and investigating allegations of suspected improper activities (“Whistleblowing” policy).

The Board receives a summary of any breaches and resulting actions on a quarterly basis, however any significant breaches must be immediately reported to Board members.

In addition to the policies enumerated above and in order to further strength the corporate governance framework the Board of Directors approved the following policies in the year 2012:

- Anti-Corruption Policy; and
- Foreign Trade Controls Policy.

Board of Directors' biographies

1. KIM FEJFER

Mr. Fejfer was appointed CEO of APM Terminals in June 2004 and is based in company headquarters in The Hague, Netherlands. He has been a member of the Maersk Group's Executive Board since January 2011 and is also responsible for DAMCO and Maersk Container Industry. Mr. Fejfer first joined the A.P. Moller-Maersk Group in 1992 and has held a number of roles within the company including positions based in Denmark, Jakarta and Tokyo. He became Senior Vice President and Chief Financial Officer of Maersk Inc based in New Jersey, USA in 2000. Mr. Fejfer graduated from the University of Aarhus, Denmark with a Master's in Finance and Economics. He served as an officer in the Danish Army, and has attended management programmes at IMD, Switzerland, Cranfield School of Management in England and Harvard Business School in Cambridge, Massachusetts.

2. GEORGE SOFOCLEOUS

Mr. Sofocleous is a qualified Chartered Accountant currently working at Orangefield Fidelico Limited, the Cyprus office of Orangefield Group. Prior to joining Orangefield in 2012, he worked at Consulco Ltd, Intertax Audit Ltd, Moore Stephens (Limassol) Ltd, and Savvides Audit Ltd based in Cyprus. Mr. Sofocleous studied Accounting at the Cyprus College (European University Cyprus) and is a student member of the Institute of Association of Chartered Certified Accountants of UK (ACCA).

3. ROBERT DIRK KORBIJN

Mr. Korbijn joined Orangefield Group in May 2010 as a Director and after setting up and expanding the Cyprus office is now in charge of Business Development. He is also Honorary Treasurer for the Cyprus - Netherlands Business Association. Prior to joining Orangefield Group he was the Finance Director at Leadcom Integrated Solutions Ltd for Turkey, Ghana and the French-speaking countries in Africa from 2007. Prior to that he had tax planning and financial management roles based in the Netherlands at Pan-Invest between 2005 – 2007 and at De Beek Groep between 2003 – 2005. He began his career in 2001 as financial controller for the joint venture between Accountantskantoor Boesenach and serial entrepreneur Dr. Jenezon based in Latin America and then latterly in the Netherlands.

After graduation from the Dutch Naval College as an engineer and Merchant Marine Officer, Mr. Meester served as a Mariner, spending five years at sea with the merchant fleet, rising to the rank of First Officer before joining Sea-Land Service in 1992. His post-graduate education includes advanced Management and Business course work at the University of Groningen in the Netherlands, Columbia University in New York City, and Harvard Business School in Massachusetts.

4. ALEXANDER NAZARCHUK

Dr. Nazarchuk was appointed as an executive member of the Board of Directors in 2008 and has been the Chief Executive Officer of the Company since 2008. Mr. Nazarchuk has also held the positions of chairman of the council of Vopak E.O.S. (earlier E.O.S.) since December 2004, member of the board of directors of Petrolesport since December 2007 and member of the Board of Directors of VSC since October 2005. Mr. Nazarchuk served as a member of the Board of New Forwarding Company OAO from June 2003 until August 2008, a member of the Board of Directors of Sevtekhnotrans OOO from September 2007 until August 2008, a member of the Board of Directors of AS Spacecom from April 2003 until June 2008 and a senior scientist in International Centre of Scientific and Technical Information of Moscow from December 1996 until December 1998. He graduated from the Lomonosov Moscow State University with a Doctorate in Philosophy. Dr. Nazarchuk has been a Professor of The Philosophy faculty at the Lomonosov Moscow State University since September 2002. He is the author of four books and numerous articles.

5. NIKITA MISHIN

Mr. Mishin was appointed as a non-executive member of the Board of Directors of Global Ports and elected as its Chairman in 2008. In addition, Mr. Mishin has served as the Chairman of the Board of Directors of Petrolesport since 2007 and the Chairman of the Board of Directors of VSC since October 2005. Mr. Mishin has also held the positions of a member of the Board of Directors of Sevtekhnotrans OOO since September 2007 and member of the Board of Directors of New Forwarding Company OAO since June 2007. Mr. Mishin served as a member of the Board of Directors of Severstaltrans ZAO from 1996 until April 2008 and the commercial director of Severstaltrans ZAO from 1996 until September 2009. He graduated from the Lomonosov Moscow State University where he studied philosophy. Mr. Mishin is one of the controlling shareholders of TIHL.

6. ALEXANDER IODCHIN

Mr. Iodchin was appointed as an executive member of the Board of Directors of the Company with the functions of the Secretary of the Board of Directors and the internal auditor of Global Ports in 2008. He resigned from the position of internal auditor in 2011. Mr. Iodchin currently also serves as a member of the Board of Directors of Vostochnaya Stevedoring Company LLC (VSC).

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

7. SIOBHAN WALKER

Mrs. Walker was appointed as a member of the Board of Directors of the Company in May 2011 and is an Independent Non-Executive Director and Chairman of the Audit and Risk Committee. Mrs. Walker has over 20 years of banking experience in across multiple disciplines and geographies. She is currently Managing Director with the UK Corporate Division and Financial Sponsor Coverage in ING Bank N.V., London. Prior to this, Mrs. Walker held a number of senior

managerial positions in the Moscow office of ING Bank Eurasia over a period of 13 years. She graduated with Honours from the University of Sussex with a B.A. in International Relations.

8. TIEMEN MEESTER

Mr. Meester was appointed Head of Business Implementation of APM Terminals and Vice President in July 2011. He has held various management positions within APM Terminals across Europe, the Middle East and CEE, including Country Manager for Russia and Area Manager for the Eastern Europe for Maersk Line, and CEO of the Port of Salalah, Oman and Regional Manager for West and Central Asia region for APM Terminals. On APM Terminals Group level, he was appointed as CCO in 2007 and Head of Human Resources and Labour Relations in 2008. He began his industry career in 1992 at Sea-Land Service Inc. and held operational managerial positions in Latvia, Russia and Pakistan before the company was acquired by A.P. Moller in 1999.

9. MIKHAIL LOGANOV

Mr. Loganov was appointed as a non-executive member of the Board of Directors of Global Ports in 2008. Mr. Loganov is currently finance manager of Leverret Holding Ltd (Cyprus) and from June 2004 until May 2006 was finance manager of Sevtekhnotrans OOO. Mr. Loganov has served as a director of Globaltrans and on its Nomination Committee since March 2008. From 2001 until 2004 Mr. Loganov worked as a financial analyst for American Express (Europe) Ltd. Mr. Loganov holds a BA (Hons) in Business Studies with Finance from the University of Brighton.

10. CHRYSTALLA STYLIANOU

Mrs. Stylianou is a qualified Chartered Accountant currently working at Orangefield Fidelico Limited, the Cyprus office of Orangefield Group. Prior to joining Orangefield, she has worked at IronFX Financial Services Ltd, Baker Tilly Klitou and DJC Certified Public Accountants based in Cyprus. Mrs. Stylianou studied Accounting at the University of Northumbria at Newcastle, England and is a student member of the Institute of Association of Chartered Certified Accountants of UK (ACCA).

11. MICHAEL THOMAIDES

Mr. Thomaides was appointed as an executive member of the Board of Directors in February 2008. He has also been a director at Leverret Holding Ltd (Cyprus) since 2007. He previously served as a director at Globaltrans Investment Plc from 2004 until 2008. Mr. Thomaides graduated with honours from the Southbank University, UK and has a Bachelor of Science degree in Consumer Product Management. He is a member of the Cyprus Chamber of Commerce and The Cyprus Law Society.

12. KONSTANTIN SHIROKOV

Mr. Shirokov was appointed as a non-executive member of the Board of Directors of the Company in 2008. Mr. Shirokov is currently Financial Manager and a member of revision committees of a number of companies of TIHL's group, which positions he has held since 2005 and 2007, respectively. Mr. Shirokov has served as a member of the Board of Directors and an internal auditor for Globaltrans since 2008. He has more than ten years of experience in the areas of financial planning, budgeting, and auditing.

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

13. CAPT. BRYAN SMITH

Capt. Smith was appointed as a member of the Board of Directors of the Company in 2008 and is a Senior Independent Non-Executive Director. Capt. Smith has also held the positions of Chairman of the Board of directors of Asian Terminals Incorporated from 2005 to 2009. Capt. Smith served as vice president and managing director for South East Asia at DP World until his retirement from this position in July 2008. He also served as a member of the Board of Directors of VSC and VICS from 1999 until 2008, Railfleet Holdings Limited from 2005 until 2008 and as deputy chairman of the Board of Directors of LCIT (Laem Chabang, Thailand) from 1999 until 2008 and as Chairman of the Board of Directors of SPCT (Saigon, Vietnam) from 2006 until 2008. Capt. Smith was a member of the Board of Sydney Ports Corporation since 2009 (served as the Chairman from March 2010 until March 2013). He received his master mariner qualification at the University of Technology, Sydney, Australia and is a graduate of the Advanced Management Program, Macquarie Graduate School of Management, Macquarie University, Sydney, Australia.

14. LAURA MICHAEL

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 Orangefield Fidelico, the Cyprus office of Orangefield Group. Before joining Orangefield Fidelico in 2011, 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 BSc Accounting and Management degree from the University of Bristol, England.

The role of the Board of Directors

GPI is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the successful performance of the Group.

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

Members of the Board of Directors

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. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need for a progressive system of refreshing of the Board.

The Board currently has 14 members. Mr. Kim Fejfer was appointed as a Non-Executive Director, Vice Chairman of the Board of Directors and a member of Remuneration, Nomination and Audit and Risk Committees on 23 January 2013. Mr. Tiemen Meester was appointed as a Non-Executive Director and a member of Remuneration, Nomination and Audit and Risk Committees on 23 January 2013. Mr. Robert Dirk Korbijn, Ms. Laura Michael, Mr. Georgios Sofocleous and Ms. Chrystalla Stylianou were appointed as Non-Executive Directors on 23 January 2013. Mr. Alexander Pevzner resigned on 29 June 2012. Ms. Elia Nicolaou and Mr. Marios Tofaros resigned on 23 January 2013. All other Directors were members of the Board throughout the year ended 31 December 2012.

Mr. Nikita Mishin is the Chairman of the Board of Directors. In this role he ensures that Board meetings are held as and when necessary and leads its Directors in ensuring their effectiveness and approves the agenda of Board Meetings. The Chairman reviews all Board papers before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting. The members of the Board regularly hold meetings with the Management of the Group to discuss their activity and evaluate their performance.

The Chairman monitors communications and relations between the Company and its shareholders, between the Board and Management, and between Independent and Non-Independent Directors, with a view to encouraging constructive relations and dialogue amongst them. The Chairman works to facilitate the effective contribution of Non-Executive Directors.

The Company separates the positions of the Chairman and Chief Executive Officer (CEO) to ensure an appropriate segregation of roles and duties. The CEO Mr. Alexander Nazarchuk, is responsible for day-to-day management of the Group and its operations and for implementing the strategy laid down by the Board.

Eleven directors are non-executive (including the Chairman). Capt. Bryan Smith (Senior Independent Director) and Mrs. Siobhan Walker are Independent Directors, and as such have no relationship with the Company, its related companies or their officers. In this regard they are in a position to exercise objective judgment on corporate affairs independently from management.

The Board reviews the size of the Board on an annual basis and considers the present Board size as appropriate for the current scope and nature of the Group's operations. Although all Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged. They must also ensure the strategies are fully discussed and examined, and take account of the long-term interests, not only of the major shareholders, but also of employees, customers, suppliers and the communities in which the Group conducts business.

In accordance with the Terms of Reference of the Board of Directors and the resolutions adopted by the shareholders at the extraordinary general meeting on 23 January 2013 all current Directors were re-elected at the Annual General Meeting of the Shareholders of the Company on 29 April 2013.

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

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

Team Nominees Limited has been acting as the Company Secretary since the Company's incorporation in February 2008, while Mr. Iodchin has been acting as the Board Secretary since December 2008.

There were no significant changes in the responsibilities of the Directors during 2012.

Directors' interests

The interests in the share capital of Global Ports Investments PLC and its Group companies, both direct and indirect, of those who were Directors as at 31 December 2012 and 31 December 2011 are shown below:

Total number of issued shares of the Company as at 31 December 2012 was 293,750,001 ordinary shares and 176,250,000 ordinary non-voting shares (as at 31 December 2011: 470,000,001 ordinary shares).

Board performance

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

In 2012 the Board met formally 16 times (2011: 12) to review current performance and to discuss and approve important business decisions, including inter alia:

- Recommendations to the shareholders on conversion of the shares into ordinary non-voting, on the new Articles of Association and Terms of Reference of the Board;
- Consideration and approval of financial statements and dividends distribution;
- Consideration and approval of 2013 financial budget;
- Consideration and approval of acquisition of the remaining 25% stake in Vostochnaya Stevedoring Company OOO;
- Consideration and approval of new corporate governance policies; and
- Consideration and approval of various resolutions related to Company's subsidiaries and joint ventures.

The number of Board and Board Committee meetings held in the year 2012 and the attendance of Directors during these meetings was as follows:

BOARD COMMITTEE MEETINGS HELD IN 2012 AND THE ATTENDANCE OF DIRECTORS

	Board of Directors		Nomination Committee		Remuneration Committee		Audit and Risk Committee	
	A	B	A	B	A	B	A	B
Michalis Thomaides	16	15	–	–	–	–	–	–
Alexander Iodchin	16	16	2	2	–	–	–	–
Bryan Smith	16	16	2	2	2	2	–	–
Nikita Mishin	16	7	2	2	2	2	–	–
Alexander Nazarchuk	16	15	–	–	–	–	–	–
Mikhail Loganov	16	12	–	–	2	2	9	9
Konstantin Shirokov	16	16	–	–	–	–	9	9
Ashot Khachaturyants	16	14	–	–	–	–	–	–
Elia Nicolaou	16	14	–	–	–	–	–	–
Alexander Pevzner	3	3	–	–	–	–	–	–
Marios Tofaros	16	16	–	–	–	–	–	–
Siobhan Walker	16	16	–	–	–	–	9	9

A = Number of meetings eligible to attend during the year
B = Number of meetings attended

INTERESTS OF DIRECTORS

Name	Type of holding	Shares held at 31 December 2012	Shares held at 31 December 2011
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	27,609,738 ordinary shares	110,438,954 ordinary shares
		27,609,738 ordinary non-voting shares	

The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance is 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 Committees

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

Audit and Risk Committee

The Audit and Risk Committee as of the date of this report comprises five Non-Executive Directors, and meets at least four times a year. The Audit and Risk Committee is currently chaired by Mrs. Siobhan Walker (an Independent Non-Executive Director) and the other members are Mr. Mikhail Loganov, Mr. Konstantin Shirokov, Mr. Kim Fejfer (appointed on 23 January 2013) and Mr. Tiemen Meester (appointed on 23 January 2013). Throughout the year 2012, the Audit and Risk Committee comprised three Directors. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The Committee supervises and monitors, and advises the Board of Directors on risk management and control systems and the implementation of codes of conduct. In addition, the Committee supervises the submission of financial information by the Company and a number of other audit related issues and assesses the efficiency of the performance of the Chairman of the Board of Directors.

The Committee manages the relationship with the external auditor on behalf of the Board. It also considers the reappointment of the external auditor each year as well as remuneration and other terms of engagement and makes a recommendation to the Board or the Managing Director. Shareholders are asked to approve the reappointment of the auditor each year at the Annual General Meeting.

The Audit and Risk Committee met nine times in 2012, including five meetings attended by the external auditors of the Company. The principal issues, which were considered during 2012 were:

- Review of the parent financial statements of Global Ports Investments Plc and consolidated financial statements of the Group for 2011 and recommendation for approval of the same to the Board;
- Review of the interim condensed consolidated financial statements for the six month period ended 30 June 2012 and recommendation for approval to the Board;
- Review of the fees and terms of engagement of external auditors and recommendation for their approval;
- Consideration and approval of non-audit services provided by the external auditors and their fees;
- Consideration of the independence of the external auditors;
- Oversight of the reporting process, review of the audit plan and closure process;
- Review of risk management policies of the Group;
- Review and recommendation for approval of various internal documents and policies related to financial reporting process;
- Review of the internal audit process and report on activities of the internal audit function in 2012 and approval of the internal audit plan for 2013.

Internal Audit

The Internal Audit Function is carried out internally by Group's Internal Audit Service (IAS). IAS 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:

- The risk management system functions efficiently;
- Material financial, management and operating information is accurate, reliable and up-to-date;
- Actions of employees and management bodies are in compliance with the Group's internal policies, standards and procedures and the applicable laws;
- Resources are procured reasonably, used efficiently and their safe-keeping is fully guaranteed;
- Group companies conduct their business in compliance with applicable laws.

Nomination Committee

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 Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mr. Nikita Mishin, Mr. Alexander Iodchin, Mr. Kim Fejfer and Mr. Tiemen Meester. Throughout the year 2012, the Nomination Committee comprised three Directors. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board given the Company'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 as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee.

The Nomination Committee met twice in 2012. Principal issues considered during these meetings were recommendations to the Board of Directors to offer Mrs. Siobhan Walker for re-election at the Annual General Meeting of shareholders of the Company, recommendations to the Board on its new composition and the recommendations to the Board for the composition of the Remuneration and Audit and Risk Committees.

Remuneration Committee

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 Capt. Bryan Smith (an Independent Non-Executive Director), and the other members are Mr. Nikita Mishin, Mr. Mikhail Loganov, Mr. Kim Fejfer and Mr. Tiemen Meester. Throughout the year 2012, the Remuneration Committee comprised three Directors. The Committee is responsible for determining and reviewing, among other matters, the remuneration of the Executive Directors and the Company's remuneration policies. The remuneration of independent Directors is a matter for the Chairman of the Board of Directors and the Executive Directors. No director or manager may be involved in any decisions as to his or her own remuneration.

The Remuneration Committee met twice in 2012 to consider and give recommendations to the Board of Directors to recommend to shareholders for approval of the remuneration of the members of the Board of Directors.

Board and management remuneration

Directors serve on the Board pursuant to the letters of. Such letters of appointment specify the terms of appointment and the remuneration of Directors.

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

> Global Ports is governed by its Board of Directors which is collectively responsible to the shareholders for the successful performance of the Group

discharge of their duties. Non-Executive Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Company.

The total remuneration of the members of the Board of Directors paid by the Company and its subsidiaries in 2012 amounted to USD 928,000 (2011: USD 1,132,000).

Investor relations/disclosures

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

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

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.

The Company Secretary's responsibilities include securing compliance by the Company, its management bodies and officers with the law and the Company's Charter and internal documents. The Company Secretary organizes 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 Company and reviewing communications from shareholders.

Members of the Board of Directors and senior management participate in regular meetings with current and potential investors. During the course of these meetings the Group's representatives present strategic areas of development, in addition to taking into account shareholders' opinions on key strategic matters when making important decisions.

The 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 community by arranging teleconferences to discuss the Group's financial performance, one-on-one meetings and participation in international investor conferences. The Group also organises regular visits to its facilities, thus providing investors with an opportunity to see the assets first-hand and to meet senior management.

External auditors

At the Annual General Meeting of Global Ports an external auditor is appointed on an annual basis to review the financial and operating performance of the Group.

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

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

In April 2013 the shareholders of Global Ports re-appointed PricewaterhouseCoopers Limited as the external auditor for the purposes of auditing the Group's IFRS financial statements for the year 2013.

THE GROUP MAINTAINS WELL-DEFINED RISK MANAGEMENT PRINCIPLES

By identifying and mitigating risk, we seek to achieve long-term growth for our shareholders. Risks are those things that could prevent us from achieving our corporate goals.

The Company's risk management efforts are focused on mitigating the potential negative impact on its business from changes in the external and internal environment. That is in additon to the Group ensuring it has as well-balanced a structure as possible in which sites are owned in partnership with world industry leaders and managers have been in place since its foundation over 15 years ago.

We believe that identifying and managing risk is central to achieving the corporate objective of delivering long-term value to shareholders.

The Group's key risks are regularly discussed with the members of the Group's Board of Directors. Risks are defined as the possibility that an action or inaction would adversely affect the achievement of corporate goals. The Board has delegated the oversight of risk management to the Audit and Risk Committee. In addition, it delegated to the Chief Executive Officer responsibility for the effective and efficient implementation and maintenance of the risk management system.

The Board members, through the Audit and Risk Committee, review the effectiveness of systems that have been established for this purpose. The Board has adopted a Risk Management Policy and a Risk Management Standard that provide a consistent framework for the identification, assessment and management of the risks. The Group's risk management system is subject to a continual improvement process.

Effective risk management is critical to achieving the Group's strategic objectives.

The Board of Directors systematically monitors and undertakes an assessment of risks critical to the Group's performance and strategic delivery. After identifying and assessing the risk, the Company then defines control measures aimed at reducing the likelihood of its occurrence and/or the potential impact. The Group's business involves a certain number of risks, the most notable of which are presented below.

The order in which the following risks are presented is not intended to be an indication of the

Risk management process

1. RISK IDENTIFICATION → 2. RISK ASSESSMENT → 3. RISK CONTROL → 4. RISK REPORTING AND MONITORING

We believe that identifying and managing risk is central to achieving the corporate objective of delivering long-term value to shareholders

THE GROUP'S RISK MANAGEMENT PRINCIPLES CONSIST OF NINE INTERDEPENDENT COMPONENTS:

STRATEGY COMPONENT	DESCRIPTION
Enterprise-wide	• Risks that the Group is facing shall be managed on an enterprise-wide basis. It shall be a continuous and developing process which runs throughout the Group's strategy and the implementation of that strategy.
Systematic and structured	• Risk management shall involve recognised processes and activities in a systematic, methodical way that ensures that the results of risk management activities are reliable, robust and comparable.
Based on upside and downside approach	• Risk management shall include the understanding of the potential upside and downside of all risks which can affect the Group. It shall increase the probability of success, and reduce both the probability of failure and the uncertainty of achieving the Group's overall objectives. Risk management activity shall include development and implementation of risk response actions to remove or reduce all the risks the Group is facing, transfer them to a third party or accept them.
Forward thinking approach	• Risk management shall be forward thinking. It shall involve identification and preparation for what might happen rather than always managing retrospectively. Risk management shall encourage the Group to manage proactively rather than reactively.

STRATEGY COMPONENT	DESCRIPTION
Aligned with Group's objectives	• Risk management shall be aligned with the Group's objectives. Risk management shall provide reasonable assurance regarding the achievement of Group's objectives.
Integrated into Group's business	• Risk management shall be embedded in all the Group's practices and business processes so that it is relevant, effective, efficient and sustained. In particular, risk management shall be embedded in key business processes, including business and strategic planning, budgeting and decision-making. Everyone shall be responsible and accountable for managing the risks in their activities.
Clear and plain	• Risk management principles, methods and tools shall be clear and plain for the Group's employees.
Aligned with Group's objectives	• Risk management shall be aligned with Group's objectives. Risk management shall provide reasonable assurance regarding the achievement of Group's objectives.
Evolving	• Risk management principles, methods and tools shall be clear and plain for the Group's employees.

probability of their occurrence or the magnitude of their potential effects. Additional risks that are not known to the Group at this time, or that it currently believes are immaterial, could also have a material adverse effect on the Group's business, financial position, results of operations or future prospects and the trading price of the GDRs.

For more detail on some of the risks set forth here, see the prospectus dated 24 June 2011 ("Risk Factors", pages 9-42), available for viewing on the corporate website of Global Ports at http://www.globalports.com/globalports/investors/reporting-transactions/corporate-transactions.

Strategic risks

- The Group is dependent on the growth of trade volumes and, accordingly, on economic growth and the liberalisation of trade;
- The introduction of significant new capacity planned by the Group's competitors could result in surplus capacity and subject the Group to intensified price competition and lower utilisation;
- The Group may be subject to increasing competition from other container and oil products terminals, and consolidation between container terminal operators and container shipping companies may enable the Group's competitors to compete more effectively with Global Ports;
- The Group's growth depends on substantial capital investment it may not have sufficient capital to make, or may be restricted by covenants in financing agreements from making sufficient future capital expenditures;
- Expansion through acquisition entails certain risks, and the Group may experience problems in integrating and managing new acquisitions;
- The Group's current operations and future expansion may depend on the construction of new quays, dredging of existing quays and canals, and maintenance of quay drafts, which are governed by port and other governmental authorities and are outside of the Group's control;
- The Group's ability to substantially increase throughput volumes depends on the ongoing improvement and development of railway and road infrastructure.

Operational risks

- The Group is dependent on a limited number of shipping lines and customers for a significant portion of its business;
- Failure to meet customer expectations could damage the Group's customer relationships and business reputation;
- The Group is subject to a wide variety of regulations and standards requirements and may face substantial liability if it fails to comply with existing or future regulations applicable to its businesses;
- The Group leases a significant amount of the land and quays required to operate its terminals from government agencies and any revision or alteration of the terms of these leases or the termination of these leases could adversely affect the Group's business;
- The Group's oil products business could be affected by changes in Russia's exports of oil products, a decline in global demand for oil products, Russian oil product export volumes or any change in trade relationships with Estonia;
- Inflation could increase the Group's cost base;
- The Group may be adversely affected by wage increases in Russia;
- The Group's insurance policies may be insufficient to cover certain losses;
- The Group's competitive position and prospects depend on the expertise and experience of its key managers and its ability to continue to attract, retain and motivate qualified personnel;
- Failure of the operational information and technology systems at the Group's terminals could result in disruptions to the services it provides;
- 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.

Compliance and shareholder risks

- The Group's controlling beneficial shareholders may have interests that conflict with those of the holders of the GDRs;
- The Group is exposed to risks in connection with its interests in joint venture and strategic partnership businesses;
- Adverse determination of pending and potential legal actions involving the Company's subsidiaries could have an adverse effect on the Group's business, revenues, cash flows and the price of the GDRs;

- The lack of independence of certain members of the judiciary, the difficulty of enforcing court decisions and governmental discretion in instigating, joining and enforcing claims could prevent the Group from obtaining effective redress in court proceedings.

Financial risks

- The Company is a holding company and its ability to pay dividends or meet costs depends on the receipt of funds from its subsidiaries;
- The Group may be subject to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, the Russian rouble and the US dollar;
- The Group is subject to interest rate risk due to floating rate liabilities in relation to its leases and long-term borrowings. Increases in interest rates may adversely affect the Group's financial condition;
- The Group may be subject to credit risk due to its dependence on key customers and suppliers;
- The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects.

> "The Group bases its risk management activity on a series of well-defined risk management principles, derived from experience, best practice and corporate governance principles"

WE WORK HARD FOR THE COMMUNITIES IN WHICH WE OPERATE

Global Ports plays a significant role in the development of the regions where it operates.

All the companies of the Group adhere to the principle of corporate social responsibility, taking into account the interests of all stakeholders including their employees, customers, local authorities and communities. Programmes are being implemented in every region in which the Group's terminals operate and these activities are aimed at supporting the social, cultural and economic development of these regions.

The Group's main activities in the field of corporate social responsibility are as follows: environment, health and safety, charity and local community sponsorship and people.

We consider that honest, constructive collaboration with all our stakeholders is an important part of our dynamic development in the international business community and our contribution to sustainable social development.

Environment

A responsible attitude towards the environment is one of the key components of our corporate social responsibility approach and an important factor in the stable, long-term development of Global Ports. The Group seeks to comply strictly with all applicable requirements of environmental law in the regions that we operate in.

Responsibility towards the environment is at the forefront of the Group's investment programmes. Investments in the key projects for environmental protection include the construction of new local cleaning facilities at terminals and modernisation of currently operating cleaning equipment.

- Vopak E.O.S. partners with the Estonian Nature Society to provide financial support of the Society's programmes;
- In 2012 Vopak E.O.S. supported the Estonian Scuba-diving Club, sponsoring an event through the global AWARE initiative related to cleaning ponds.

Health and safety

During the last three years the occurrence and severity rates of industrial injuries at Global Ports have been constantly decreasing. The Group aims at steadily reducing these rates further over time through training and increased awareness.

All the companies of the Group adhere to three major Health and Safety principles: providing safe labour conditions, involving employees in safety rules and policies, and training in safe behaviour. Each of these includes special tools or detailed procedures, such as:

- Regular monitoring of Occupational Health and Safety (OHS) measures at the Company divisions for compliance with statutory Federal and local requirements;
- Conducting proper medical examinations and regular reviews of employee health to improve employees' wellbeing;
- Preventative medical action to reduce the occurrence of occupational diseases;
- Regular workplace reviews for compliance with working environment standards;
- Training and skill improvement for OHS specialists, training of workers in employment of safe methods of operation, Group-wide OHS briefings and information circulation;
- Measures to increase personnel motivation to uphold strict compliance with OHS requirements and promote stronger labour discipline.

Charity and local community sponsorship

The Group's cooperation with regions in the social sphere is based on strategic programmes in areas such as employment and occupational guidance, health care and the support of culture and sport, as well as socially or physically vulnerable people.

Each Group company plays an important role in the socio-economic status of their respective towns and regions. The companies invest in the development of social infrastructure and cooperate with the local authorities and social institutions of their regions.

Global Ports is committed to charitable support and conducts the following:

- In 2012 Petrolesport and VSC continued to donate to their chosen charity, the Lifeline Charity Fund – financial support for complex medical treatment of children with cardiac disease;

- In 2012 Vopak E.O.S. donated to the Russian Orthodox Church in Narva city;

- Petrolesport donated to Dar Charity Education Support Foundation, one of the objectives of which is to support school education in Russia by promoting various projects and events aimed at maintaining a high level of school education.

It is an important objective to Global Ports to maintain and support local sport and cultural events in the regions in which it operates. The Group's sponsorship programmes are also aimed at preserving local historical heritage, supporting schools, hospitals and orphanages:

- VSC currently supports Nakhodka Hospital, Kindergarten No 55 in Vrangel village, an orphanage for children with disabilities, and a maternity hospital in Nakhodka city;
- In 2012 Vopak E.O.S. sponsored the purchase of sporting equipment for the municipal gym in Maardu city;
- Moby Dik supported sport activity events for those with special needs and in 2012, continued to support a disabled local sportsman;
- In 2012 Vopak E.O.S. continued to donate for the local initiative which maintains a Food Bank for poor families;
- Moby Dik and VSC traditionally sponsor cultural and sports events held by local authorities. In 2012 Moby Dik supported an ice hockey team and VSC supported a local swimming school;
- In 2012 Vopak E.O.S. continued its sponsorship of the Maardu city "Youth centre", focusing on various educational, cultural and sports programmes;
- VSC sponsored a charitable excursion on the terminal facility for the children's art school of Vrangel village;
- In 2011 VSC supported the local Taekwondo Association and in 2012 VSC sponsored a marine row for an orphanage.;
- Moby Dik supports a rehabilitation center for disabled people in Saint-Petersburg;
- VSC continued to sponsor the annual Argo music festival, Nakhodka;
- Vopak E.O.S. sponsored a project involving the presentation of the book "The word of pastor" by Patriarh Kirill, which was translated into Estonian in the Center of Russian Culture in Tallinn;
- In 2012 Vopak E.O.S. sponsored the first international Tallinn Youth Organ Festival.

People

Global Ports employs over 2,900 people and we consider our employees to be one of the Group's greatest assets. The Group strives to create the conditions to stimulate and realise the creative potential of its employees and shape a corporate culture based on professionalism, personal initiative and responsibility.

Key areas of CSR activity in the employment sphere include employee basic training, support for working mothers and their children, catering and recreation activities for workers, employee development and professional training, incentives for employee improvement, social support for retirees and veterans, insurance and many other kinds of benefits.

The Group companies rely on the following fundamental principles to look after their employees adequately in the long-term:

- Providing adequate wage levels and social environment for our employees (i.e. sponsorships of various celebration parties for employees and their children);
- Offering improved procedures for employee recruitment, adaptation and skill development through professional training programmes;
- Creating a safe and comfortable operating environment;
- Offering health improvement programmes for employees and their families, providing preventive treatment for those employees who need it;
- Providing financial assistance, medical and special-purpose charitable support for its retirees.

The Group strives to create the conditions to stimulate and realize the creative potential of its employees and shape a corporate culture based on professionalism, personal initiative and responsibility

DEFINITIONS

Terms that require definitions are marked with capital letters in this announcement and definitions of which are provided below in alphabetical order:

Adjusted EBITDA (a non-IFRS financial measure) 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, other gains/(losses) – net, impairment charge of property, plant and equipment and impairment charge of goodwill.

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

Average Storage Capacity is a storage capacity available at Vopak E.O.S.'s oil products terminals, averaged for the beginning and end of the year.

Baltic Sea Basin: the geographic region of North-West Russia, Estonia and Finland surrounding the Gulf of Finland on the eastern Baltic Sea, includingSaint-Petersburg, Tallinn, Helsinki and Kotka.

Container Throughput in the Russian Federation Ports is defined as total container throughput of the ports located in the Russian Federation excluding transit cargo volumes. Respective information is sourced from ASOP ("Association of Sea Commercial Ports", www.morport.com).

Cash Cost of Sales is defined as Cost of Sales, Adjusted for Impairment less depreciation and amortisation of intangible assets.

Cost of Sales, Adjusted for Impairment is defined as cost of sales less impairment charge of property, plant and equipment and impairment charge of goodwill.

Far East Basin: the geographic region of South-East Russia, surrounding the Peter the Great Gulf, including Vladivostok and the Nakhodka Gulf, including Nakhodka on the Sea of Japan.

Finnish Ports segment consists of two terminals in Finland, MLT Kotka and MLT Helsinki (in port of Vuosaari), and three container depots (in each of which Container Finance currently has a 25% effective ownership interest). The financial results of the Finnish Ports segment have been proportionally consolidated in the Group's report and consolidated financial statements for the year ended 31 December 2012.

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 Group is US dollars. The functional currency of the 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 (c) or 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 terminal, Yanino.

Gross Throughput is throughput shown on a 100% basis for each terminal, including terminals held through joint ventures and proportionally consolidated.

Net Debt (a non-IFRS financial measure) is defined as a sum of current borrowings and non-current borrowings, 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 financial results of the Oil Products Terminal segment are proportionally consolidated.

Operating Cash Costs of Oil Products Terminal Segment is defined as total Oil Products Terminal segment's cost of sales and administrative, selling and marketing expenses, less segment's depreciation and amortisation of intangible assets less impairment charge of property, plant and equipment and impairment charge of goodwill.

Operating Cash Costs of Russian Ports Segment is defined as total Russian Ports segment's cost of sales and administrative, selling and marketing expenses, less segment's depreciation and amortisation of intangible

assets less impairment charge of property, plant and equipment and impairment charge of goodwill.

Operating Cash Costs of Finnish Ports Segment is defined as total Finnish Ports segment's cost of sales and administrative, selling and marketing expenses, less segment's depreciation and amortisation of intangible assets less impairment charge of property, plant and equipment and impairment charge of goodwill.

Operating Profit Adjusted for Impairment is defined as revenue less Cost of Sales, Adjusted for Impairment less administrative, selling and marketing expenses, less other gains/(losses) – net.

Operating Profit Adjusted for Impairment is defined as Revenue less Total Cost of Sales, Adjusted for Impairment less Administrative, selling and marketing expenses, less Other gains/(losses) total.

PLP includes Petrolesport OAO, OOO Farwater and various other entities (including some intermediate holdings) that own and manage a container terminal in Saint-Petersburg port, North-West Russia. The Group owns a 100% effective ownership interest in PLP. The results of PLP have been fully consolidated in the Group's report and consolidated financial statements for the year ended 31 December 2012.

Profit Before Income Tax Adjusted for Impairment is defined as Operating Profit Adjusted for Impairment less finance costs – net.

Profit for the Period Adjusted for Impairment is defined as Profit Before Income tax Adjusted for Impairment plus deferred tax credit related to the impairment.

Revenue per CBM of Storage is defined as the total revenue of Oil Products Terminal segment for a respective period divided by Average Storage Capacity during that period.

Revenue per Tonne of Throughput is defined as the total revenue of Oil Products Terminal segment for a respective period divided by Oil Products Terminal segment's Gross Throughput in tonnes.

Russian Ports segment consists of the Group's 100% interest in PLP, 100% interest in VSC (with DP World having 25% interest till October 2012), and 75% interest in Moby Dik and Yanino (in each of which Container Finance currently has a 25% effective ownership interest). The financial results of Moby Dik and Yanino are proportionally consolidated and the financial results of VSC are fully consolidated.

ROCE (Return on capital employed, a non-IFRS financial measure) is defined as operating profit adjusted for impairment for the last twelve months divided by the sum of Net Debt and total equity, averaged for the beginning and end of the last twelve month period.

Ro-Ro, roll on-roll off: cargo that can be driven into the belly of a ship rather than lifted aboard. Includes cars, buses, trucks and other vehicles.

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 Operating Cash Costs is defined as Groups' cost of sales, administrative, selling and marketing expenses, less depreciation and amortisation of intangible assets less impairment charge of property, plant and equipment and impairment charge of goodwill.

Vopak E.O.S. includes AS Vopak 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. have been proportionally consolidated in the Group's report and consolidated financial statements for the year ended 31 December 2012.

VSC includes Vostochnaya Stevedoring Company OOO and various other entities (including some intermediate holdings) that own and manage a container terminal in Vostochny port near Nakhodka, Far-East Russia. The Group owns a 100% effective ownership interest in VSC. The results of VSC have been fully consolidated in the Group's report and consolidated financial statements for the year ended 31 December 2012.

A SHORT EXPLANATION OF HOW WE HAVE PREPARED THE INFORMATION IN THIS REPORT

Financial information

Unless otherwise stated, all financial information presented in this Annual Report is derived from the consolidated financial statements of Global Ports Investments PLC ("the Company" or, together with its subsidiaries, "the Group") and prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group's consolidated financial statements for the year ended 31 December 2012 are included in Appendix 1.

"Directors' report and consolidated financial statements" of this Annual Report. Financial statements for prior years can be found on the Group's website (www.globalports.com).

The parent company financial statements for the year ended 31 December 2012 are included in Appendix 2 "Directors' report and parent company financial statements for the year ended 31 December 2012".

The Group's consolidated financial information is presented in US dollars, which the Group's management believes to be the most useful for readers of the financial statements and which is the functional currency of the Company and certain other entities in the Group. The functional currency of the Group's operating companies for the periods 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.

Certain financial information which is derived from the management accounts is marked in this Annual Report with an asterisk {*}.

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

Non-IFRS financial information

In this Annual Report the Group has used the certain non-IFRS financial information (not recognised by EU IFRS or IFRS) as supplemental measures of the Group's operating performance. The Group's management believes that these non-IFRS measures provide valuable information to readers because they enable the reader to focus more directly on the underlying day-to-day performance of the Group's business and are frequently used by securities analysts, investors and other interested parties in the valuation of companies in the transportation industry and particularly in the port operation segment. The following non-IFRS measures have been used in this Annual Report: Adjusted EBITDA, Adjusted EBITDA Margin, Net Debt to Adjusted EBITDA, Cost of Sales, Adjusted for Impairment, Total Operating Cash Costs, Operating Profit Adjusted for Impairment, Profit for the Period Adjusted for Impairment, and Return on Capital Employed (ROCE). All non-IFRS financial information is calculated on the basis of EU IFRS financial statements and/or management accounts.

Non-IFRS financial information requiring additional explanation or definitions is marked with capital letters and the explanations or definitions are provided on page 58 of this Annual Report.

Other companies in the port operation segment may calculate the above non-IFRS measures differently or may use each of them for different purposes than the Group, limiting their usefulness as comparative measures.

Operational and market information

Global Ports reports certain operational information which is presented to illustrate the changes in the Group's operational and financial performance during the reporting periods and is derived from management accounts.

Certain abbreviations of operational information are marked with initial capital letters, with definitions provided on page 58 of this Annual Report. Data on container and fuel oil markets has been sourced from ASOP (Association of Russian Sea Ports) and Argus Neftetransport respectively.

All financial and operational information presented in this Annual Report should be used only as an analytical tool, and investors should not consider any of them in isolation or any combination of them together as a substitute for analysis of the Group's consolidated financial statements reported under EU IFRS and included in Appendix 1 "Directors' report and consolidated financial statements" of this Annual Report.

Cautionary note

This Annual Report, including its appendices, may contain forward-looking statements regarding future events or the future financial performance of the Group. You can identify forward-looking statements by terms such as "expect", "believe", "estimate", "anticipate", "intend", "will", "could", "may", or "might", the negative of such terms or other similar expressions. These forward-looking statements include matters that are not historical facts and statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. The Group cautions you that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Group operates may differ materially from those described in or suggested by the forward-looking statements contained in these materials.

In addition, even if the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in these materials, those results or developments may not be indicative of results or developments in future periods. The Group does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in forwardlooking statements of the Group including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, market change in the Russian transportation industry or in the ports operation segment, as well as many other risks specifically related to the Group and its operations.

This Annual Report has been prepared to assist shareholders to assess the Group's strategies and the potential for those strategies to succeed and for no other purpose. The Group, its Directors, employees, agents and advisers do not accept or assume responsibility for any other purpose or to any other person to whom this Annual Report is shown or into whose access it may come and any such responsibility or liability is expressly disclaimed.

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BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS

Mr. Nikita Mishin (appointed 15 December 2008)
Chairman of the Board of Directors
Non-executive Director
Member of Remuneration and Nomination Committees

Mr. Kim Fejfer (appointed 23 January 2013)
Vice Chairman of the Board of Directors
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

Capt. Bryan Smith (appointed 19 August 2008)
Senior Independent Non-Executive Director
Chairman of Remuneration and Nomination Committees

Mrs. Siobhan Walker (appointed 30 May 2011)
Independent Non-Executive Director
Chairman of Audit and Risk Committee

Dr. Alexander Nazarchuk (appointed 15 December 2008)
(Mr. Alexander Iodchin is the alternate to Dr. Alexander Nazarchuk)
Executive Director
Chief Executive Officer

Mr. Michalis Thomaides (appointed 29 February 2008)
Executive Director

Mr. Alexander Iodchin (appointed 18 August 2008)
Executive Director
Member of Nomination Committee

Mr. Mikhail Loganov (appointed 15 December 2008)
Non-Executive Director
Member of Remuneration and Audit and Risk Committees

Mr. Konstantin Shirokov (appointed 15 December 2008)
Non-Executive Director
Member of Audit and Risk Committee

Ms. Elia Nicolaou (appointed 22 June 2009, resigned on 23 January 2013)
Non-Executive Director

Mr. Alexander Pevzner (appointed 26 October 2009, resigned on 29 June 2012)
(Mr. Alexander Iodchin was the alternate to Mr. Alexander Pevzner)
Non-Executive Director

Mr. Marios Tofaros (appointed 26 October 2009, resigned on 23 January 2013)
Non-Executive Director

Board of Directors and other officers (continued)

BOARD OF DIRECTORS (continued)

Mr. Robert Dirk Korbijn (appointed 23 January 2013)
Non-Executive Director

Mr. Tiemen Meester (appointed 23 January 2013)
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

Ms. Laura Michael (appointed 23 January 2013)
Non-Executive Director

Mr. Georgios Sofocleous (appointed 23 January 2013)
Non-Executive Director

Ms. Chrystalla Stylianou (appointed 23 January 2013)
Non-Executive Director

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

REPORT OF THE BOARD OF DIRECTORS

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 (hereinafter collectively referred to as the "Group") for the year ended 31 December 2012. 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

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

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

The net profit of the Group for the year ended 31 December 2012 was US$123,474 thousand (2011: US$146,933 thousand). On 31 December 2012 the total assets of the Group were US$1,308,915 thousand (2011: US$1,337,974 thousand) and the net assets were US$819,286 thousand (2011: US$975,221 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.

Principal Risks and Uncertainties

The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the consolidated financial statements.

The Group's contingencies are disclosed in Note 27 to the consolidated financial statements.

The Board has adopted a formal process to identify, evaluate and manage significant risks faced by the Group.

Future Developments of the Company

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

Results

The Group's results for the year are set out on pages 13 and 14. The Board of Directors recommends the payment of a dividend as detailed below and the remaining profit for the year is retained.

Dividends

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 Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US Dollars. If dividends are not paid in US Dollars, they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

Report of the Board of Directors (continued)

Dividends (continued)

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. 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.

During 2012 the Company declared and paid dividends in the total amount of US$79.9 million (US$0.17 per share[1]).

During 2011 the Company declared and paid dividends in the total amount of US$53.2 million (US$0.116 per share[2]).

On 14 December 2012 the Board of Directors recommended the payment of a dividend for previous years in the total amount of US$79.9 million (US$0.17 per share). This dividend was approved on 23 January 2013 at the Company's Shareholders' Extraordinary General Meeting. These consolidated financial statements do not reflect this dividend payable.

The Board of Directors of the Company recommends the payment of a dividend for the year 2012 amounting to US$37.6 million (US$0.08 per share). The dividend is subject to approval by the shareholders at the Annual General Meeting. These financial statements do not reflect the dividend payable.

Share Capital

On 30 May 2011 the Company increased its authorised share capital from US$45,000 thousand divided into 450,000,000 ordinary shares with a par value of US$0.10 per share to US$53,000 thousand divided into 530,000,000 ordinary shares with a par value of US$0.10 per share.

As a result of an initial public offering in the form of GDRs during 2011 (hereafter also referred as "IPO"), the Company issued 20,000,001 ordinary shares with a par value of US$0.10 each at price of US$5 per share (the share premium was US$4.9 per share). The shares were fully paid as described in Note 22.

On 16 October 2012 the Company converted 176,250,000 of its authorised and issued ordinary shares into ordinary non-voting shares. As a result the issued share capital of the Company consists of 293,750,001 ordinary shares and of 176,250,000 ordinary non-voting shares with a par value of US$0.10 each, and the authorised share capital of the Company consists of 353,750,000 ordinary shares and 176,250,000 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.

The Role of the Board of Directors

GPI is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the successful performance of the Group.

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

[1] The average weighted number of ordinary shares in 2012 was 470 million.
[2] The average weighted number of ordinary shares in 2011 was 460 million.

Members of the Board of Directors

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. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need for progressive system of refreshing of the Board.

The members of the Board of Directors at 31 December 2012 and at the date of this report are shown on pages 1 and 2. Mr. Kim Fejfer was appointed as a Non-Executive Director, Vice Chairman of the Board of Directors and a member of Remuneration, Nomination and Audit and Risk Committees on 23 January 2013. Mr. Tiemen Meester was appointed as a Non-Executive Director and a member of Remuneration, Nomination and Audit and Risk Committees on 23 January 2013. Mr. Robert Dirk Korbijn, Ms. Laura Michael, Mr. Georgios Sofocleous and Ms. Chrystalla Stylianou were appointed as Non-Executive Directors on 23 January 2013. Mr. Alexander Pevzner resigned on 29 June 2012. Ms. Elia Nicolaou and Mr. Marios Tofaros resigned on 23 January 2013. All other Directors were members of the Board throughout the year ended 31 December 2012.

The Board currently has 14 members and they were appointed as shown on pages 1 and 2.

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 Extraordinary General Meeting on 23 January 2013 all current Directors will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company.

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

There were no significant changes in the responsibilities of the Directors during 2012.

Directors' Interests

The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2012 and 31 December 2011 are shown below:

Name	Type of holding	**Shares held at 31 December 2012**	Shares held at 31 December 2011
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	**27,609,738 ordinary shares** **27,609,738 ordinary non-voting shares**	110,438,954 ordinary shares

Total number of issued shares of the Company as at 31 December 2012 was 293,750,001 ordinary shares and 176,250,000 ordinary non-voting shares (as at 31 December 2011: 470,000,001 ordinary shares).

Board Performance

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

In 2012 the Board met formally 16 (2011: 12) times to review current performance and to discuss and approve important business decisions.

Report of the Board of Directors (continued)

Board Performance (continued)

The number of Board and Board Committee meetings held in the year 2012 and the attendance of directors during these meetings is as follows:

	Board of Directors		Nomination Committee		Remuneration Committee		Audit and Risk Committee	
	A	B	A	B	A	B	A	B
Michalis Thomaides	16	15	–	–	–	–	–	–
Alexander Iodchin	16	16	2	2	–	–	–	–
Bryan Smith	16	16	2	2	2	2	–	–
Nikita Mishin	16	7	2	2	2	2	–	–
Alexander Nazarchuk	16	15	–	–	–	–	–	–
Mikhail Loganov	16	12	–	–	2	2	9	9
Konstantin Shirokov	16	16	–	–	–	–	9	9
Elia Nicolaou	16	14	–	–	–	–	–	–
Alexander Pevzner	3	3	–	–	–	–	–	–
Marios Tofaros	16	16	–	–	–	–	–	–
Siobhan Walker	16	16	–	–	–	–	9	9

A = Number of meetings eligible to attend during the year
B = Number of meetings attended

The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance is 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 Committees

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 as of the date of this report comprises five Non-Executive Directors, and meets at least four times a year. The Audit and Risk Committee is currently chaired by Mrs. Siobhan Walker (an Independent Non-Executive Director) and the other members are Mr. Mikhail Loganov, Mr. Konstantin Shirokov, Mr. Kim Fejfer (appointed on 23 January 2013) and Mr. Tiemen Meester (appointed on 23 January 2013). Throughout the year 2012, the Audit and Risk Committee comprised three Directors. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The Committee supervises and monitors, and advises the Board of Directors on risk management and control systems and the implementation of codes of conduct. In addition, the Committee supervises the submission of financial information by the Company and a number of other audit related issues and assesses the efficiency of the performance of the Chairman of the Board of Directors.

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 Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mr. Nikita Mishin, Mr. Alexander Iodchin, Mr. Kim Fejfer (appointed on 23 January 2013) and Mr. Tiemen Meester (appointed on 23 January 2013). Throughout the year 2012, the Nomination Committee comprised three Directors. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board given the Company'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 as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee.

The Board Committees (continued)

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 Capt. Bryan Smith (an Independent Non-Executive Director), and the other members are Mr. Nikita Mishin, Mr. Mikhail Loganov, Mr. Kim Fejfer (appointed on 23 January 2013) and Mr. Tiemen Meester (appointed on 23 January 2013). Throughout the year 2012, the Remuneration Committee comprised three Directors. The Committee is responsible for determining and reviewing, among other matters, the remuneration of the executive directors and the Company's remuneration policies. The remuneration of independent Directors is a matter for the chairman of the Board of Directors and the executive directors. No director or manager may be involved in any decisions as to his or her own remuneration.

Corporate Governance

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008 important policies and procedures.

The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:

- Appointment policy;
- Terms of reference of the Board of Directors;
- Terms of reference of the Audit and Risk Committee;
- Terms of reference of the Nomination Committee;
- Terms of reference of the Remuneration Committee;
- Code of Ethics and Conduct;
- Antifraud policy;
- Anti-Corruption Policy; and
- Foreign Trade Controls Policy.

During the year 2012 the Shareholders of the Company approved the new Terms of Reference of the Board of Directors which came into force on 28 November 2012.

Board and Management Remuneration

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.

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.

The shareholders of the Company approved the remuneration of the members of the Board for the year 2012 on 17 April 2012.

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

Events after the balance sheet date

On 23 January 2013 at the Company's Shareholders' Extraordinary General Meeting the Shareholders approved the distribution of a dividend for previous years in the total amount of US$79.9 million (US$0.17 per share). These consolidated financial statements do not reflect this dividend.

On 15 March 2013 the Board of Directors of the Company recommends the payment of a final dividend for the year 2012 amounting to US$37.6 million (US$0.08 per share). The dividend is subject to approval by the shareholders at the Annual General Meeting. These financial statements do not reflect the dividend payable.

There were no other material post balance sheet events, which have a bearing on the understanding of the financial statements.

Report of the Board of Directors (continued)

Branches

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

Treasury shares

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

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 budget for 2013, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

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

By Order of the Board

Nikita Mishin

Chairman of the Board of Directors

Limassol
15 March 2013

DIRECTORS' RESPONSIBILITY STATEMENT

The Company's Board of Directors 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 13 to 67 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

Michalis Thomaides
Director

Alexander Iodchin
Director

Limassol
15 March 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GLOBAL PORTS INVESTMENTS PLC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Global Ports Investments Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated balance sheet as at 31 December 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

Report on the consolidated financial statements (continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

Report on other legal and regulatory requirements

Pursuant to the requirements of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts 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.

Yiangos Kaponides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 15 March 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

(in thousands of US dollars)		For the year ended 31 December	
	Note	**2012**	2011
Revenue	5	**501,829**	501,341
Cost of sales	6	**(299,807)**	(237,628)
Including impairment of goodwill and property, plant and equipment	4(a)(iii)	**(58,025)**	–
Gross profit		**202,022**	263,713
Administrative, selling and marketing expenses	6	**(43,377)**	(39,793)
Other (losses)/gains – net	7	**(1,387)**	2,065
Operating profit		**157,258**	225,985
Finance costs	9	**(3,660)**	(30,079)
Profit before income tax		**153,598**	195,906
Income tax expense	10	**(30,124)**	(48,973)
Profit for the year		**123,474**	146,933
Attributable to:			
Owners of the Company		**107,822**	134,123
Non-controlling interest		**15,652**	12,810
		123,474	146,933
Basic and diluted earnings per share for profit attributable to the owners of the parent of the Company during the year (expressed in US$ per share)	12	**0.23**	0.29

The notes on pages 18 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Profit for the year	**123,474**	146,933
Other comprehensive income/(loss)		
Currency translation differences	**45,416**	(41,304)
Other comprehensive income/(loss) for the year, net of tax	**45,416**	(41,304)
Total comprehensive income for the year	**168,890**	105,629
Total comprehensive income attributable to:		
Owners of the Company	**152,946**	94,246
Non-controlling interest	**15,944**	11,383
Total comprehensive income for the year	**168,890**	105,629

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 18 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
as at 31 December 2012

(in thousands of US dollars)		As at 31 December	
	Note	**2012**	2011
ASSETS			
Non-current assets		**1,141,618**	1,115,135
Property, plant and equipment	14	**928,043**	889,961
Intangible assets	15	**170,325**	177,281
Prepayments for property, plant and equipment	14	**30,574**	39,530
Trade and other receivables	19	**12,676**	8,363
Current assets		**167,297**	222,839
Inventories	18	**5,985**	6,290
Trade and other receivables	19	**57,412**	75,272
Income tax receivable		**402**	325
Bank deposits with maturity over 90 days	20	**13,854**	3,884
Cash and cash equivalents	21	**89,644**	137,068
TOTAL ASSETS		**1,308,915**	1,337,974
EQUITY AND LIABILITIES			
Total equity		**819,286**	975,221
Equity attributable to the owners of the Company		**816,774**	954,104
Share capital	22	**47,000**	47,000
Share premium	22	**454,513**	454,513
Capital contribution		**101,300**	101,300
Translation reserve		**(118,123)**	(163,247)
Transactions with non-controlling interest	29	**(210,376)**	–
Retained earnings		**542,460**	514,538
Non-controlling interest		**2,512**	21,117
Total liabilities		**489,629**	362,753
Non-current liabilities		**356,686**	267,486
Borrowings	23	**263,295**	154,555
Deferred tax liabilities	24	**91,392**	110,819
Trade and other payables	25	**1,999**	2,112
Current liabilities		**132,943**	95,267
Borrowings	23	**69,814**	52,383
Trade and other payables	25	**47,567**	41,117
Current income tax liabilities		**15,562**	1,767
TOTAL EQUITY AND LIABILITIES		**1,308,915**	1,337,974

On 15 March 2013 the Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue.

Michalis Thomaides, Director

Alexander Iodchin, Director

The notes on pages 18 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

(in thousands of US dollars)		Attributable to the owners of the Company								
	Note	Share capital	Share premium	Capital contribution	Translation reserve	Transactions with non-controlling interest	Retained earnings*	Total	Non-controlling interest	Total
Balance at 1 January 2011		45,000	359,920	101,300	(123,370)	–	433,615	816,465	20,884	837,349
Currency translation differences		–	–	–	(39,877)	–	–	(39,877)	(1,427)	(41,304)
Total other comprehensive loss		–	–	–	(39,877)	–	–	(39,877)	(1,427)	(41,304)
Profit for the year		–	–	–		–	134,123	134,123	12,810	146,933
Total comprehensive income for the year ended 31 December 2011		–	–	–	(39,877)	–	134,123	94,246	11,383	105,629
Issue of shares – net of incremental expenses	22	2,000	94,593	–	–	–	–	96,593	–	96,593
Distributions to shareholders	13	–	–	–	–	–	(53,200)	(53,200)	(11,150)	(64,350)
Total transactions with owners for the year ended 31 December 2011		2,000	94,593	–	–	–	(53,200)	43,393	(11,150)	32,243
Balance at 31 December 2011		**47,000**	**454,513**	**101,300**	**(163,247)**	**–**	**514,538**	**954,104**	**21,117**	**975,221**
Currency translation differences		–	–	–	45,124	–	–	45,124	292	45,416
Total other comprehensive income		–	–	–	45,124	–	–	45,124	292	45,416
Profit for the year		–	–	–		–	107,822	107,822	15,652	123,474
Total comprehensive income for the year ended 31 December 2012		**–**	**–**	**–**	**45,124**	**–**	**107,822**	**152,946**	**15,944**	**168,890**
Transactions with non-controlling interest	29	–	–	–	–	(210,376)	–	(210,376)	(19,624)	(230,000)
Distributions to shareholders	13	–	–	–	–	–	(79,900)	(79,900)	(14,925)	(94,825)
Total transactions with owners for the year ended 31 December 2012		**–**	**–**	**–**	**–**	**(210,376)**	**(79,900)**	**(290,276)**	**(34,549)**	**(324,825)**
Balance at 31 December 2012		**47,000**	**454,513**	**101,300**	**(118,123)**	**(210,376)**	**542,460**	**816,774**	**2,512**	**819,286**

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

The notes on pages 18 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2012

(in thousands of US dollars)	Note	For the year ended 31 December 2012	2011
Cash flows from operating activities			
Profit before income tax		**153,598**	195,906
Adjustments for:			
Depreciation of property, plant and equipment	14	**63,893**	50,091
Gain on sale of property, plant and equipment	14	**(741)**	(1,350)
Impairment charge of property, plant and equipment	4(a)(iii)	**51,541**	–
Impairment of goodwill	4(a)(iii)	**6,484**	–
Amortisation of intangible assets	15	**7,343**	8,172
Amortisation of guarantees issued to parent company	30(j)	**–**	(2,000)
Interest income	9	**(2,801)**	(2,710)
Interest expense	9	**15,026**	13,809
Foreign exchange (gains)/losses on non-operating activities		**(11,229)**	19,007
Other non-cash items		**2,813**	234
Operating cash flows before working capital changes		**285,927**	281,159
Changes in working capital			
Inventories		**592**	(316)
Trade and other receivables		**5,269**	(11,708)
Trade and other payables		**1,291**	(4,331)
Cash generated from operations		**293,079**	264,804
Income tax paid		**(41,272)**	(34,648)
Net cash from operating activities		**251,807**	230,156
Cash flows from investing activities			
Purchase of shareholdings from non-controlling interests	29	**(230,000)**	–
Purchases of intangible assets	15	**(202)**	(20,482)
Purchases of property, plant and equipment	5	**(79,765)**	(131,971)
Proceeds from sale of property, plant and equipment	14	**2,651**	54
Loans granted to related parties	30(h)	**(2,758)**	(1,520)
Loans granted to third parties		**(112)**	(73)
Loan repayments received from related parties		**14,106**	25,750
Loan repayments received from third parties		**–**	73
Interest received		**2,351**	2,239
Investment in bank deposits with maturity over 90 days		**(13 920)**	(3,884)
Cash from bank deposits with maturity over 90 days		**3,893**	19,590
Net cash used in investing activities		**(303,756)**	(110,224)
Cash flows from financing activities			
Proceeds from borrowings		**330,126**	72,114
Repayments of borrowings		**(214,943)**	(106,838)
Interest paid		**(12,335)**	(16,967)
Proceeds from issue of shares – net	22	**–**	96,593
Finance lease principal payments (third parties)		**(7,068)**	(6,320)
Dividends paid to the owners of the Company	13	**(79,900)**	(53,200)
Dividends paid to non-controlling interests	13	**(14,925)**	(11,150)
Net cash from/(used in) financing activities		**955**	(25,768)
Net (decrease)/increase in cash and cash equivalents		**(50,994)**	94,164
Cash and cash equivalents at beginning of the year		**137,068**	47,355
Exchange gains/(losses) on cash and cash equivalents		**3,570**	(4,451)
Cash and cash equivalents at end of the year	21	**89,644**	137,068

The notes on pages 18 to 67 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Country of incorporation

Global Ports Investments Plc (hereafter the "Company" or "GPI") was incorporated on 29 February 2008 as a private limited liability company and is domiciled in Cyprus in accordance with the provisions of the Companies Law, Cap. 113. The address of the Company's registered office is 20 Omirou Avenue, 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 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". For further details please refer to Note 22.

On 28 November 2012 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, have closed the deal in which APM Terminals agreed to acquire 37.5% of the shares of the Company from TIHL, and APM Terminals has now become the joint controlling shareholder of the Company together with TIHL.

As a result of the transaction, from 28 November 2012 each of N-Trans and APM Terminals now owns 88,125,000 of the Company's voting shares (constituting 18.75% of the Company's total issued shares representing 30% of the voting rights) and 88,125,000 of the Company's non-voting shares (constituting 18.75% of the Company's issued shares). Thus APM Terminals and N-Trans together own 75% of the Company's issued shares, corresponding to 60% of its voting rights. 25% of the Company's issued shares, corresponding to 40% of the Company's voting rights, are represented by GDRs.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 15 March 2013.

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.

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) and effective as at 1 January 2012 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The consolidated financial statements have been prepared under the historical cost convention.

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.

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations adopted by the EU that were effective for the first time for the financial year beginning on 1 January 2012 adopted by the Group that had a material impact on these consolidated financial statements.

New standards and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on these consolidated financial statements, except the following set out below:

(a) Adopted by the European Union

- IAS 27 (revised 2011), 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2014). IAS 27 was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective for annual periods beginning on or after 1 January 2014). IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. IFRS 10, "consolidated financial statements" (effective for annual periods beginning on or after 1 January 2014) was issued in May 2011 and provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity shall be included within the consolidated financial statements of the parent company.
- IFRS 11, 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2014). The adoption of IFRS 11 will affect the accounting policy followed by the Group for accounting for its joint arrangements. A joint venture gives the Group rights to the net assets or profit of the joint arrangement. A joint operation gives the Group direct rights to the assets and obligations for the liabilities of the joint arrangement. Investments that meet the definition of a joint operation will be accounted for by recognising assets, liabilities, revenues and expenses according to the entity's shares in the assets, liabilities, revenues and expenses of the joint operation as determined and specified in the contractual arrangement. For investments that meet the new definition of a joint venture proportionate consolidation will no longer be applicable. Under IFRS 11 joint ventures will be accounted for using the equity method of accounting. This change would impact the presentation of joint ventures with the effect that revenues and costs in the consolidated income statement and assets and liabilities in the consolidated balance sheet would be reflected in a single line through the application of the equity method. The adoption of IFRS 11 will not affect the layout and presentation of the segment reporting (see Note 5, Segmental information) where assets, liabilities, revenues and costs of joint ventures (as per existing standard IAS 31) are currently presented on a 100% basis and then adjusted on line-by-line basis to reflect the share held by the Group.
- IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2014). IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group yet to assess the full impact of IFRS 12.
- IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2014). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group yet to assess the full impact of IFRS 13.
- Amendment to IAS 1 'Financial Statements Presentation' on Presentation of Items of Other Comprehensive Income' (effective for annual periods beginning on or after 1 July 2012). The main change resulting from these amendments is a requirement for entities to Group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group is yet to assess the full impact of the amendments.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted by the Group (continued)

(b) Not yet adopted by the European Union

- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The Group is currently assessing the full impact of the amended standard on its consolidated financial statements.
- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The Group is currently assessing the full impact of the amended standard on its consolidated financial statements.
- IFRS 9, ‘Financial instruments’ (effective for annual periods beginning on or after 1 January 2015), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group yet to assess the full impact of IFRS 9.
- Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures. The amendments were published on 16 December 2011. These amendments require entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013. Early application of both continues to be permitted. The Amendments to IFRS 7 Financial Instruments: Disclosures modify the relief from restating prior periods and require additional disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a significant impact on the Group.

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully included in the consolidated financial statements from the date on which control was transferred to the Group or to the extent that the subsidiaries were obtained through a transaction between entities under common control from the date which control was transferred to its shareholders. They are derecognised from the financial statements from the date that control ceases.

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

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

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

(b) Transactions with non-controlling interests

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

(c) Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Each venturer usually contributes cash or other resources to the jointly controlled entity.

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines 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 recognises 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. 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 joint venture, at the date of acquisition is recognised as goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the participation in a joint venture was effected as a result of transactions involving entities under common control, the income and expenses, assets and liabilities and cash flows of the joint venture are proportionately included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies (predecessor basis of accounting), on the assumption that the Group was a venturer from the date where common control was established.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(c) Joint ventures (continued)

Upon formation of a joint venture, the income and expenses, assets and liabilities and cash flows of the joint venture are proportionately included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies (predessessor basis of accounting).

The Group recognises the portion of a gain or loss attributable to other venturer on transfer of non-monetary assets to the joint venture, in exchange for an equity interest in the joint venture.

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

The accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

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.

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.

Revenue recognition

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

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

Revenues earned by the Group are recognised on the following bases:

(a) Sales of services

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

(b) Sales of goods

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

(c) Rental income

See accounting policy for leases below.

(d) Interest income

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

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(e) Dividend income

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

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, borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. 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 average monthly rate, which approximates the exchange rate existing at the date of transactions;
- Share capital, share premium and all other reserves are translated using the historic rate; and
- All exchange differences resulting from the above translation are recognised in other comprehensive income.

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

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

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.

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

Land is not depreciated.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment ("PPE") (continued)

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

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

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

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

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

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

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint venture/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures is included in 'intangible assets'. 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 (Note 5).

(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) Client base

Acquired client base (mainly customer relationships) are shown at historical cost. Client base 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 client base over their estimated useful lives (5 to 11 years).

(d) Contractual rights

Acquired contractual rights are shown at historical cost. Contractual rights relate primarily to quay lease agreements and a minor part relates to other land lease arrangements and licenses. These contractual rights are not 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 (8 to 47 years) which are in accordance with the underlying agreements.

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

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.

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables (continued)

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 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 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 income statement against 'administrative, selling and marketing expenses'.

Derivatives

Derivative financial instruments 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 are included in current assets. 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.

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.

Cash and cash equivalents

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

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.

Trade payables

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

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.

Financial guarantee contracts

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

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

Income taxes

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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.

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.

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.

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 when future commercial transactions or recognised assets or liabilities are denominated in the currency different from the functional currency of each of the entities of the Group.

Notes to the consolidated financial statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group's current policy is not to hedge the foreign exchange risk. Currently the long-term debt of the Group is denominated in US dollars, Euros and Russian Roubles. The US dollar and Euro interest rates are relatively more attractive compared to the Russian Rouble interest rate.

The Group will continue to review its borrowing policy in order to maintain a balance between term and interest rate of available financing and its currency.

For foreign exchange risk analysis purposes the Group may be divided into companies operating in Russia, where their functional currency is Russian Rouble (being Russian ports segment), and into those operating in Euro zone, where their functional currency is Euro (segments VEOS and Finnish ports). For more details please refer to Note 5.

Russian operations

Currently Russian operations attract a substantial amount of long-term borrowings and lease liabilities denominated in US dollars, Euros and Russian Roubles. Their revenues are mainly denominated in Russian Roubles and US Dollars, whereas most of expenses are denominated and settled in Russian Roubles.

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

(in thousands of US dollars)	As at 31 December	
	2012	2011
Assets	**62,080**	34,967
Liabilities	**276,945**	141,159
Capital commitments	**–**	–

Had US dollar exchange rate strengthened/weakened by 15% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2012, would have (decreased)/increased by US$25,784 thousand (2011: 15% change, effect US$12,743 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 monetary assets and liabilities in Russian operations denominated in Euros as at 31 December 2012 and 31 December 2011 are as follows:

(in thousands of US dollars)	As at 31 December	
	2012	2011
Assets	**2,748**	3,967
Liabilities	**11,422**	17,458
Capital commitments	**12,185**	8,639

Had Euro 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 2012, would have (decreased)/increased by US$1,041 thousand (2011: 15% change, effect US$1,619 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.

Euro zone operations

Euro zone operations' revenues are mainly denominated in Euros and US Dollars, whereas most of expenses are denominated and settled in Euros. Their long-term borrowings and lease liabilities are denominated in US dollars and Euros.

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The carrying amount of monetary assets and liabilities in Euro zone operations denominated in US dollars are as follows:

(in thousands of US dollars)	As at 31 December	
	2012	2011
Assets	**3,033**	636
Liabilities	**2,747**	3,925
Capital commitments	**12**	–

Had US dollar exchange rate strengthened/weakened by 15% against the Euro and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2012, would have (decreased)/increased by US$34 thousand (2011: 15% change, effect US$390 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, borrowings, cash and cash equivalents and accounts receivable denominated in US dollars.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates arising mainly from floating rate cash and cash equivalents and borrowings. In addition the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.

Lease and long-term borrowing contracts of the Group are concluded to finance the purchase of property, plant and equipment. While analysing new investment projects and concluding credit facility agreements, loan agreements and lease contracts, various scenarios are developed taking into account terms of refinancing and alternative financing sources. Based on these scenarios the Group measures the impact of a definite change in interest rate on profit or loss and selects the financing model that allows maximizing the estimated future profit.

Any potential change in the market rates of interest will not have a significant impact on the carrying amount of the fixed rate financial instruments and hence on the Group's post tax profit as these are carried at amortised cost. Had market interest rates on US dollars, Euro and Russian Rouble denominated floating interest bearing financial assets and liabilities shift by 100 basic points and all other variables remained unchanged, the post tax profit of the Group would have decreased by US$2,131 thousand for the year ended 31 December 2012 (2011: US$707 thousand).

The Group obtains borrowings at current market interest rates and does not use any hedging instruments to manage interest rate risk. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable by ensuring the Group has financial liabilities with both floating and fixed interest rates.

(b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans receivable (Note 19), bank deposits with maturity over 90 days (Note 20) and cash and cash equivalents (Note 21).

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 43% and 41% of the Group's revenue for the year ended 31 December 2012 and 2011, respectively. The Group has policies in place to ensure that loans are granted to counterparties which it has long-standing trading relationships with and that cash balances are deposited with high credit quality financial institutions.

Notes to the consolidated financial statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(b) Credit risk (continued)

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

(in thousands of US dollars)	Fully performing	Past due	Impaired	Impairment provision	Total
As at 31 December 2012					
Trade receivables	**23,563**	**7,027**	**–**	**–**	**30,590**
Loans receivable	**12,074**	**120**	**–**	**–**	**12,194**
Other receivables	**2,945**	**3**	**–**	**–**	**2,948**
Bank deposits with maturity over 90 days	**13,854**	**–**	**–**	**–**	**13,854**
Total	**52,436**	**7,150**	**–**	**–**	**59,586**
As of at 31 December 2011					
Trade receivables	21,072	6,542	–	–	27,614
Loans receivable	22,934	–	–	–	22,934
Other receivables	1,119	4	–	–	1,123
Bank deposits with maturity over 90 days	3,884	–	–	–	3,884
Total	49,009	6,546	–	–	55,555

(c) Liquidity risk

The Group has successful credit and refinancing history and maintains enough flexibility ensuring the ability to attract necessary funds either through committed credit facilities or shareholders' loans. Due to availability of cash and cash equivalents amounting to US$89,644 thousand (31 December 2011: US$137,068 thousand) (Note 21), bank deposits over 90 days amounting to US$13,854 thousand (31 December 2011: US$3,884 thousand) (Note 20), committed credit lines amounting to US$83,045 thousand at 31 December 2012 (US$34,258 thousand at 31 December 2011) together with long-term borrowings (Note 23) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long-term perspective the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures. The management of the Group believes that is successfully managing the exposure of the Group to liquidity risk.

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below summarises the analysis of financial liabilities of the Group by maturity as of 31 December 2012 and 2011. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(in thousands of US dollars)	Less than 1 month	1–3 months	3–6 months	6 months – 1 year	1–2 years	2–5 years	Over 5 years	Total
As at 31 December 2012								
Borrowings	**5,982**	**8,844**	**24,253**	**43,730**	**143,283**	**119,577**	**122,287**	**467,956**
Trade and other payables	**10,221**	**14,294**	**13**	**336**	**1,532**	**5**	**–**	**26,401**
Total	**16,203**	**23,138**	**24,266**	**44,066**	**144,815**	**119,582**	**122,287**	**494,357**
As at 31 December 2011								
Borrowings	3,169	6,808	10,498	39,884	47,961	100,913	90,017	299,250
Trade and other payables	10,758	9,504	81	352	–	1,502	–	22,197
Total	13,927	16,312	10,579	40,236	47,961	102,415	90,017	321,447

(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 net assets 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	
	2012	2011
Total borrowings	**333,109**	206,938
Total capitalisation	**1,152,395**	1,182,159
Total borrowings to total capitalisation ratio (percentage)	**29%**	18%

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Determination of useful lives and residual value of property, plant and equipment

The estimation of the useful lives and residual values of items of property, plant and equipment is a matter of judgement based on experience with similar assets. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives and residual values in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions. Reviews at each balance sheet date indicate whether there is a need for changes in estimations and assumptions as a result of which the useful lives and residual values need to be adjusted accordingly. The carrying amount of property, plant and equipment of the Group was US$928,043 thousand (31 December 2011: US$889,961 thousand). If depreciation rates were increased by 10%, the carrying amount of property, plant and equipment would decrease by around US$6,389 thousand (2011: US$5,009 thousand).

(ii) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 27).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) Estimated impairment of goodwill and property, plant and equipment

The Group tests annually whether goodwill has suffered an impairment. In addition the Group reviews long-lived assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the carrying amount of an asset does not yet include all the cash outflows to be incurred before it is ready for use or sale, the estimate of future cash outflows includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use or sale. If the total of the discounted future cash flows is less than the carrying amount of the asset or group of assets, the asset is not recoverable and the Group recognizes an impairment loss for the difference between the estimated recoverable amount (based on value in use) and the carrying value of the asset or group of assets. The Group assesses long-lived assets for possible impairment upon the occurrence of a triggering event. 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. 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. Based on the current world-wide economic circumstances, the Group performed a test of the estimated recoverable amount of the cash-generating units (CGUs), compared to their carrying value.

Goodwill has been allocated for impairment testing purposes to six individual CGUs – VEOS segment, Finnish ports segment and four CGUs in Russian ports segment (VSC, PLP, MD and YLP, see Note 5). The Group prepared value in use calculation models for identification of potential impairment for each CGU.

Models are prepared based on the Group's best estimates and latest budgets available as at the year end. Best estimates are based on historic experience and data of growth of each CGU and statistical data of similar entities. They are consistent with external sources of information. However, in the light of recent developments in the world economy and Russian Federation reasonable corrections of historic data have been made to arrive at best estimates of key assumptions used in value in use calculations.

For all CGUs cash flow projections cover a period of five years. 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 and Finnish ports segments terminal growth rate of 3% has been applied (2011: 3%). For projections prepared for VEOS segment as at 31 December 2012 a terminal growth rate of 2% was applied (2011: 2%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2012 is 11.7% (2011: 11.6%), for VEOS the discount rate is 10.1% (2011: 11.5%) and for Finnish ports the discount rate is 10.8% (2011: 10.8%).

Key assumptions for all CGUs are throughput volume and price per unit. The projected volumes reflect past experience adjusted by the management view on the prospective market developments. The growth rates for Finnish ports and VEOS revenues are conservatively estimated to be very moderate in view of the competition nature in the Finnish Ports and VEOS. For PLP, VSC and MD 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, long-term average throughput growth rate for the Russian container market is higher than in developed markets. For YLP long-term forecast takes into account the fact that it is a greenfield development, which started operations only in the second half of 2010.

For all units except for YLP 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.

Notes to the consolidated financial statements (continued)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) Estimated impairment of goodwill and property, plant and equipment (continued)

For YLP CGU an impairment charge of US$58,025 thousand was recognised resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment charge allocated to goodwill and property, plant and equipment was US$6,484 thousand (Note 15) and US$51,541 thousand (Note 14) respectively. The impairment was mainly caused by a change in growth estimates due to a more moderate actual growth of business than it was previously expected. The impairment of property, plant and equipment also resulted to a deferred tax credit in the amount of US$10,308 thousand (Note 24).

For YLP CGU if the estimated volumes handled are 5% lower, or the terminal growth rate is 1% lower, or the discount rate is 1% higher, then a further impairment of property, plant and equipment would arise amounting to US$6.4 million, US$3.2 million and US$4.4 million respectively. If the estimated volumes handled are 5% higher, or the terminal growth rate is 1% higher, or the discount rate is 1% lower, then the impairment of property, plant and equipment would be lower by US$7.3 million, US$4.0 million and US$5.5 million respectively.

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; the accounting records are all prepared using the same accounting policies as those used for the preparation of these consolidated financial statements 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. For the purposes of the internal reporting, joint ventures are assessed on a 100% ownership basis. There are no changes in the basis of measurement of segment profit or loss compared to prior years.

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Other information provided to the CODM except as noted below is measured in a manner consistent with that in the financial statements.

The brief description of segments is as follows:

Russian ports

The segment consists of the following operating units:

- Petrolesport OAO, Farwater ZAO (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.
- Vostochnaya Stevedoring Company OOO (VSC) and various other entities (including some intermediate holdings) that own and manage a container terminal in Vostochnyi port near Nahodka, Far-East Russia.
- Moby Dik OOO (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 Logistic Park OOO (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.

5 SEGMENTAL INFORMATION (continued)

VEOS

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

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

Holding companies (all other)

The segment consists of Global Ports Investments Plc (GPI) and some intermediate 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 regular transactions between segments except for transactions between MD, Finnish ports and YLP. In addition there are several one-off transactions between other segments which mainly relate to financing activities.

Notes to the consolidated financial statements (continued)

5 SEGMENTAL INFORMATION (continued)

The segment results for the year ended 31 December 2012 are as follows:

(in thousands of USD)						Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group
Sales to third parties	**377,511**	**233,212**	**23,221**	**633,944**	**–**	**(132,115)**	**–**	**501,829**
Inter-segment revenue	**–**	**–**	**325**	**325**	**–**	**(85)**	**(240)**	**–**
Total revenue	**377,511**	**233,212**	**23,546**	**634,269**	**–**	**(132,200)**	**(240)**	**501,829**
Cost of sales	**(244,575)**	**(126,085)**	**(22,196)**	**(392,856)**	**–**	**92,809**	**240**	**(299,807)**
Administrative, selling and marketing expenses	**(27,290)**	**(14,742)**	**(1,292)**	**(43,324)**	**(8,526)**	**8,473**	**–**	**(43,377)**
Other losses – net	**(2,262)**	**430**	**235**	**(1,597)**	**132,719**	**(191)**	**(132,318)**	**(1,387)**
Operating profit	**103,384**	**92,815**	**293**	**196,492**	**124,193**	**(31,109)**	**(132,318)**	**157,258**
Finance costs	**(6,377)**	**(1,467)**	**(1,190)**	**(9,034)**	**3,822**	**1,491**	**61**	**(3,660)**
incl. interest income	***4,736***	***73***	***133***	***4,942***	***3,256***	***(109)***	***(5,288)***	***2,801***
incl. interest expenses	***(20,036)***	***(1,355)***	***(2,199)***	***(23,590)***	***–***	***3,276***	***5,288***	***(15,026)***
Profit before income tax	**97,007**	**91,348**	**(897)**	**187,458**	**128,015**	**(29,618)**	**(132,257)**	**153,598**
Income tax expense	**(28,675)**	**1,866**	**(217)**	**(27,026)**	**(42)**	**(3,056)**	**–**	**(30,124)**
Profit after tax	**68,332**	**93,214**	**(1,114)**	**160,432**	**127,973**	**(32,674)**	**(132,257)**	**123,474**
CAPEX* on cash basis	**65,994**	**27,780**	**485**	**94,259**	**76**	**(14,570)**	**–**	**79,765**
CAPEX* on accrual basis	**97,963**	**26,781**	**399**	**125,143**	**76**	**(14,300)**	**–**	**110,919**

* CAPEX is purchases of property, plant and equipment

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

5 SEGMENTAL INFORMATION (continued)

The segment items operating expenses for the year ended 31 December 2012 are as follows:

(in thousands of USD)						Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group
Depreciation of property, plant and equipment	54,914	19,148	2,664	76,726	24	(12,857)	–	63,893
Amortisation of intangible assets	6,266	2,261	60	8,587	–	(1,244)	–	7,343
Impairment of property, plant and equipment	68,722	–	–	68,722	–	(17,181)	–	51,541
Impairment of goodwill	6,484	–	–	6,484	–	–	–	6,484
Staff costs	58,259	25,109	9,209	92,577	3,744	(16,992)	–	79,329
Transportation expenses	15,419	49,980	2,423	67,822	–	(26,154)	–	41,668
Fuel, electricity and gas	10,972	29,057	1,120	41,149	8	(15,396)	–	25,761
Repair and maintenance of property, plant and equipment	12,036	4,535	1,289	17,860	3	(3,157)	–	14,706
Total	233,072	130,090	16,765	379,927	3,779	(92,981)	–	290,725
Other operating expenses	38,793	10,737	6,723	56,253	4,747	(8,301)	(240)	52,459
Total cost of sales, administrative, selling and marketing expenses	271,865	140,827	23,488	436,180	8,526	(101,282)	(240)	343,184

Notes to the consolidated financial statements (continued)

5 SEGMENTAL INFORMATION (continued)

The segment assets and liabilities as at 31 December 2012 are as follows:

(in thousands of USD)						Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group
Property, plant and equipment (including prepayments for PPE)	849,053	255,053	15,208	1,119,314	67	(160,764)	–	958,617
Other non-current assets	238,119	72,157	38,378	348,654	706,627	(26,489)	(845,791)	183,001
Inventories	4,825	2,423	72	7,320	–	(1,335)	–	5,985
Trade and other receivables (including income tax prepayment and cash deposits over 90 days)	46,089	46,536	7,285	99,910	56,366	(26,738)	(57,870)	71,668
Cash and cash equivalents	77,458	6,802	274	84,534	11,254	(6,144)	–	89,644
Total assets	1,215,544	382,971	61,217	1,659,732	774,314	(221,470)	(903,661)	1,308,915
Long-term borrowings	441,435	3,863	30,819	476,117	–	(41,802)	(171,020)	263,295
Other long-term liabilities	85,325	13,880	2,373	101,578	–	(8,168)	(19)	93,391
Trade and other payables	37,336	17,588	3,124	58,048	677	(10,342)	(816)	47,567
Short-term borrowings	75,662	153	3,620	79,435	–	(5,233)	(4,388)	69,814
Other short-term liabilities	1,703	131,993	1	133,697	22	(66,042)	(52,115)	15,562
Total liabilities	641,461	167,477	39,937	848,875	699	(131,587)	(228,358)	489,629
Non-controlling interest	2,512	–	–	2,512	–	–	–	2,512

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries and joint ventures in the total amount of US$8,066 thousand, US$9,763 thousand and US$663,188 thousand respectively (fully eliminated on consolidation).

5 SEGMENTAL INFORMATION (continued)

The segment results for the year ended 31 December 2011 are as follows:

(in thousands of USD)						Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group
Sales to third parties	347,864	285,916	27,457	661,237	–	(159,896)	–	501,341
Inter-segment revenue	1,885	–	3,569	5,454	–	(1,333)	(4,121)	–
Total revenue	349,749	285,916	31,026	666,691	–	(161,229)	(4,121)	501,341
Cost of sales	(157,171)	(145,919)	(26,312)	(329,402)	–	87,361	4,413	(237,628)
Administrative, selling and marketing expenses	(21,712)	(16,180)	(1,554)	(39,446)	(9,615)	9,268	–	(39,793)
Other gains – net	2,209	(140)	462	2,531	160,478	70	(161,014)	2,065
Operating profit	173,075	123,677	3,622	300,374	150,863	(64,530)	(160,722)	225,985
Finance costs	(26,169)	(4,287)	(1,389)	(31,845)	(5,256)	6,806	216	(30,079)
incl. interest income	3,943	357	1,431	5,731	4,085	(431)	(6,675)	2,710
incl. interest expenses	*(16,692)*	*(4,464)*	*(2,203)*	*(23,359)*	*(2,510)*	*5,385*	*6,675*	*(13,809)*
Profit before income tax	*146,906*	*119,390*	*2,233*	*268,529*	*145,607*	*(57,724)*	*(160,506)*	*195,906*
Income tax expense	(26,151)	(42,805)	(632)	(69,588)	(787)	21,402	–	(48,973)
Profit after tax	120,755	76,585	1,601	198,941	144,820	(36,322)	(160,506)	146,933
CAPEX* on cash basis	117,694	29,600	1,677	148,971	9	(17,009)	–	131,971
CAPEX* on accrual basis	87,077	31,161	3,930	122,168	9	(18,406)	–	103,771

* CAPEX is purchases of property, plant and equipment

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

Notes to the consolidated financial statements (continued)

5 SEGMENTAL INFORMATION (continued)

The segment items operating expenses for the year ended 31 December 2011 are as follows:

(in thousands of USD)						Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group
Depreciation of property, plant and equipment	40,722	18,955	3,124	62,801	18	(12,685)	(43)	50,091
Amortisation of intangible assets	7,220	2,399	18	9,637	–	(1,465)	–	8,172
Staff costs	58,885	26,312	11,013	96,210	1,971	(18,009)	–	80,172
Transportation expenses	13,749	69,260	2,942	85,951	–	(35,830)	(121)	50,000
Fuel, electricity and gas	10,699	29,066	1,374	41,139	10	(15,448)	–	25,701
Repair and maintenance of property, plant and equipment	11,287	4,714	1,305	17,306	3	(3,192)	(11)	14,106
Total	142,562	150,706	19,776	313,044	2,002	(86,629)	(175)	228,242
Other operating expenses	36,321	11,393	8,090	55,804	7,613	(10,000)	(4,238)	49,179
Total cost of sales, administrative, selling and marketing expenses	178,883	162,099	27,866	368,848	9,615	(96,629)	(4,413)	277,421

5 SEGMENTAL INFORMATION (continued)

The segment assets and liabilities as at 31 December 2011 are as follows:

(in thousands of USD)						Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group
Property, plant and equipment (including prepayments for PPE)	838,684	242,931	20,388	1,102,003	28	(172,453)	(87)	929,491
Other non-current assets	151,591	72,891	39,474	263,956	606,659	(27,033)	(657,938)	185,644
Inventories	5,094	2,271	224	7,589	–	(1,299)	–	6,290
Trade and other receivables (including income tax prepayment and cash deposits over 90 days)	51,710	23,057	8,775	83,542	31,644	(16,163)	(19,542)	79,481
Cash and cash equivalents	51,541	1,567	48	53,156	85,942	(2,030)	–	137,068
Total assets	1,098,620	342,717	68,909	1,510,246	724,273	(218,978)	(677,567)	1,337,974
Long-term borrowings	229,979	3,938	31,905	265,822	–	(42,179)	(69,088)	154,555
Other long-term liabilities	93,191	42,736	2,096	138,023	–	(25,083)	(9)	112,931
Trade and other payables	27,546	17,911	7,260	52,717	1,431	(11,498)	(1,533)	41,117
Short-term borrowings	41,227	58,516	5,253	104,996	–	(34,761)	(17,852)	52,383
Other short-term liabilities	1,264	78	–	1,342	494	(67)	(2)	1,767
Total liabilities	393,207	123,179	46,514	562,900	1,925	(113,588)	(88,484)	362,753
Non-controlling interest	21,117	–	–	21,117	–	–	–	21,117

Included within ‘Russian ports’, ‘Finnish ports’ and ‘Holdings’ segments ‘Other non-current assets’ are investments in subsidiaries and joint ventures in the total amount of US$8,066 thousand, US$9,763 thousand and US$576,596 thousand respectively (fully eliminated on consolidation).

Notes to the consolidated financial statements (continued)

5 SEGMENTAL INFORMATION (continued)

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

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Revenues related to container, bulk and other cargoes	**385,223**	358,383
Revenues related to oil products	**116,606**	142,958
Total consolidated revenue	**501,829**	501,341

Revenue attributable to domestic and foreign customers for the year ended 31 December 2012 is disclosed below in accordance with their registered address. Major clients of the Group are internationally operating companies. Their registered addresses are usually not relevant to the location of their operations.

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Revenue from domestic customers – Cyprus	**10,127**	25,146
Revenue from foreign customers by countries:		
Russia	**315,041**	317,011
UK	**44,379**	36,655
Finland	**26,664**	27,004
Denmark	**22,455**	19,978
Other	**83,163**	75,547
Revenue from foreign customers total	**491,702**	476,195
Total revenue	**501,829**	501,341

In 2012 there were no customers representing more than 10% of consolidated revenue. In 2011 there was one customer whose contribution to the consolidated revenue was 13%. This customer originated from VEOS segment and was domiciled in Russia.

6 EXPENSES BY NATURE

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Staff costs (Note 8)	**79,329**	80,172
Depreciation of property, plant and equipment (Note 14)	**63,893**	50,091
Amortisation of intangible assets (Note 15)	**7,343**	8,172
Impairment charge of property, plant and equipment (Note 4(a)(iii))	**51,541**	–
Impairment charge of goodwill (Note 4(a)(iii))	**6,484**	–
Transportation expenses	**41,668**	50,000
Fuel, electricity and gas	**25,761**	25,701
Repair and maintenance of property, plant and equipment	**14,706**	14,106
Taxes other than on income	**7,869**	7,316
Legal, consulting and other professional services	**3,386**	5,416
Auditors' remuneration	**1,774**	2,224
Operating lease rentals	**7,114**	7,539
Purchased services	**9,449**	8,101
Insurance	**2,144**	2,113
Other expenses	**20,723**	16,470
Total cost of sales, administrative, selling and marketing expenses	**343,184**	277,421

6 EXPENSES BY NATURE (continued)

The auditors' remuneration stated above includes fee of US$414 thousand (2011: US$452 thousand) for audit services charged by the Company's statutory audit firm.

The legal, consulting and other professional services stated above include fees of US$24 thousand (2011: US$26 thousand) for tax consultancy services charged by the Company's statutory audit firm.

The above expenses are analysed by function as follows:

Cost of sales

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Staff costs	**59,265**	62,328
Depreciation of property, plant and equipment	**62,855**	48,972
Amortisation of intangible assets	**7,180**	8,075
Impairment charge of property, plant and equipment (Note 4(a)(iii))	**51,541**	–
Impairment charge of goodwill (Note 4(a)(iii))	**6,484**	–
Transportation expenses	**41,668**	50,000
Fuel, electricity and gas	**25,369**	25,234
Repair and maintenance of property, plant and equipment	**12,832**	12,990
Taxes other than on income	**6,893**	6,540
Operating lease rentals	**4,638**	5,524
Purchased services	**9,449**	8,101
Insurance	**1,834**	1,759
Other expenses	**9,799**	8,105
Total cost of sales	**299,807**	237,628

Administrative, selling and marketing expenses

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Staff costs	**20,064**	17,844
Depreciation of property, plant and equipment	**1,038**	1,119
Amortisation of intangible assets	**163**	97
Fuel, electricity and gas	**392**	467
Repair and maintenance of property, plant and equipment	**1,874**	1,116
Taxes other than on income	**976**	776
Legal, consulting and other professional services	**3,386**	5,416
Auditors' remuneration	**1,774**	2,224
Operating lease rentals	**2,476**	2,015
Insurance	**310**	354
Other expenses	**10,924**	8,365
Total administrative, selling and marketing expenses	**43,377**	39,793

Notes to the consolidated financial statements (continued)

7 OTHER (LOSSES)/GAINS – NET

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Foreign exchange (losses)/gains on non-financing activities – net (Note 11)	**(274)**	606
Amortisation of guarantee issued to the parent company (Note 30(j))	**–**	2,000
Non-recurring donation to a charity which is a related party (Note 30(c), within "other related parties")	**(965)**	–
Other losses – net	**(148)**	(541)
Total	**(1,387)**	2,065

8 EMPLOYEE BENEFIT EXPENSE

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Wages and salaries	**61,521**	61,493
Social insurance costs	**15,395**	16,250
Other staff costs	**2,413**	2,429
Total	**79,329**	80,172

Included within 'Social insurance costs' for 2012 are contributions made to the state pension funds in the total amount of US$10,202 thousand (2011: US$10,855 thousand).

9 FINANCE COSTS

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Included in finance income:	**481**	260
Interest income on bank balances	**1,392**	816
Interest income on short-term bank deposits	**923**	1,631
Interest income on loans to related parties (Note 30(h))	**5**	3
Interest income on loans to third parties and bank deposits with the maturity over 90 days	**(3,442)**	(2,806)
Net foreign exchange losses on cash, cash equivalents and loans receivable	**(641)**	(96)
Finance income total		
Included in finance costs:		
Interest expenses on bank borrowings	**(9,245)**	(6,501)
Interest expenses on finance lease	**(3,399)**	(3,169)
Interest expenses on loans from related parties (Note 30(i))	**(212)**	(1,208)
Interest expenses on loans from third parties	**(2,170)**	(2,931)
Net foreign exchange gains/(losses) on borrowings and other financial items	**12,007**	(16,174)
Finance costs total	**(3,019)**	(29,983)
Finance costs – net	**(3,660)**	(30,079)

10 INCOME TAX EXPENSE

(in thousands of US dollars)	For the year ended 31 December 2012	2011
Current tax	**55,092**	34,317
Deferred tax (credit)/charge (Note 24)	**(24,968)**	14,656
Total	**30,124**	48,973

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 2012	2011
Profit before tax	**153,598**	195,906
Tax calculated at the applicable tax rates – 20%[1]	**30,720**	39,181
Income not subject to tax – VEOS segment[2]	**(9,140)**	(11,857)
Tax effect of expenses not deductible for tax purposes	**5,220**	7,383
Withholding tax on undistributed profits[3]	**6,669**	18,577
Tax effect of reduced tax rates of entity in Russian ports segment[4]	**(3,345)**	(4,311)
Tax charge	**30,124**	48,973

[1] The applicable tax rate used for 2012 and 2011 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.

[2] For subsidiaries incorporated in Estonia the profits earned by enterprises are not subject to income tax. The effect on the profit before tax is included within 'Income not subject to tax – VEOS segment' in the tax reconciliation note. The withholding tax rate for dividend distribution is 21% and the effect is included within 'Withholding tax on undistributed profits'.

[3] Included within 'Withholding tax on undistributed profits' in the tax reconciliation note for 2011 is deferred tax provision of US$21,363 thousand due to the change in intention for distribution of profits of entities in VEOS segment. In 2011 there was a change in intention for distribution of profits in VEOS segment (the applicable dividend tax rate is 21%) and it was no longer probable that dividend distributions would not be made in the foreseeable future. This resulted in the recognition of one-off deferred tax provision in the amount of US$8,914 thousand (relates to the profits earned in the prior periods) and US$12,449 thousand relating to the undistributed profits of 2011.

[4] The statutory tax rate for OAO Petrolesport (hereinafter "Petrolesport", included in Russian ports segment) is 15.5% (2011: 15.5%) because of tax benefits granted by the authorities of St. Petersburg. Effective from 31 December 2009 the tax rate for Petrolesport is 15.5% for the three years that the benefit is granted and 20% thereafter. Due to the changes in the local tax legislation this entity applied the normal tax rate of 20% starting from 1 January 2012. In September 2012 the authorities of St. Petersburg clarified their position in relation the new legislation. Based on clarifications received Petrolesport is eligible to utilise the tax benefit of 4.5% for the period from effective from 1 January 2012 till 31 December 2013. The effect of this benefit is shown in the tax reconciliation note above as 'Tax effect of reduced tax rates of entity in Russian ports segment'.

The statutory tax rate for the Finnish entities is 26%. Due to the changes in the tax legislation the tax rate was lowered to 24.5% starting from 1 January 2012. This has no significant impact on the tax charge of the Group.

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.

Notes to the consolidated financial statements (continued)

10 INCOME TAX EXPENSE (continued)

The Company and its Cypriot subsidiaries are subject to corporation tax on taxable profits at the rate of 10%. Under certain conditions interest may be exempt from income tax and only subject to defence contribution at the rate of 10% (increased to 15% as from 31 August 2011). In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15% (increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013).

11 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	
	2012	2011
Included in 'finance costs' (Note 9)	**8,565**	(18,980)
Included in 'other (losses)/gains – net' (Note 7)	**(274)**	606
Total	**8,291**	(18,374)

12 BASIC AND DILUTED EARNINGS PER SHARE

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

	For the year ended 31 December	
	2012	2011
Profit attributable to the owners of the parent of the Company – in thousands of US dollars	**107,822**	134,123
Weighted average of ordinary shares in issue (thousands)	**470,000**	460,000
Basic and diluted earnings per share for profit attributable to the owners of the parent (expressed in US$ per share)	**0.23**	0.29

13 DIVIDEND DISTRIBUTION

During 2012 the Company has declared and paid dividends to the equity holders of the Company amounting to US$79,900 thousand (US$0.17 per share)[1].

During 2012 dividend payments from Group companies to non-controlling interests amounted to US$14,925 thousand.

On 14 December 2012 the Board of Directors recommended the payment of a dividend for the previous years in the total amount of US$79,900 thousand (US$0.17 per share). This dividend was approved on 23 January 2013 at the Company's Shareholders' Extraordinary General Meeting. These consolidated financial statements do not reflect this as dividend payable.

The Board of Directors of the Company recommends the payment of a dividend for the year 2012 amounting to US$[37.6] million (US$[0.08] per share). The dividend is subject to approval by the shareholders at the Annual General Meeting. These financial statements do not reflect the dividend payable.

During 2011 the Company has declared and paid dividends to the equity holders of the Company amounting to US$53,200 thousand (US$0.116 per share)[2].

During 2011 dividend payments from Group companies to non-controlling interests amounted to US$11,150 thousand.

[1] The weighted average number of ordinary shares in 2012 was 470 million.
[2] The weighted average number of ordinary shares in 2011 was 460 million.

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 2011							
Cost	342,483	453,997	29,172	155,846	94,384	2,943	1,078,825
Accumulated depreciation and impairment	–	(102,377)	–	(51,897)	(35,516)	(2,344)	(192,134)
Net book amount	342,483	351,620	29,172	103,949	58,868	599	886,691
Additions	130	43,174	37,047	16,839	6,101	480	103,771
Transfers	1,268	4,294	(9,444)	9,108	(5,167)	(59)	–
Disposals	–	(239)	(183)	(1,147)	(68)	(8)	(1,645)
Depreciation charge (Note 6)	–	(26,681)	–	(16,024)	(7,012)	(374)	(50,091)
Translation reserve	(18,361)	(18,526)	(3,766)	(5,631)	(2,446)	(35)	(48,765)
Closing net book amount	325,520	353,642	52,826	107,094	50,276	603	889,961
At 31 December 2011							
Cost	325,520	479,727	52,826	179,912	93,498	3,144	1,134,627
Accumulated depreciation and impairment	–	(126,085)	–	(72,818)	(43,222)	(2,541)	(244,666)
Net book amount	325,520	353,642	52,826	107,094	50,276	603	889,961

Notes to the consolidated financial statements (continued)

14 PROPERTY, PLANT AND EQUIPMENT (continued)

(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 2012							
Cost	325,520	479,727	52,826	179,912	93,498	3,144	**1,134,627**
Accumulated depreciation and impairment	–	(126,085)	–	(72,818)	(43,222)	(2,541)	**(244,666)**
Net book amount	325,520	353,642	52,826	107,094	50,276	603	**889,961**
Additions	175	36,781	34,132	30,816	8,658	357	**110,919**
Transfers	–	15,284	(29,513)	156	14,087	(14)	**–**
Disposals	(1,619)	(4,049)	(82)	(315)	(287)	(22)	**(6,374)**
Depreciation charge (Note 6)	–	(33,794)	–	(19,197)	(10,552)	(350)	**(63,893)**
Impairment charge (Note 4(a)(iii))	(16,994)	(31,158)	(3,389)	–	–	–	**(51,541)**
Translation reserve	19,411	18,054	2,745	6,237	2,494	30	**48,971**
Closing net book amount	326,493	354,760	56,719	124,791	64,676	604	**928,043**
At 31 December 2012							
Cost	343,487	536,390	60,108	213,111	110,451	2,994	**1,266,541**
Accumulated depreciation and impairment	(16,994)	(181,630)	(3,389)	(88,320)	(45,775)	(2,390)	**(338,498)**
Net book amount	326,493	354,760	56,719	124,791	64,676	604	**928,043**

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	
	2012	2011
Net book amount	**6,374**	1,645
Less: Termination of finance leases and write-offs of property, plant and equipment	**(4,464)**	(2,941)
	1,910	(1,296)
Profit on sale of property, plant and equipment[1]	**741**	1,350
Proceeds from sale of property, plant and equipment	**2,651**	54

[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	
	2012	2011
Buildings and constructions	**18,405**	13,928
Loading equipment	**29,232**	19,904
Other production equipment	**19**	48
Other assets	**–**	3
Total	**47,656**	33,883

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

(in thousands of US dollars)	As at 31 December	
	2012	2011
Land	**32,193**	37,447
Buildings and constructions	**67,902**	100,979
Construction in progress	**–**	2,533
Loading equipment and machinery	**32,962**	37,615
Other production equipment	**11,943**	15,113
Total	**145,000**	193,687

Depreciation expense amounting to US$62,855 thousand in 2012 (2011: US$48,972 thousand) has been charged to 'cost of sales' and US$1,038 thousand in 2012 (2011: US$1,119 thousand) has been charged to 'administrative, selling and marketing' expenses.

The amount of the borrowing costs capitalised during the period was US$562 thousand (2011: US$289 thousand), the average capitalisation rate was 4.9% (2011: 6.1%).

Lease rentals relating to the lease of machinery and property amounting to US$4,638 thousand in 2012 (2011: US$5,524 thousand) have been charged to 'cost of sales' and US$2,476 thousand in 2012 (2011: US$2,015 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2012 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US$30,574 thousand (2011: US$39,530 thousand).

Impairment charge related to property, plant and equipment amounting to US$51,541 thousand in 2012 has been charged to 'cost of sales' in the consolidated income statement.

Notes to the consolidated financial statements (continued)

15 INTANGIBLE ASSETS

(in thousands of US dollars)	Goodwill	Contractual rights	Client base	Computer software	Total
At 1 January 2011					
Cost	118,320	49,457	33,832	9,500	211,109
Accumulated amortisation and impairment	–	(15,931)	(15,247)	(8,140)	(39,318)
Net book amount	118,320	33,526	18,585	1,360	171,791
Additions	–	20,152	–	330	20,482
Amortisation charge (Note 6)	–	(3,828)	(3,916)	(428)	(8,172)
Translation reserve	(5,098)	(1,238)	(623)	139	(6,820)
Closing net book amount	113,222	48,612	14,046	1,401	177,281
At 31 December 2011					
Cost	113,222	68,178	33,067	9,876	**224,343**
Accumulated amortisation and impairment	–	(19,566)	(19,021)	(8,475)	**(47,062)**
Net book amount	113,222	48,612	14,046	1,401	**177,281**
Additions	–	–	–	202	**202**
Amortisation charge (Note 6)	–	(3,634)	(3,248)	(461)	**(7,343)**
Impairment charge (Note 4(a)(iii))	(6,484)	–	–	–	**(6,484)**
Translation reserve	4,637	1,221	719	92	**6,669**
Closing net book amount	111,375	46,199	11,517	1,234	**170,325**
At 31 December 2012					
Cost	111,375	70,734	32,688	9,702	**224,499**
Accumulated amortisation and impairment	–	(24,535)	(21,171)	(8,468)	**(54,174)**
Net book amount	111,375	46,199	11,517	1,234	**170,325**

In June 2011, the Group acquired a leasehold title to a land plot, adjacent to the existing PLP site. The lease agreement expires in 2053. As a result the carrying amount of intangible assets increased by US$ 20.1 million. This area will be used for further capacity expansion in PLP.

As at 31 December 2012 the remaining useful lives for contractual rights and client base were 2–43 years and 3.5 years respectively (2011: 3–44 years and 4.5 years respectively).

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	
	2012	2011
PLP (Russian ports segment)	**8,324**	7,853
VSC (Russian ports segment)	**10,922**	10,304
MD (Russian ports segment)	**37,840**	35,697
YLP (Russian ports segment)	**–**	6,117
AS V.E.O.S. (VEOS segment)	**49,777**	48,826
Finnish ports (Finnish ports segment)	**4,512**	4,425
Total	**111,375**	113,222

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

16 FINANCIAL INSTRUMENTS BY CATEGORY

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

(in thousands of US dollars)	As at 31 December	
	2012	2011
Loans and receivables		
Financial assets as per balance sheet:		
Trade and other receivables[1]	**45,732**	51,671
Bank deposits with maturity over 90 days	**13,854**	3,884
Cash and cash equivalents	**89,644**	137,068
Total	**149,230**	192,623
Financial liabilities measured at amortised cost		
Financial liabilities as per balance sheet:		
Borrowings	**333,109**	206,938
Trade and other payables[2]	**26,401**	22,197
Total	**359,510**	229,135

[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 neither past due or impaired can be assessed by reference to external and internal sources of information like business reputation, financial position and performance, prior working history records. Customers with longer history of working with the Group are regarded by management as having lower risk of default.

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

(in thousands of US dollars)	As at 31 December	
	2012	2011
Trade and other receivables		
Core customers – new (less than one year of working history with the Group)	**813**	400
Core customers – existing (more than one year of working history with the Group)	**18,106**	14,242
Related party loans	**11,844**	22,711
Loans to third parties	**230**	223
Bank deposits with maturity over 90 days	**13,854**	3,884
Trade and other receivables from other customers (third parties)	**5,810**	7,540
Trade and other receivables from related parties	**1,779**	9
Total	**52,436**	49,009

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

Notes to the consolidated financial statements (continued)

17 CREDIT QUALITY OF FINANCIAL ASSETS (continued)

Cash at bank and short-term bank deposits:

(in thousands of US dollars)		As at 31 December	
Agency	Rating	**2012**	2011
International rating agency Moody's Investors Service	A1 – Aa3	**55,243**	101,659
International rating agency Moody's Investors Service	Baa1 – Ba3	**33,627**	34,857
Russian rating agency Expert RA Rating Agency	A – B+	**–**	154
Standard&Poor's rating services	BB/B – B-	**217**	–
Fitch Ratings	BBB+	**163**	–
Russian rating agency AK&M Rating Agency	A	**358**	–
* No rating	No rating	**36**	398
Total		**89,644**	137,068

* 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 respective group entities.

18 INVENTORIES

(in thousands of US dollars)	As at 31 December	
	2012	2011
Spare parts	**4,919**	5,194
Goods for resale	**1,066**	1,096
Total	**5,985**	6,290

All inventories are stated at cost.

19 TRADE AND OTHER RECEIVABLES

(in thousands of US dollars)	As at 31 December	
	2012	2011
Trade receivables – third parties	**28,839**	27,610
Trade receivables – related parties (Note 30 (e))	**1,751**	4
Trade receivables – net	**30,590**	27,614
Other receivables	**2,920**	1,118
Other receivables – related parties (Note 30 (e))	**28**	5
Prepayments for goods and services	**11,387**	12,836
Prepayments for goods and services – related parties (Note 30 (e))	**396**	747
Loans to third parties	**350**	223
Loans to related parties (Note 30 (h))	**11,844**	22,711
VAT and other taxes recoverable	**12,573**	18,381
Total trade and other receivables	**70,088**	83,635
Less non-current portion:		
Loans to related parties	**(11,083)**	(7,986)
Other receivables	**(1,593)**	(377)
Total non-current portion	**(12,676)**	(8,363)
Current portion	**57,412**	75,272

See Note 20 for the ratings of banks holding deposits with maturity over 90 days.

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 effective interest rate on loans receivable from third parties and related parties were in the range from 3.8% to 8.1% (2011: from 3.8% to 8.1%).

Trade and other receivables amounting to US$26,508 thousand (31 December 2011: US$22,191 thousand), were fully performing.

Trade and other receivables are impaired only when there is an indication that the customer is unable to repay the balance. Trade and other receivables amounting to US$7,030 thousand (31 December 2011: US$6,546 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 analyses of past due trade and other receivables is as follows:

(in thousands of US dollars)	As at 31 December	
	2012	2011
Less than 1 month overdue	**4,378**	4,230
From 1 to 3 months overdue	**2,095**	1,656
From 3 to 6 months overdue	**201**	129
Over 6 months overdue	**356**	531
Total	**7,030**	6,546

During 2012 trade receivables amounting to US$2,379 thousand (2011: US$4,801 thousand) were impaired and written off in full.

The movement on the Group provision for impairment of trade receivables is as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
At the beginning of the year	**–**	5,184
Provision for receivables impairment	**2,413**	120
Unused amounts reversed	**(34)**	(660)
Receivables written off during the year as uncollectible	**(2,379)**	(4,801)
Foreign exchange differences	**–**	157
At the end of the year	**–**	–

US$120 thousand of loans to third parties (31 December 2011: nil) were past due but not impaired.

The other classes within trade and other receivables do not contain impaired assets except as disclosed in Note 3(b).

The creation and release of allowance and write off of impaired receivables have been included in 'administrative, selling and marketing expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Notes to the consolidated financial statements (continued)

19 TRADE AND OTHER RECEIVABLES (continued)

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	
	2012	2011
Currency:		
US dollar	**17,499**	13,873
Russian Rouble	**37,881**	38,508
Euro	**14,708**	31,254
Total	**70,088**	83,635

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 BANK DEPOSITS WITH MATURITY OVER 90 DAYS

(in thousands of US dollars)	As at 31 December	
	2012	2011
Bank deposits with maturity over 90 days	**13,854**	3,884
Total	**13,854**	3,884

Bank deposits that have a maturity over 90 days are denominated in Euro (2011: Euro) and the interest rate is 5.9% (2011: 2.2%) per annum. The bank credit rating according to International rating agency Moody's Investors Service is Baa2 (2011: A1).

21 CASH AND CASH EQUIVALENTS

(in thousands of US dollars)	As at 31 December	
	2012	2011
Cash at bank and in hand	**40,515**	21,460
Short term bank deposits (less than 90 days)	**49,129**	115,608
Total	**89,644**	137,068

The effective interest rate on short-term deposits was 1.8% in 2012 (2011: 1.5%) and these deposits have a maturity of 19 days in 2012 (2011: 46 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	
	2012	2011
Cash and cash equivalents	**89,644**	137,068
Total	**89,644**	137,068

22 SHARE CAPITAL AND SHARE PREMIUM

In June 2011 the authorised share capital of the Company increased from US$45,000 thousand divided into 450,000,000 shares of US$0.10 each to US$53,000 thousand divided into 530,000,000 ordinary shares of US$0.10 each.

As mentioned in note 1, in June 2011 the Company successfully completed an IPO of GDRs. The IPO included an offering by the Company of 6,666,667 GDRs with each GDR representing an interest in three ordinary shares of the Company. The offering price was US$15 per GDR (the equivalent of US$5 per ordinary share).

As a result of the IPO, the Company issued 20,000,001 ordinary shares of par value US$0.10 each at the price of US$5 per share (the share premium was US$4.90 per share). These shares were fully paid in the amount of US$100 million resulting in an increase of the share capital and share premium by US$2 million and US$98 million respectively. An amount of US$3,407 thousand out of the total expenses directly attributable to the new shares issued was written off against share premium.

All issued shares are fully paid.

On 16 October 2012 the Company converted 176,250,000 of its authorised and issued ordinary shares into ordinary non-voting shares. As a result the issued share capital of the Company consists of 293,750,001 ordinary shares and of 176,250,000 ordinary non-voting shares with a par value of US$0.10 each, and authorised share capital of the Company consists of 353,750,000 ordinary shares and 176,250,000 of 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 2011	450,000	45,000	359,920	404,920
Ordinary shares issued	20,000	2,000	94,593	96,593
At 31 December 2011/31 December 2012	**470,000**	**47,000**	**454,513**	**501,513**

23 BORROWINGS

(in thousands of US dollars)	As at 31 December	
	2012	2011
Non-current borrowings		
Bank loans	**207,482**	108,588
Finance lease liabilities	**27,253**	21,617
Loans from third parties	**25,650**	22,921
Interest payable on loans from third parties	**2,910**	1,429
Total non-current borrowings	**263,295**	154,555
Current borrowings		
Bank loans	**58,171**	28,041
Interest payable on bank loans	**1,558**	743
Finance lease liabilities	**8,071**	5,895
Interest payable on finance lease liabilities	**1,085**	949
Loans from third parties	**841**	16,620
Interest payable on loans from third parties	**88**	135
Total current borrowings	**69,814**	52,383
Total borrowings	**333,109**	206,938

Notes to the consolidated financial statements (continued)

23 BORROWINGS (continued)

The loans from third parties relate mainly to loans from other venturers that exist in the joint ventures where the Group is a participant. As at 31 December 2011 the current portion of loans from third parties included the unsettled balance US$13,985 thousand of a liability owed by AS VEOS to the other venturer. In 2011 AS VEOS repurchased 10% of its share capital in total, equally from its two venturers. The redemption of shares was partly settled in cash in 2011 and the remaining unsettled balance was fully repaid in 2012.

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

(in thousands of US dollars)	As at 31 December	
	2012	2011
Between 1 and 2 years	**121,990**	35,570
Between 2 and 5 years	**103,440**	82,671
Over 5 years	**10,612**	14,697
Total	**236,042**	132,938

Bank borrowings mature until 2017 (31 December 2011: 2017) and loans from third parties mature until 2020 (31 December 2011: 2020).

Finance lease liabilities – minimum lease payments:

(in thousands of US dollars)	As at 31 December	
	2012	2011
Under 1 year	**10,509**	7,783
Between 1 and 2 years	**6,882**	6,063
Between 2 and 5 years	**8,663**	8,055
Over 5 years	**109,674**	73,261
Total	**135,728**	95,162
Future finance charges of finance leases	**(99,319)**	(66,701)
Present value of finance lease liabilities	**36,409**	28,461
The present value of finance lease liabilities is analysed as follows:		
Under 1 year	**9,156**	6,842
Between 1 and 2 years	**5,078**	4,596
Between 2 and 5 years	**2,607**	3,917
Over 5 years	**19,568**	13,106
Total	**36,409**	28,461

According to the management's estimates the carrying amount of borrowings do not materially differ from their fair value as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the appropriate Libor and Euribor rates.

23 BORROWINGS (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows (the table excludes interest payable):

(in thousands of US dollars)	As at 31 December	
	2012	2011
6 months or less	**228,444**	61,735
6–12 months	**36,063**	45,476
1–5 years	**28,365**	65,996
Over 5 years	**34,141**	30,475
Total	**327,013**	203,682

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

(in thousands of US dollars)	As at 31 December	
	2012	2011
Russian Rouble	**27,018**	13,935
US Dollar	**279,674**	144,833
Euro	**26,417**	48,170
Total	**333,109**	206,938

The weighted average effective interest rates are as follows:

(percentage)	As at 31 December	
	2012	2011
Bank borrowings	**5.25**	5.40
Loans from third parties	**6.62**	6.42
Finance lease liabilities – third parties	**9.11**	8.92

The Group has the following undrawn borrowing facilities:

(in thousands of US dollars)	As at 31 December	
	2012	2011
Floating rate:		
Expiring after one year	**69,000**	14,258
Expiring within one year	**12,075**	20,000
Fixed rate:		
Expiring within one year	**1,970**	–
Total	**83,045**	34,258

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

Notes to the consolidated financial statements (continued)

23 BORROWINGS (continued)

The bank loans and overdrafts are secured as follows:

- by the pledge of the property, plant and equipment with carrying amount as at 31 December 2012 of US$145,000 thousand (31 December 2011: US$193,687 thousand) (see Note 14).
- the bank loan given to a group entity in Russian ports segment is secured also by the pledge of shares of that group entity.

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

Agreements of the bank loans given to some of the subsidiaries of the Group include certain covenants which set forth certain financial ratios that have to be complied with. There were no breaches of covenants as at 31 December 2012 and 2011.

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	
	2012	2011
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	**(91,392)**	(110,819)
Deferred tax liabilities (net)	**(91,392)**	(110,819)

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

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
At the beginning of the year	**(110,819)**	(100,829)
Income statement charge:		
Deferred tax credit/(charge)	**24,968**	(14,656)
Currency translation differences	**(5,541)**	4,666
At the end of the year	**(91,392)**	(110,819)

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	Other assets	Other liabilities	Total
At 1 January 2011	(84,406)	(10,017)	(7,861)	(139)	707	887	(100,829)
Income statement (Note 10)	(1,375)	(13,929)	1,285	29	(96)	(570)	(14,656)
Translation differences	4,555	(68)	312	2	(143)	8	4,666
At 31 December 2011	**(81,226)**	**(24,014)**	**(6,264)**	**(108)**	**468**	**325**	**(110,819)**
Income statement (Note 10)	**9,931**	**13,115**	**1,197**	**49**	**661**	**15**	**24,968**
Including deferred tax credit on impairment (Note 4(a)(iii))	**10,308**	**–**	**–**	**–**	**–**	**–**	**10,308**
Translation differences	**(4,825)**	**(156)**	**(354)**	**(115)**	**67**	**(158)**	**(5,541)**
At 31 December 2012	**(76,120)**	**(11,055)**	**(5,421)**	**(174)**	**1,196**	**182**	**(91,392)**

25 TRADE AND OTHER PAYABLES

(in thousands of US dollars)	As at 31 December	
	2012	2011
Trade payables – third parties	**7,974**	9,541
Trade payables – related parties (Note 30(f))	**511**	145
Payables for property, plant and equipment	**5,261**	1,265
Other payables – third parties	**2,324**	3,354
Other payables – related parties (Note 30(f))	**1,226**	–
Payroll payable	**4,821**	4,975
Accrued expenses and deferred gains	**4,907**	3,681
Advances received	**16,474**	16,332
Taxes payable (other than income tax)	**6,068**	3,936
Total trade and other payables	**49,566**	43,229
Less non-current portion:		
Deferred gains	**(467)**	(610)
Other payables – third parties	**(1,532)**	(1,502)
Total non-current portion	**(1,999)**	(2,112)
Current portion	**47,567**	41,117

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

26 JOINT VENTURES

(a) CD Holding Oy (former Container-Depot Limited Oy)/Multi-Link Terminals Limited

The following amounts represent the Group's 75% share of the assets and liabilities, sales and results for the joint ventures of CD and MLT groups (comprising of entities in Finnish ports segment and MD and YLP in Russian ports segment, see Note 5). They are included in the balance sheet and the income statement:

(in thousands of US dollars)	As at 31 December	
	2012	2011
Assets		
Non-current assets	**114,370**	165,868
Current assets	**16,871**	15,251
Total assets	**131,241**	181,119
Liabilities		
Non-current liabilities	**105,352**	113,034
Current liabilities	**18,174**	21,454
Total liabilities	**123,526**	134,488
Net assets	**7,715**	46,631
Income	**46,453**	50,807
Expenses	**(88,252)**	(56,268)
Loss after income tax	**(41,799)**	(5,461)
Proportionate interest in joint venture's commitments	**248**	447

Notes to the consolidated financial statements (continued)

26 JOINT VENTURES (continued)

(b) AS V.E.O.S.

The following amounts represent the Group's 50% share of the assets and liabilities, sales and results for the joint venture. They are included in the balance sheet and the income statement:

(in thousands of US dollars)	As at 31 December	
	2012	2011
Assets		
Non-current assets	**167,265**	162,415
Current assets	**27,862**	13,446
Total assets	**195,127**	175,861
Liabilities		
Non-current liabilities	**1,931**	1,969
Current liabilities	**74,827**	38,214
Total liabilities	**76,758**	40,183
Net assets	**118,369**	135,678
Income	**116,821**	142,888
Expenses	**(85,530)**	(83,605)
Profit after income tax	**31,291**	59,283
Proportionate interest in joint venture's commitments	**764**	5,843

27 CONTINGENCIES

Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory framework is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors. The future economic and regulatory situation may differ from management's current expectations. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

Estonia and Finland represent well established market economies with the stable political systems and developed legislation based on EU directives and regulations.

27 CONTINGENCIES (continued)

Tax legislation in Russia

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant 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 of review. Under certain circumstances reviews may cover longer periods.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice. Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

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.

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 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 2012 and 2011 management believes that no additional tax liability has to be accrued in the financial statements.

Insurance policies

The Group holds insurance policies in relation to its loading machinery and facilities and in respect of public third party liability. The Group does not have full insurance for business interruption or third party liability in respect of environmental damage except for AS V.E.O.S.

Notes to the consolidated financial statements (continued)

27 CONTINGENCIES (continued)

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 cleanup of contaminated sites.

Issues related to protection of water resources in Russia are regulated primarily by 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 continually 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.

Legal proceedings

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 material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

28 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	
	2012	2011
Property, plant and equipment	**23,928**	37,915
Total	**23,928**	37,915

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	
	2012	2011
Not later than 1 year	**682**	1,264
Later than 1 year and not later than 5 years	**2,318**	3,172
Later than 5 years	**13,875**	12,369
Total	**16,875**	16,805

28 COMMITMENTS (continued)

Operating lease commitments – Group as lessor

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

(in thousands of US dollars)	As at 31 December	
	2012	2011
Not later than 1 year	**12**	–
Total	**12**	–

29 TRANSACTIONS WITH NON-CONTROLLING INTEREST

On 22 October 2012, the Group acquired the remaining 25% of Railfleet Holdings Ltd, 100% owner of Vostochnaya Stevedoring Company LLC ("VSC"), from the non-controlling interest for a purchase consideration of US$230 million.

The effect of this transaction is as follows:

(in thousands of US dollars)	For the year ended 31 December
	2012
Carrying amount of non-controlling interest acquired	**19,624**
Consideration paid to non-controlling interest	**230,000**
Excess of consideration paid recognised in the Group's equity	**210,376**

30 RELATED PARTY TRANSACTIONS

The Group is jointly controlled by TIHL and APM Terminals (Note 1). Until 28 November 2012 TIHL owned and controlled 75% of the Company's shares (the ultimate controlling party was Mirbay International Inc, Bahamas).

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.

Notes to the consolidated financial statements (continued)

30 RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties:

(a) Sale of services

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
TIHL	**1**	–
Entities under control of owners of TIHL and APM Terminals	**4,646**	123
Joint ventures in which GPI is a venturer	**–**	41
Other related parties	**55**	6
Total	**4,702**	170

(b) Purchase of property, plant and equipment

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Entities under control of owners of TIHL and APM Terminals	**14**	115
Other related parties	**5**	–
Total	**19**	115

(c) Purchases of services and incurred expenses

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Entities under control of owners of TIHL and APM Terminals	**2,264**	1,840
Joint ventures in which GPI is a venturer	**293**	–
Other related parties	**4,250**	3,625
Total	**6,807**	5,465

(d) Interest income and expenses

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Interest income:		
Joint ventures in which GPI is a venturer	**923**	1,615
Other related parties	**–**	16
Total	**923**	1,631
Interest expense:		
TIHL	**212**	1,208
Total	**212**	1,208

30 RELATED PARTY TRANSACTIONS (continued)

(e) Trade, other receivables and prepayments

(in thousands of US dollars)	As at 31 December	
	2012	2011
Entities under control of owners of TIHL and APM Terminals	**2,128**	643
Joint ventures in which GPI is a venturer	**–**	2
Other related parties	**47**	111
Total	**2,175**	756

(f) Trade and other payables

(in thousands of US dollars)	As at 31 December	
	2012	2011
Entities under control of owners of TIHL and APM Terminals	**1,269**	12
Joint ventures in which GPI is a venturer	**6**	2
Other related parties	**462**	131
Total	**1,737**	145

(g) Key management compensation/directors' remuneration

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
Key management compensation:		
Salaries, payroll taxes and other short term employee benefits	**6,329**	5,557
Directors' remuneration (included also above):		
Fees	**512**	740
Emoluments in their executive capacity	**416**	392
Total	**928**	1,132

(h) Loans to related parties

The details of loans provided 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	
	2012	2011
At the beginning of the year	**22,711**	6,498
Loans advanced during the year	**2,758**	670
Interest charged	**923**	1,615
Loan and interest repaid during the year	**(14,585)**	(26,046)
Loan receivable from VEOS (non-cash transaction) [1]	**–**	37,634
Foreign exchange differences	**37**	2,340
At the end of the year (Note 19)	**11,844**	22,711

[1] In 2011 AS VEOS repurchased 10% of its share capital in total equally from its two venturers. The redemption of shares was partly settled in cash and the unsettled balance was converted to an interest bearing loan fully repaid in 2012. This asset comprises of the amount owed by AS VEOS to the Group that is attributable to the other venturer.

The loans are not secured, bear interest at 3.8 – 8.1% (2011: 3.8 – 8.1%) and are repayable between 2012 and 2018.

Notes to the consolidated financial statements (continued)

30 RELATED PARTY TRANSACTIONS (continued)

(h) Loans to related parties (continued)

The details of loans provided to other related parties are presented below:

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
At the beginning of the year	**–**	–
Loans advanced during the year	**–**	850
Interest charged	**–**	16
Loan and interest repaid during the year	**–**	(866)
At the end of the year (Note 19)	**–**	–

(i) Loans from related parties

The details of loans received from TIHL by the various Group entities are presented below:

(in thousands of US dollars)	For the year ended 31 December	
	2012	2011
At the beginning of the year	**–**	44,292
Loans received during the year	**145,000**	–
Loan and interest repaid during the year	**(145,212)**	(47,361)
Interest charged	**212**	1,208
Foreign exchange differences	**–**	1,861
At the end of the year (Note 23)	**–**	–

The loans were provided at interest rates of 2.32% (2011: 7–10%).

(j) Guarantees and pledges

During 2009 two entities within Russian ports segment granted a corporate guarantee covering the non-performance by TIHL in respect of a bank loan with a balance US$40 million on 31 December 2010. The guarantee was provided free of charge and was valid for 18 months.

In April 2010 the guarantee was prolonged for a further period of two years. The prolongation of the guarantee was recognised at an estimated fair value of US$3,000 thousand (deferred tax – US$600 thousand; net of deferred tax – US$2,400 thousand), through retained earnings in equity as it was a transaction with the shareholders.

In May 2011, the guarantees granted by entities within Russian ports segment in respect of TIHL's indebtedness under a bank loan were released. The amortisation charged through the income statement amounted to US$2,000 thousand in 2011 within 'Other (losses)/gains – net' (see Note 7).

31 EVENTS AFTER THE BALANCE SHEET DATE

On 23 January 2013 at the Company's Shareholders' Extraordinary General Meeting, the Shareholders approved the distribution of a dividend for previous years in the total amount of US$79.9 million (US$0.17 per share). These financial statements do not reflect the dividend payable.

On 15 March 2013, the Board of Directors of the Company recommended the payment of a dividend for the year 2012 amounting to US$37.6 thousand (US$0.08 per share). The dividend is subject to approval by the shareholders at the Annual General Meeting. These financial statements do not reflect the dividend payable.

There were no other material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent Auditor's Report is on pages 11–12.

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BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS

Mr. Nikita Mishin (appointed 15 December 2008)
Chairman of the Board of Directors
Non-executive Director
Member of Remuneration and Nomination Committees

Mr. Kim Fejfer (appointed 23 January 2013)
Vice Chairman of the Board of Directors
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

Capt. Bryan Smith (appointed 19 August 2008)
Senior Independent Non-Executive Director
Chairman of Remuneration and Nomination Committees

Mrs. Siobhan Walker (appointed 30 May 2011)
Independent Non-Executive Director
Chairman of Audit and Risk Committee

Dr. Alexander Nazarchuk (appointed 15 December 2008)
(Mr. Alexander Iodchin is the alternate to Dr. Alexander Nazarchuk)
Executive Director
Chief Executive Officer

Mr. Michalis Thomaides (appointed 29 February 2008)
Executive Director

Mr. Alexander Iodchin (appointed 18 August 2008)
Executive Director
Member of Nomination Committee

Mr. Mikhail Loganov (appointed 15 December 2008)
Non-Executive Director
Member of Remuneration and Audit and Risk Committees

Mr. Konstantin Shirokov (appointed 15 December 2008)
Non-Executive Director
Member of Audit and Risk Committee

Ms. Elia Nicolaou (appointed 22 June 2009, resigned on 23 January 2013)
Non-Executive Director

Mr. Alexander Pevzner (appointed 26 October 2009, resigned on 29 June 2012)
(Mr. Alexander Iodchin was the alternate to Mr. Alexander Pevzner)
Non-Executive Director

Board of Directors and other officers (continued)

BOARD OF DIRECTORS (continued)

Mr. Marios Tofaros (appointed 26 October 2009, resigned on 23 January 2013)
Non-Executive Director

Mr. Robert Dirk Korbijn (appointed 23 January 2013)
Non-Executive Director

Mr. Tiemen Meester (appointed 23 January 2013)
(Mrs. Iana Boyd is the alternate to Mr. Tiemen Meester)
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

Ms. Laura Michael (appointed 23 January 2013)
Non-Executive Director

Mr. Georgios Sofocleous (appointed 23 January 2013)
Non-Executive Director

Ms. Chrystalla Stylianou (appointed 23 January 2013)
Non-Executive Director

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

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited parent company financial statements of Global Ports Investments Plc (hereafter also referred to as "GPI" or the "Company") for the year ended 31 December 2012. These parent company 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

The principal activities of the Company, which is unchanged from the previous year, is the holding of investments including any interest earning activities.

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

The net profit of the Company for the year ended 31 December 2012 was US$116,361 thousand (2011: US$142,765 thousand). On 31 December 2012 the total assets of the Company were US$759,581 thousand (2011: US$723,938 thousand) and the net assets were US$758,624 thousand (2011: US$722,163 thousand). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal Risks and Uncertainties

The Company's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the financial statements.

The Company's contingencies are disclosed in Note 21 to the financial statements.

The Board has adopted a formal process to identify, evaluate and manage significant risks faced by the Company.

Future Developments of the Company

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

Results

The Company's results for the year are set out on page 14. The Board of Directors recommends the payment of a dividend as detailed below and the remaining profit for the year is retained.

Dividends

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 Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US Dollars. If dividends are not paid in US Dollars, they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

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. 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.

Dividends (continued)

During 2012 the Company declared and paid dividends in the total amount of US$79.9 million (US$0.17 per share[1]).

During 2011 the Company declared and paid dividends in the total amount of US$53.2 million (US$0.116 per share[2]).

On 14 December 2012 the Board of Directors recommended the payment of a dividend for previous years in the total amount of US$79.9 million (US$0.17 per share). This dividend was approved on 23 January 2013 at the Company's Shareholders' Extraordinary General Meeting. These financial statements do not reflect the dividend payable.

The Board of Directors of the Company recommends the payment of a dividend for the year 2012 amounting to US$37.6 million (US$0.08 per share). The dividend is subject to approval by the shareholders at the Annual General Meeting. These financial statements do not reflect the dividend payable.

Share Capital

On 30 May 2011 the Company increased its authorised share capital from US$45,000 thousand divided into 450,000,000 ordinary shares with a par value of US$0.10 per share to US$53,000 thousand divided into 530,000,000 ordinary shares with a par value of US$0.10 per share.

As a result of an initial public offering in the form of GDRs during 2011 (hereafter also referred as "IPO"), the Company issued 20,000,001 ordinary shares with a par value of US$0.10 each at price of US$5 per share (the share premium was US$4.9 per share). The shares were fully paid as described in Note 19.

On 16 October 2012 the Company converted 176,250,000 of its authorised and issued ordinary shares into ordinary non-voting shares. As a result, the issued share capital of the Company consists of 293,750,001 ordinary shares and of 176,250,000 ordinary non-voting shares with a par value of US$0.10 each, and the authorised share capital of the Company consists of 353,750,000 ordinary shares and 176,250,000 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.

The Role of the Board of Directors

GPI is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the successful performance of the Company.

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

[1] The average weighted number of ordinary shares in 2012 was 470 million.
[2] The average weighted number of ordinary shares in 2011 was 460 million.

Report of the Board of Directors (continued)

Members of the Board of Directors

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. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need for progressive system of refreshing of the Board.

The members of the Board of Directors at 31 December 2012 and at the date of this report are shown on pages 1 and 2. Mr. Kim Fejfer was appointed as a Non-Executive Director, Vice Chairman of the Board of Directors and a member of Remuneration, Nomination and Audit and Risk Committees on 23 January 2013. Mr. Tiemen Meester was appointed as a Non-Executive Director and a member of Remuneration, Nomination and Audit and Risk Committees on 23 January 2013. Mr. Robert Dirk Korbijn, Ms. Laura Michael, Mr. Georgios Sofocleous and Ms. Chrystalla Stylianou were appointed as Non-Executive Directors on 23 January 2013. Mr. Alexander Pevzner resigned on 29 June 2012. Ms. Elia Nicolaou and Mr. Marios Tofaros resigned on 23 January 2013. All other Directors were members of the Board throughout the year ended 31 December 2012.

The Board currently has 14 members and they were appointed as shown on pages 1–2.

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 Extraordinary General Meeting on 23 January 2013 all current Directors will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company.

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

There were no significant changes in the responsibilities of the Directors during 2012.

Directors' Interests

The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2012 and 31 December 2011 are shown below:

Name	Type of holding	**Shares held at 31 December 2012**	Shares held at 31 December 2011
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	**27,609,738 ordinary shares**	110,438,954 ordinary shares
		27,609,738 ordinary non-voting shares	

Total number of issued shares of the Company as at 31 December 2012 was 293,750,001 ordinary shares and 176,250,000 ordinary non-voting shares (as at 31 December 2011: 470,000,001 ordinary shares).

Board Performance

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

In 2012 the Board met formally 16 (2011: 12) times to review current performance and to discuss and approve important business decisions.

Board Performance (continued)

The number of Board and Board Committee meetings held in the year 2012 and the attendance of directors during these meetings is as follows:

	Board of Directors		Nomination Committee		Remuneration Committee		Audit and Risk Committee	
	A	B	A	B	A	B	A	B
Michalis Thomaides	16	15	–	–	–	–	–	–
Alexander Iodchin	16	16	2	2	–	–	–	–
Bryan Smith	16	16	2	2	2	2	–	–
Nikita Mishin	16	7	2	2	2	2	–	–
Alexander Nazarchuk	16	15	–	–	–	–	–	–
Mikhail Loganov	16	12	–	–	2	2	9	9
Konstantin Shirokov	16	16	–	–	–	–	9	9
Elia Nicolaou	16	14	–	–	–	–	–	–
Alexander Pevzner	3	3	–	–	–	–	–	–
Marios Tofaros	16	16	–	–	–	–	–	–
Siobhan Walker	16	16	–	–	–	–	9	9

A = Number of meetings eligible to attend during the year
B = Number of meetings attended

The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance is 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 Committees

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 as of the date of this report comprises five Non-Executive Directors, and meets at least four times a year. The Audit and Risk Committee is currently chaired by Mrs. Siobhan Walker (an Independent Non-Executive Director) and the other members are Mr. Mikhail Loganov, Mr. Konstantin Shirokov, Mr. Kim Fejfer (appointed on 23 January 2013) and Mr. Tiemen Meester (appointed on 23 January 2013). Throughout the year 2012 the Audit and Risk Committee comprised three Directors. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The Committee supervises and monitors, and advises the Board of Directors on risk management and control systems and the implementation of codes of conduct. In addition, the Committee supervises the submission of financial information by the Company and
a number of other audit-related issues and assesses the efficiency of the performance of the Chairman of the Board of Directors.

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 Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mr. Nikita Mishin, Mr. Alexander Iodchin, Mr. Kim Fejfer (appointed on 23 January 2013) and Mr. Tiemen Meester (appointed on 23 January 2013). Throughout the year 2012 the Nomination Committee comprised three Directors. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size and composition of the Board.
In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board given the Company'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 as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee.

Report of the Board of Directors (continued)

The Board Committees (continued)

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 Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mr. Nikita Mishin, Mr. Mikhail Loganov, Mr. Kim Fejfer (appointed on 23 January 2013) and Mr. Tiemen Meester (appointed on 23 January 2013). Throughout the year 2012 the Committee comprised three Directors. The Committee is responsible for determining and reviewing, among other matters, the remuneration of the executive directors and the Company's remuneration policies. The remuneration of Independent Directors is a matter for the chairman of the Board of Directors and the executive directors. No director or manager may be involved in any decisions as to his or her own remuneration.

Corporate Governance

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008 important policies and procedures.

The Company`s corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:

- Appointment policy;
- Terms of reference of the Board of Directors;
- Terms of reference of the Audit and Risk Committee;
- Terms of reference of the Nomination Committee;
- Terms of reference of the Remuneration Committee;
- Code of Ethics and Conduct;
- Antifraud policy;
- Anti-Corruption Policy; and
- Foreign Trade Controls Policy.

During the year 2012 the Shareholders of the Company approved the new Terms of Reference of the Board of Directors which came into force on 28 November 2012.

Board and Management Remuneration

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.

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.

The shareholders of the Company approved the remuneration of the members of the Board for the year 2012 on 17 April 2012.

Refer to Note 22 (iii) and Note 22 (vi) to the financial statements for details of the remuneration paid to the members of the Board and key management.

Events after the balance sheet date

On 23 January 2013 at the Company's Shareholders' Extraordinary General Meeting the Shareholders approved the distribution of a dividend for previous years in the total amount of US$79.9 million (US$0.17 per share). These financial statements do not reflect this dividend.

Events after the balance sheet date (continued)

On 15 March 2013, the Board of Directors of the Company recommended the payment of a dividend for the year 2012 amounting to US$37.6 million (US$0.08 per share). The dividend is subject to approval by the shareholders at the Annual General Meeting. These financial statements do not reflect the dividend payable.

There were no other material post balance sheet events, which have a bearing on the understanding of the financial statements.

Branches

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

Treasury shares

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

Going Concern

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 Company's budget for 2013, including cash flows and borrowing facilities, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future.

Auditors

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

By Order of the Board

Nikita Mishin

Chairman of the Board of Directors

Limassol
15 March 2013

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 14 to 40 have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit of the Company.

By Order of the Board

Michalis Thomaides
Director

Alexander Iodchin
Director

Limassol
15 March 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GLOBAL PORTS INVESTMENTS PLC

Report on the financial statements

We have audited the accompanying financial statements of parent company Global Ports Investments Plc (the "Company"), which comprise the balance sheet as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

Report on the financial statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company Global Ports Investments Plc as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 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.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The opinion in that report is not qualified.

Yiangos Kaponides
Certified Public Accountant and Registered Auditor

for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 15 March 2013

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Note	**2012 US$000**	2011 US$000
Dividend income	22 (i)	**132,363**	159,250
Interest income	5	**3,764**	796
Administrative expenses	7	**(5,417)**	(6,788)
Other losses – net	6	**(29)**	(3,713)
Impairment of investment in joint ventures	15	**(14,290)**	–
Operating profit		**116,391**	149,545
Finance cost	9	**–**	(6,116)
Profit before income tax		**116,391**	143,429
Income tax expense	10	**(30)**	(664)
Profit for the year		**116,361**	142,765
Other comprehensive income		**–**	–
Total comprehensive income for the year		**116,361**	142,765

The notes on pages 16 to 36 are an integral part of these financial statements.

BALANCE SHEET
at 31 December 2012

	Note	2012 US$000	2011 US$000
Assets			
Non-current assets			
Property, plant and equipment	13	**53**	19
Investments in subsidiaries	14	**507,180**	420,578
Investments in joint ventures	15	**143,003**	157,283
Loans receivable	16	**43,355**	29,996
Total non-current assets		**693,591**	607,876
Current assets			
Loans receivable	16	**3,881**	31,404
Trade and other receivables	17	**52,296**	210
Cash and cash equivalents	18	**9,813**	84,448
Total current assets		**65,990**	116,062
Total assets		**759,581**	723,938
Equity and liabilities			
Capital and reserves			
Share capital	19	**47,000**	47,000
Share premium	19	**454,513**	454,513
Capital contribution		**101,300**	101,300
Retained earnings		**155,811**	119,350
Total equity		**758,624**	722,163
Non-current liabilities			
Trade and other payables	20	**270**	–
Current liabilities			
Trade and other payables	20	**687**	1,392
Current income tax liabilities		**–**	383
Total current liabilities		**687**	1,775
Total liabilities		**957**	1,775
Total equity and liabilities		**759,581**	723,938

On 15 March 2013 the Board of Directors of Global Ports Investments Plc authorised these financial statements for issue.

Alexander Iodchin,
Director

Michalis Thomaides,
Director

The notes on pages 16 to 36 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Note	Share capital US$000	Share premium US$000	Capital contributions US$000	Retained earnings[1] US$000	Total US$000
Balance at 1 January 2011		45,000	359,920	101,300	29,785	536,005
Comprehensive income						
Profit for the year		–	–	–	142,765	142,765
Transactions with owners						
Issue of shares	19	2,000	94,593	–	–	96,593
Dividends to shareholders	19	–	–	–	(53,200)	(53,200)
Total transactions with owners		2,000	94,593	–	(53,200)	43,393
Balance at 31 December 2011/1 January 2012		**47.000**	**454,513**	**101,300**	**119,350**	**722,163**
Comprehensive income						
Profit for the year		–	–	–	116,361	116,361
Transactions with owners						
Dividends to shareholders	19	–	–	–	(79,900)	(79,900)
Total transactions with owners		–	–	–	(79,900)	(79,900)
Balance at 31 December 2012		**47,000**	**454,513**	**101,300**	**155,811**	**758,624**

[1] Retained earnings is the only reserve that is available for distribution in the form of dividends.

The notes on pages 16 to 36 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2012

	Note	2012 US$000	2011 US$000
Cash flows from operating activities			
Profit before tax		**116,391**	143,429
Adjustments for:			
Depreciation of property, plant and equipment	13	**17**	14
Impairment of investment in joint ventures	15	**14,290**	–
Dividend income	22 (i)	**(132,363)**	(159,250)
Interest income	5	**(3,198)**	(4,080)
Interest expense	9	**–**	2,568
Fair value losses on initial recognition of financial assets and liabilities	6	**175**	3,828
Financial guarantees	6	**430**	–
Amortisation of financial guarantee	6	**(17)**	–
Foreign exchange (gain)/loss		**(28)**	5,934
		(4,303)	(7,557)
Changes in working capital:			
Trade and other receivables		**30**	(142)
Trade and other payables		**(848)**	816
Cash used in operations		**(5,121)**	(6,883)
Tax paid		**(413)**	(282)
Net cash used in operating activities		**(5,534)**	(7,165)
Cash flows from investing activities			
Purchases of property, plant and equipment	13	**(65)**	–
Proceeds from disposal of property, plant and equipment	13	**14**	
Additional investments in subsidiaries	14	**(86,602)**	(10,083)
Additional investments in joint ventures	15	**(10)**	(106)
Proceeds from distributions from joint ventures	15	**–**	235
Loans advanced to related parties	22 (vi)	**(13,170)**	(8,874)
Loan repayments received from related parties	22 (vi)	**28,695**	49,242
Interest received		**1,529**	3,332
Dividends received		**80,408**	86,585
Net cash from investing activities		**10,799**	120,331
Cash flows from financing activities			
Proceeds from the issue of shares – net	19	**–**	96,593
Repayments of loans from related parties	22 (v)	**–**	(69,712)
Interest paid		**–**	(10,564)
Dividends paid to Company's shareholders	19	**(79,900)**	(53,200)
Net cash used in financing activities		**(79,900)**	(36,883)
Net increase in cash and cash equivalents		**(74,635)**	76,283
Cash and cash equivalents at beginning of year		**84,448**	8,165
Cash and cash equivalents at end of year	18	**9,813**	84,448

The notes on pages 16 to 36 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". For further details please refer to Note 19.

On 28 November 2012 Transportation Investments Holding Limited ("TIHL" or "N-Trans"), one of Russia's largest privately owned transportation groups, and APM Terminals B.V. ("APM Terminals"), a global port, terminal and inland services operator, have closed the deal in which APM Terminals agreed to acquire 37.5% of the shares of the Company from TIHL, and APM Terminals has now become the joint controlling shareholder of the Company together with TIHL.

As a result of the transaction, from 28 November 2012 each of N-Trans and APM Terminals now owns 88,125,000 of the Company's voting shares (constituting 18.75% of the Company's total issued shares corresponding to 30% of voting rights) and 88,125,000 of the Company's non-voting shares (constituting 18.75% of the Company's issued shares). Thus APM Terminals and N-Trans together own 75% of the Company's issued shares, corresponding to 60% of its voting rights. 25% of the Company's issued shares, corresponding to 40% of the Company's voting rights, are represented by GDRs.

Approval of the parent company financial statements

These parent company financial statements were authorized for issue by the Board of Directors on 15 March 2013.

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.

Notes to the financial statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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 2012 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

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

Consolidated financial statements

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU for the Company and its subsidiaries (the "Group"). A copy of the consolidated financial statements is available to the members, 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 2012 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 to published standards

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations adopted by the EU that are effective for the first time for the financial year beginning on 1 January 2012 adopted by the Company that had an impact on these separate financial statements of the parent company.

New standards and interpretations not yet adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these separate financial statements of the parent company. None of these is expected to have a significant effect on these separate financial statements of the parent company, except the following set out below:

(a) Not adopted by the European Union

- IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015). IFRS 9 replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

(i) Interest income

Interest income is recognised when it is probable that benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized on a time proportion basis using the effective interest method. When a loan receivable is impaired, the Company reduces the carrying amount to its recoverable amount being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(ii) Dividend income

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

Employee benefits

The Company and the employees contribute to the Cyprus Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "finance costs". Foreign exchange gains and losses that relate to loans receivable and cash and cash equivalents are presented in profit or loss within "interest income". All other foreign exchange gains and losses are presented in profit or loss within "other 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.

Notes to the financial statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred income tax (continued)

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 losses – net" in profit or loss.

Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. In its parent company financial statements, the Company carries the investments in subsidiaries at cost less any impairment.

The Company recognises income from investments in subsidiaries to the extent that the Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition.

Investments in joint ventures

Joint ventures are contractual arrangements whereby the Company together with other parties undertake an economic activity that is subject to joint control. In its parent company financial statements the Company carries its investments in joint ventures at cost less any impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

Loans

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date.
All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade 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, probability that the debtor will enter bankruptcy or delinquency in payments (more than 90 days overdue) are considered indicators that the trade 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 carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in profit or loss.

Share capital and share premium

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 recognized as share premium. Share premium is subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Dividend distribution

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

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

Leases

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

Notes to the financial statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the grant has been reliably measured. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extend 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.

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 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 losses – net'.

Trade payables

Trade 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 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 and in hand and deposits held at call with banks, with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparatives

Comparative figures have been adjusted to conform with changes in the presentation for the current year. As a result foreign exchange losses amounting to US$3,284 thousand arising from the retranslation of cash and cash equivalents and loans receivable denominated in a currency that is not the Company's functional currency are presented within interest income instead of finance costs. This reclassification did not have any impact on the opening balance sheet at 1 January 2011.

3 FINANCIAL RISK MANAGEMENT

(i) 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.

Market risk

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 Russian Rouble exchange rate strengthened/weakened by 10% (2011: 15%) against the US dollar and all other variables remained unchanged, the impact arising from the retranslation of loans receivable denominated in Russian Roubles on the post-tax profit of the Company for the year ended 31 December 2012 would not have been significant.

Had Euro exchange rate strengthened/weakened by 10% (2011:15%) against the US dollar and all other variables remained unchanged, the post-tax profit of the Company for the year ended 31 December 2012, would have (decreased)/increased by US$6,166 thousand (2011: US$5,893 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation
of dividends receivable, loans receivable, cash in bank and payables denominated in Euros.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

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 are at fixed rates.

Had market interest rates on Euro and United States dollar denominated floating interest bearing cash and cash equivalents shift by 100 basic points and all other variables remained unchanged, the post tax profit of the Company would not significantly change for the years ended 31 December 2012 and 31 December 2011. 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 2012 and 31 December 2011 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.

Notes to the financial statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(i) Financial risk factors (continued)

Market risk (continued)

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of loans receivable, dividends receivable and cash and cash equivalents.

The majority of receivables are with related parties. Management believes that there is no significant risk of loss to the Company. Finally, see Note 12 for credit quality of cash and cash equivalents.

At 31 December 2012 and 2011 none of the loans receivable or cash and cash equivalents were past due or impaired.

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.

	Less than 1 year US$000	1 to 2 years US$000	2 to 5 years US$000	Over 5 years US$000	Total US$000
At 31 December 2011					
Trade and other payables	1,392	–	–	–	1,392
	1,392				1,392
At 31 December 2012					
Trade and other payables	**544**	**–**	**–**	**–**	**544**
Financial guarantee *	**136,000**	**–**	**–**	**–**	**136,000**
	136,544	**–**	**–**	**–**	**136,544**

* Full amount payable if the loans guaranteed are non-performing (Note 22 (viii)).

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.

(ii) Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities 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.

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.

(i) 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 (based on value in use) 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 Company has performed an impairment test for the investment in the joint venture CD Holding Oy as at 31 December 2012. The cash flow projections cover a period of five years. Cash flows beyond that five-year period have been extrapolated using a steady terminal growth rate. The terminal growth rate applied in projections prepared as at 31 December 2012 was 3%. The discount rate applied was 11.7%. The key assumptions used were throughput volume and price per unit. As a result an impairment charge amounting to US$14,290 thousand was recognised (Note 15).

The impairment was caused mainly by a more moderate actual growth of the business than it was previously expected. If the estimated volumes handled are 5% lower, or the terminal growth rate is 1% lower, or the discount rate is 1% higher, then a further impairment charge would arise amounting to US$6.4 million, US$3.2 million and US$4.4 million respectively. If the estimated values handled were 5% higher, or the terminal growth is 1% higher, or the discount rate is 1% lower, then the impairment charge would be reduced by US$7.3 million, US$4.0 million and US$5.5 million respectively.

(ii) Critical judgments in applying the Company's accounting policies

There were no critical judgments in applying the Company's accounting policies.

5 INTEREST INCOME

	2012 US$000	2011 US$000
Interest income on bank balances	2	9
Interest income on short term deposits	205	316
Interest income on loans to related parties (Note 22(i))	2,991	3,755
Net foreign exchange gains/(losses) on cash and cash equivalents and loans receivable	566	(3,284)
	3,764	796

Notes to the financial statements (continued)

6 OTHER LOSSES – NET

	2012 US$000	2011 US$000
Net foreign exchange transaction gains on non-financing activities	**559**	115
Fair value losses on initial recognition of financial assets and liabilities (Note 22 (v) and (vi))	**(175)**	(3,828)
Financial guarantee (Note 22 (viii))	**(430)**	–
Amortisation of financial guarantee	**17**	–
	(29)	(3,713)

7 EXPENSES BY NATURE

	2012 US$000	2011 US$000
Depreciation of property, plant and equipment (Note 13)	**17**	14
Insurance	**192**	222
Auditors' remuneration	**640**	687
Staff costs (Note 8)	**1,037**	1,237
Advertising and promotion	**54**	129
Travelling expenses	**1,309**	1,981
Legal and consulting fees	**1,677**	1,949
Taxes other than on income	**304**	390
Office rent	**28**	29
Bank charges	**52**	26
Other expenses	**107**	124
Total administrative expenses	**5,417**	6,788

The auditors' remuneration stated above include fees of US$414 thousand (2011: US$452 thousand) for audit services charged by the Company's statutory audit firm.

The legal and consulting fees stated above include fees of US$24 thousand (2011: US$26 thousand) for tax consultancy services charged by the Company's statutory audit firm.

8 STAFF COSTS

	2012 US$000	2011 US$000
Wages and salaries	**993**	1,195
Social insurance costs	**40**	42
Other staff costs	**4**	–
	1,037	1,237

Notes to the financial statements (continued)

9 FINANCE COST

	2012 US$000	2011 US$000
Interest expense on bank overdrafts	–	8
Interest expense on loans from related parties (Note 22(i))	–	2,560
Net foreign exchange losses on borrowings	–	3,548
	–	6,116

10 INCOME TAX EXPENSE

	2012 US$000	2011 US$000
Current tax:		
Corporation tax	–	346
Defence contribution	30	43
Withholding tax	–	275
	30	664

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

	2012 US$000	2011 US$000
Profit before tax	116,391	143,429
Tax calculated at the applicable corporation tax rate of 10%	11,639	14,343
Tax effect of expenses not deductible for tax purposes	2,351	2,995
Tax effect of allowances and income not subject to tax	(13,894)	(17,019)
Tax effect of utilisation of prior year tax losses	–	(5)
Additional tax	–	32
Group relief	(96)	–
Special contribution for defence	30	43
Withholding tax	–	275
	30	664

The Company is subject to corporation tax on taxable profits at the rate of 10%.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 10%, increased to 15% as from 31 August 2011.

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident Companies may also be subject to special contribution for defence.

Notes to the financial statements (continued)

11 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables US$000	Total US$000
31 December 2011		
Assets as per balance sheet		
Non-current receivables	29,996	29,996
Current portion of loans receivable	31,404	31,404
Cash and cash equivalents	84,448	84,448
Total	145,848	145,848

	Other financial liabilities US$000	Total US$000
Liabilities as per balance sheet		
Trade and other payables	1,392	1,392
Total	1,392	1,392

	Loans and receivables US$000	Total US$000
31 December 2012		
Assets as per balance sheet		
Non-current receivables	**43,355**	**43,355**
Current portion of loans receivable	**3,881**	**3,881**
Trade and other receivables	**52,116**	**52,116**
Cash and cash equivalents	**9,813**	**9,813**
Total	**109,165**	**109,165**

	Other financial liabilities US$000	Total US$000
Liabilities as per balance sheet		
Trade and other payables	544	544
Financial guarantee	413	413
Total	957	957

Notes to the financial statements (continued)

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:

	2012 US$000	2011 US$000
Fully performing trade and other receivables		
Counterparties without external credit rating		
Group 1	**47,025**	61,193
Group 2	**52,116**	–
Group 3	**211**	207
	99,352	61,400
Cash at bank and short term bank deposits (Moody's rating)		
B3	**942**	633
A1	**1**	37,018
Aa3	**8,870**	46,797
	9,813	84,448

Group 1 – Loans receivablefrom related parties with no defaults in the past.
Group 2 – Dividends receivable from related parties.
Group 3 – Other receivables with no defaults in the past.

13 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles and other equipment US$000	Total US$000
Year ended 31 December 2011		
Opening net book amount	33	33
Depreciation charge	(14)	(14)
Closing net book amount	19	19
At 31 December 2011		
Cost	70	70
Accumulated depreciation	(51)	(51)
Net book amount	19	19
Year ended 31 December 2012		
Opening net book amount	**19**	**19**
Additions	**65**	**65**
Disposals	**(14)**	**(14)**
Depreciation charge	**(17)**	**(17)**
Closing net book amount	**53**	**53**
At 31 December 2012		
Cost	**86**	**86**
Accumulated depreciation	**(33)**	**(33)**
Net book amount	**53**	**53**

Notes to the financial statements (continued)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2012 US$000	2011 US$000
Net book amount	**14**	–
Profit on sale of property, plant and equipment	**–**	–
Proceeds from sale of property, plant and equipment	**14**	–

14 INVESTMENTS IN SUBSIDIARIES

	2012 US$000	2011 US$000
At beginning of year	**420,578**	410,495
Additions	**86,602**	10,083
At end of year	**507,180**	420,578

The Company's direct interests in subsidiaries, all of which are unlisted, were as follows:

Name	Principal activity	Country of incorporation	2012 % holding	2011 % holding
Arytano Holdings Limited	Holding company	Cyprus	**100**	100
Intercross Investments B.V.	Holding company	Netherlands	**100**	100
Global Ports Advisory Group AB	Holding company	Sweden	**100**	100
NCC Pacific Investments Limited	Holding company	Cyprus	**100**	100

15 INVESTMENTS IN JOINT VENTURES

	2012 US$000	2011 US$000
At beginning of year	**157,283**	157,412
Additions	**10**	106
Disposals/distribution of equity	**–**	(235)
Impairment charge (Note 4 (ii))	**(14,290)**	–
At end of year	**143,003**	157,283

The Company's interests in joint ventures, all of which are unlisted, are as follows:

Name	Principal activity	Country of incorporation	2012 % holding	2011 % holding
CD Holding OY (formerly Container-Depot Limited 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

16 LOANS RECEIVABLE

	2012 US$000	2011 US$000
Non-current		
Loans to related parties (Note 22 (vi))	**43,355**	29,996
Current		
Loans to related parties (Note 22 (vi))	**3,670**	31,197
Loans to third parties	**211**	207
	3,881	31,404
Total	**47,236**	61,400

The carrying amounts of non-current receivables approximate their fair values. The weighted average effective interest rates on loans receivable at the balance sheet date were as follows:

	2012 %	2011 %
Loans to related parties	**6.6**	6.0

The carrying amounts of the Company's receivables are denominated in the following currencies:

	2012 US$000	2011 US$000
Euro	**15,771**	43,726
Russian Rouble	**1,164**	910
US Dollar	**30,301**	16,764
	47,236	61,400

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. There are no impaired or past due assets within loans receivable.

17 TRADE AND OTHER RECEIVABLES

	2012 US$000	2011 US$000
Dividends receivable from related parties (Note 22 (vii))	**52,116**	–
Prepayments	**163**	195
Prepayments – related parties (Note 22 (vii))	**17**	15
	52,296	210

The fair values of trade and other receivables approximate their carrying amounts.

Notes to the financial statements (continued)

18 CASH AND CASH EQUIVALENTS

	2012 US$000	2011 US$000
Cash at bank	**9,813**	4,141
Short term bank deposits	**–**	80,307
	9,813	84,448

The effective interest rate on short term bank deposits as per 31 December 2011 was 0.56% and these deposits had on average maturity of 45 days.

Cash and cash equivalents are denominated in the following currencies:

	2012 US$000	2011 US$000
Euro	**688**	23,739
US Dollar	**9,125**	60,709
	9,813	84,448

19 SHARE CAPITAL, SHARE PREMIUM AND DIVIDENDS

	Share capital US$000	Share premium US$000	Total US$000
At 1 January 2011	45,000	359,920	404,920
Issue of new shares	2,000	94,593	96,593
At 31 December 2011/31 December 2012	47,000	454,513	501,513

In June 2011 the authorised share capital of the Company increased from US$45,000 thousand divided into 450,000,000 ordinary shares of US$0.10 each to US$53,000 thousand divided into 530,000,000 ordinary shares of US$0.10 each.

As mentioned in Note 1, in June 2011 the Company successfully completed an IPO of GDRs. The IPO included an offering by the Company of 6,666,667 GDRs with each GDR representing an interest in three ordinary shares of the Company. The offering price was US$15 per GDR (the equivalent of US$5 per ordinary share).

As a result of the IPO, the Company has issued 20,000,001 ordinary shares of par value of US$0.10 each at the price of US$5 per share (the share premium was US$4.9 per share). These shares were fully paid in the amount of US$100 million resulting in the increase of the share capital and the share premium by US$2 million and US$98 million respectively. An amount of US$3,407 thousand out of the total expenses directly attributable to the new shares issued was written off against the share premium.

On 16 October 2012 the Company converted 176,250,000 of its ordinary authorized and issued shares into ordinary non-voting shares. As a result, the issued share capital of the Company consists of 293,750,001 ordinary shares and of 176,250,000 ordinary non-voting shares with a par value of US$0.10 each, and the authorised share capital of the Company consists of 353,750,000 ordinary shares and 176,250,000 ordinary non-voting shares with a par value of US$0.10 each.

19 SHARE CAPITAL, SHARE PREMIUM AND DIVIDENDS (continued)

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.

During the year 2012 the Company has declared and paid dividends amounting to US$79.9 million (US$0.17 per share).

On 14 December 2012 the Board of Directors recommended the payment of a dividend for the previous years in the total amount of US$79.9 million (US$0.17 per share). This dividend was approved on 23 January 2013 at the Company's Shareholders' Extraordinary General Meeting. These financial statements do not reflect this dividend payable.

On 15 March 2013, the Board of Directors of the Company recommended the payment of a dividend for the year 2012 amounting to US$37.6 million (US$0.08 per share). The dividend is subject to approval by the shareholders at the Annual General Meeting. These financial statements do not reflect the dividend payable.

During the year 2011 the Company declared and paid to the shareholders of the Company dividend in the total amount of US$53.2 million (US$0.116 per shares).

20 TRADE AND OTHER PAYABLES

	2012 US$000	2011 US$000
Other payables	**204**	1,046
Accrued expenses	**340**	346
Financial guarantee (Note 22 (viii))	**413**	–
	957	1,392
Less: non-current portion:		
Financial guarantee (Note 22 (viii))	**(270)**	–
Current portion	**687**	1,392

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

21 CONTINGENCIES

Operating environment

The Company's subsidiaries and joint ventures mainly operate in the Russian Federation, Estonia and Finland. The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory framework is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation. The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors.

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have a significant negative effect on the Russian financial and corporate sectors. The future economic and regulatory situation may differ from management's current expectations. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are:

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

Notes to the financial statements (continued)

21 CONTINGENCIES (continued)

Operating environment (continued)

Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business.

Estonia and Finland represent well established market economies with stable political systems and developed legislation based on EU requirements and regulations.

Guarantees granted to subsidiaries

Refer to Note 22 (viii) for details of guarantees granted to subsidiaries.

22 RELATED PARTY TRANSACTIONS

The Company is jointly controlled by TIHL and APM Terminals (Note 1). Until 28 November 2012 TIHL owned and controlled 75% of the Company's shares (the ultimate controlling party was Mirbay International Inc, Bahamas).

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:

(i) Operating activities

	2012 US$000	2011 US$000
Dividend income:		
Subsidiaries	**132,363**	159,250
Interest income:		
Subsidiaries and joint ventures	**2,991**	3,755
Interest expense:		
Controlling entity	**–**	1,067
Subsidiaries	**–**	1,493
	–	2,560
Other losses – net:		
Subsidiaries	**588**	3,828
Purchase of services:		
Subsidiaries	**395**	340
Entities under the control of the parent company	**38**	5
Entities under the control of the owners of TIHL and APM Terminals	**23**	–
	456	345

Notes to the financial statements (continued)

22 RELATED PARTY TRANSACTIONS (continued)

(ii) Acquisitions/disposals of subsidiaries/joint ventures

	2012 US$000	2011 US$000
Additions/contributions:		
Subsidiaries	**86,602**	10,083
Joint ventures	**10**	106
	86,612	10,189
Disposals/distributions of equity:		
Joint ventures	**–**	235

(iii) Key management personnel compensation

The compensation of key management personnel is as follows:

	2012 US$000	2011 US$000
Salaries and other short term employee benefits	**928**	1,132

(iv) Directors' remuneration

The total remuneration of the Directors (included in key management personnel compensation above) was as follows:

	2012 US$000	2011 US$000
Fees	**512**	740
Emoluments in their executive capacity	**416**	392
	928	1,132

(v) Borrowings from related parties

	2012 US$000	2011 US$000
Borrowings from subsidiaries:		
At beginning of year	**–**	29,337
Borrowings repaid	**–**	(33,483)
Interest charged (Note 9)	**–**	1,493
Interest repaid	**–**	(5,361)
Foreign exchange loss	**–**	3,092
Fair value loss on initial recognition	**–**	4,922
At end of the year	**–**	–
Borrowings from controlling parent entity:		
At beginning of the year	**–**	39,909
Loans repaid	**–**	(36,229)
Interest charged (Note 9)	**–**	1,067
Interest repaid	**–**	(5,203)
Foreign exchange loss	**–**	456
At end of the year	**–**	–

Notes to the financial statements (continued)

22 RELATED PARTY TRANSACTIONS (continued)

(vi) Loans to related parties

	2012 US$000	2011 US$000
Loans to subsidiaries and joint ventures:		
At beginning of year	**61,193**	29,456
Assignment of loans	**–**	72,502
Loans advanced	**13,170**	8,874
Loans repaid	**(28,695)**	(49,242)
Interest charged (Note 5)	**2,991**	3,755
Interest repaid	**(1,322)**	(3,009)
Foreign exchange loss	**(137)**	(2,237)
Fair value (loss)/gain on initial recognition	**(175)**	1,094
At end of the year (Note 16)	**47,025**	61,193

The loans to related parties bear interest at the rate of 0% to 8.75%, are unsecured and are repayable by June 2018.

(vii) Prepayments and other receivables

	2012 US$000	2011 US$000
Prepayments (Note 17):		
Entities under the control of the parent company	**–**	15
Entities under the control of the owners of TIHL and APM Terminals	**17**	–
	17	15
Dividends receivable (Note 17):		
Subsidiaries	**52,116**	–
	52,116	–

(viii) Guarantees granted to subsidiaries

During the year the Company granted a corporate guarantee covering the non-performance by OJSC Petrolesport, indirect subsidiary of the Company, in respect of a bank loan with a balance of US$86,000 thousand as at 31 December 2012. The guarantee was provided free of charge and is valid for a period of three years. The fair value of the guarantee on initial recognition was US$430 thousand. At 31 December 2012 the unamortized balance of the guarantee was US$413 thousand.

During the year the Company granted a corporate guarantee covering the non-performance by National Container Holdings Company Limited, indirect subsidiary of the Company, in respect of a bank loan with a balance of US$50,000 thousand as at 31 December 2012. The guarantee was provided free of charge and is valid for a period of two years. The fair value of the guarantee on initial recognition was not recognized as the Company's exposure is not material due to other significant securities, made available by the borrower to the lender.

The likelihood of realizing any expenditure to settle any of the above guarantees was not considered probable.

23 EVENTS AFTER THE BALANCE SHEET DATE

On 23 January 2013 at the Company's Shareholders' Extraordinary General Meeting, the Shareholders approved the distribution of a dividend for previous years in the total amount of US$79.9 million (US$0.17 per share).These financial statements do not reflect the dividend payable.

On 15 March 2013, the Board of Directors of the Company recommended the payment of a dividend for the year 2012 amounting to US$37.6 million (US$0.08 per share). The dividend is subject to approval by the shareholders at the Annual General Meeting. These financial statements do not reflect the dividend payable.

There were no other material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent Auditors' Report is on pages 12 and 13.

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