Global Ports Investments Plc

Interim condensed consolidated financial information (unaudited) for the six month period ended 30 June 2018

Table of contents

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(in thousands of US dollars)

	Note	Six month period ended 30 June 2018	2017
Revenue	7	175,339	162,467
Cost of sales	8	(70,666)	(79,925)
Gross profit		104,673	82,542
Administrative, selling and marketing expenses	8	(21,058)	(22,584)
Share of profit/(loss) of joint ventures accounted for using the equity method	18	1,705	(10,112)
Other gains/(losses) – net	9	4,845	(35,764)
Operating profit/(loss)		90,165	14,082
Finance income		1,237	808
Finance costs		(43,887)	(45,842)
Change in fair value of derivative		(8,745)	18,906
Net foreign exchange gains/(losses) on financing activities		(38,952)	15,081
Finance income/(costs) – net	10	(90,347)	(11,047)
Profit/(loss) before income tax		(182)	3,035
Income tax expense	11	(3,092)	(14,914)
Profit/(loss) for the period		(3,274)	(11,879)
Attributable to:			
Owners of the Company		(3,751)	(12,052)
Non-controlling interest		477	173
		(3,274)	(11,879)
Basic and diluted earnings per share for profit/(loss) attributable to the owners of the parent of the Company during the year (expressed in US$ per share)	19	(0.01)	(0.02)

The notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of US dollars)

		Six month period ended 30 June	
	Note	2018	2017
Profit/(loss) for the year		(3,274)	(11,879)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(39,631)	16,055
Share of currency translation differences of joint ventures accounted for using the equity method	18	(4,024)	8,080
Cumulative other comprehensive income/(loss) movement relating to assets classified as held for sale	20	(2,724)	-
Reclassification to income statement of translation differences due to disposal of a subsidiary	9	(2,756)	-
Reclassification to income statement of a loss on cash flow hedge termination	16	-	35,495
Reclassification to currency translation reserve of a gain on cash flow hedge termination	16	-	(6,292)
Total items that can be reclassified subsequently to profit or loss		(49,135)	53,338
Items that may not be subsequently reclassified to profit or loss			
Share of currency translation differences attributable to non-controlling interest		(1,349)	404
Total items that cannot be reclassified subsequently to profit or loss		(1,349)	404
Other comprehensive income/(loss) for the period, net of tax		(50,484)	53,742
Total comprehensive income/(loss) for the period		(53,758)	41,863
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(52,886)	41,286
Non-controlling interest		(872)	577
Total comprehensive income/(loss) for the period		(53,758)	41,863

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

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(in thousands of US dollars)

	Note	As at 30 June 2018	As at 31 December 2017
ASSETS			
Non-current assets		1,298,041	1,428,401
Property, plant and equipment	12	500,549	553,304
Intangible assets	12	628,973	690,858
Investments in joint ventures	18	53,081	56,918
Prepayments for property, plant and equipment		8,983	8,393
Deferred tax assets		53,054	45,529
Derivative financial instruments	16	37,383	58,840
Trade and other receivables	13	16,018	14,559
Current assets		224,473	227,158
Inventories		5,931	5,769
Derivative financial instruments	16	17,017	19,546
Trade and other receivables	13	36,274	33,630
Income tax receivable		6,351	2,366
Cash and cash equivalents		125,851	130,434
Assets classified as held for sale	20	33,049	35,413
TOTAL ASSETS		1,522,514	1,655,559
EQUITY AND LIABILITIES			
Total equity		323,480	377,238
Equity attributable to the owners of the Company		308,221	361,107
Share capital		57,317	57,317
Share premium		923,511	923,511
Capital contribution		101,300	101,300
Currency translation reserve		(808,511)	(759,376)
Transactions with non-controlling interest		(209,122)	(209,122)
Retained earnings		243,726	247,477
Non-controlling interest		15,259	16,131
Total liabilities		1,199,034	1,278,321
Non-current liabilities		1,093,402	1,178,872
Borrowings	15	941,343	1,005,664
Trade and other payables	17	2,516	9,266
Deferred tax liabilities		149,543	163,942
Current liabilities		105,632	99,449
Borrowings	15	66,322	69,089
Trade and other payables	17	31,615	26,420
Current income tax liabilities		4,922	1,513
Liabilities directly associated with assets classified as held for sale	20	2,773	2,427
TOTAL EQUITY AND LIABILITIES		1,522,514	1,655,559

The notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of US dollars)		Six month period ended 30 June	
	Note	2018	2017
Cash flows from operating activities			
Cash generated from operations		101,069	94,378
Dividends received from joint ventures		1,725	8,478
Income tax paid		(16,610)	(24,668)
Net cash from operating activities		86,184	78,188
Cash flows from investing activities			
Purchases of intangible assets	12	(61)	(545)
Purchases of property, plant and equipment	7	(13,505)	(7,853)
Proceeds from sale of property, plant and equipment		115	229
Disposal of a subsidiary	9	862	-
Loans granted to related parties	21(g)	(1,400)	(7,500)
Loan repayments received from related parties	21(g)	259	1,044
Interest received from third parties, bank balances and deposits		773	554
Net cash used in investing activities		(12,957)	(14,071)
Cash flows from financing activities			
Repayments of borrowings	15	(43,000)	(31,658)
Finance lease principal payments to third parties	15	(818)	(1,268)
Proceeds from derivative financial instruments not used for hedging	16	9,900	10,302
Interest paid	15	(43,139)	(45,179)
Net cash used in financing activities		(77,057)	(67,803)
Net decrease in cash and cash equivalents		(3,830)	(3,686)
Cash and cash equivalents at beginning of the period		130,434	119,279
Exchange gains/(losses) on cash and cash equivalents		(753)	352
Cash and cash equivalents at end of the period		125,851	115,945

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of US dollars)		Attributable to the owners of the Company									
	Note	Share capital	Share premium	Capital contribution	Translation reserve	Cash flow hedge reserve	Transactions with non-controlling interest	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 January 2018		57,317	923,511	101,300	(759,376)	-	(209,122)	247,477	361,107	16,131	377,238
Total other comprehensive income/(loss)		-	-	-	(49,135)	-	-	-	(49,135)	(1,349)	(50,484)
Profit/(loss) for the period		-	-	-	-	-	-	(3,751)	(3,751)	477	(3,274)
Total comprehensive income/(loss) for the six month period ended 30 June 2018		-	-	-	(49,135)	-	-	(3,751)	(52,886)	(872)	(53,758)
Balance at 30 June 2018		57,317	923,511	101,300	(808,511)	-	(209,122)	243,726	308,221	15,259	323,480
Balance at 1 January 2017		57,317	923,511	101,300	(806,407)	(57,426)	(209,122)	300,450	309,623	15,293	324,916
Total other comprehensive income/(loss)		-	-	-	24,135	29,203	-	-	53,338	404	53,742
Profit/(loss) for the period		-	-	-	-	-	-	(12,052)	(12,052)	173	(11,879)
Total comprehensive income/(loss) for the six month period ended 30 June 2017		-	-	-	24,135	29,203	-	(12,052)	41,286	577	41,863
Balance at 30 June 2017		57,317	923,511	101,300	(782,272)	(28,223)	(209,122)	288,398	350,909	15,870	366,779

The notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Country of incorporation

Global Ports Investments Plc (hereinafter the “Company”) was incorporated and domiciled in Cyprus on 29 February 2008 as a private limited liability company 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.

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 cargo handling services for their import and export logistics operations.

Composition of the Group and its joint ventures

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

- five container terminals in Russia – Petrolesport, First Container Terminal, Ust-Luga Container Terminal and Moby Dik in St. Petersburg and Ust-Luga port cluster, and Vostochnaya Stevedoring Company in Port of Vostochny;
- two container terminals in Finland – Multi-Link Terminals Helsinki and Multi-Link Terminals Kotka;
- inland Yanino Logistics Park and inland Logistika-Terminal (LT, see Note 20), both located in the vicinity of St. Petersburg;
- oil products terminal AS Vopak E.O.S. that is located in Estonia.

See also Note 5 of the annual consolidated financial statements for the year ended 31 December 2017 for the description of segmental information of the Group.

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

- MLT and CD Holding groups are joint ventures with Container Finance Ltd OY where the Company has 75% effective ownership interest (Note 18). Moby Dik (a container terminal in the vicinity of St-Petersburg) and Multi-Link Terminals Ltd Oy (terminal operator in Vuosaari (near Helsinki, Finland) and Kotka, Finland) constitute the MLT group. Yanino Logistics Park (an inland terminal in the vicinity of St-Petersburg), CD Holding and some other entities constitute CD Holding group.
- AS Vopak E.O.S. and its subsidiaries (VEOS) is a joint venture with Royal Vopak, world's largest independent tank storage provider, specialized in the storage and handling of liquid chemicals, gasses and oil products, where the Company has 50% effective ownership interest (Note 18). VEOS facilities are located in Estonia.
- Ust-Luga Container Terminal (located in Ust-Luga, North-West Russia) is a 80% subsidiary where Eurogate, one of the leading container terminals operator in Europe has 20% non-controlling interest.

Approval of the interim condensed consolidated financial information

This interim condensed consolidated financial information was approved for issue by the Board of Directors on 4 September 2018.

This interim condensed consolidated financial information has been reviewed by the external auditors of the Company, not audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six month period ended 30 June 2018 has been prepared in accordance with IFRS as adopted by the European Union (EU) applicable to interim financial reporting (International Accounting Standard 34 "Interim Financial Reporting"). The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017 which have been prepared in accordance with IFRS as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

3 ACCOUNTING POLICIES

The Group adopted all new and revised IFRSs as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not result in any material adjustment to the opening reserves or the comparative figures presented in these financial statements.

Revenue recognition

The adoption of IFRS 15 "Revenue from contracts with customers" does not have a material impact on the amounts recognised, however the policies have been amended to be consistent with the requirements of the standard as follows:

(i) Sale of services

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

(ii) Sale of goods

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

(iii) Financing component

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

(iv) Contract assets and contract liabilities

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

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

3 Accounting policies (continued)

Financial Instruments

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

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

(i) Investments and other financial assets

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

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

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

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

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

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

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

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

3 Accounting policies (continued)

Financial Instruments (continued)

(ii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Taxes on income

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings for each material tax jurisdiction and applied individually to the interim period pre-tax income of the relevant jurisdiction. Adjustments due to changes in estimates of prior year taxes are not taken into account in the calculation of the estimated average annual tax rate but are charged in full in the period in which it becomes probable that such adjustment is needed.

New and amended standards adopted and not yet adopted by the Group

After the Group has published its last annual consolidated financial statements for the year ended 31 December 2017 to date, there are no any new standards and interpretations issued that could have a material impact on the accounting policies of the Group.

4 ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Impairment or reversal of impairment

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

In the course of the preparation of the interim condensed financial information for the six month period ended 30 June 2018 forecasts used for estimating discounted future cash flows for impairment testing purposes have been updated for all CGUs except for VEOS.

For VEOS, given the high degree of volatility in performance of the company due to a further structural deterioration of the business environment in which the terminal operates, the valuation was based on the expected fair value less cost to sell of those assets which have active market and their value could be reliably determined.

For all CGUs, except for ULCT, cash flow projections cover a period of five years based on the assumptions of the next 12 months. In case of ULCT cash flow projections cover an eight-year period as management considers that this terminal is still at a development stage. Cash flows beyond that five-year (eight-year period in case of ULCT) period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared for CGUs in the Russian ports segment a terminal growth rate of 3% has been applied (31 December 2017: 3%). The discount rate applied for Russian ports CGUs in projections prepared as at 30 June 2018 is 10.6% (31 December 2017: 10.4%). Key assumptions for all CGUs are throughput volume, price per unit, growth rates, and discount rates. The projected volumes reflect past experience adjusted by the management view on the prospective market developments.

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

In ULCT, the recoverable amount calculated based on value in use exceeded carrying value by US$17 million. A decrease of handling volumes by approximately 2.5% each year as opposed to volume projections used by the management or a decrease in the average price per unit by approximately 2% each year as opposed to the average price per unit used in projections would remove the remaining headroom. Reasonable changes in other key parameters do not result in the elimination of the existing remaining headroom.

In FCT, the recoverable amount calculated based on value in use exceeded the carrying value by US$108 million. A decrease of handling volumes by approximately 2.5% each year as opposed to volume projections used by the management or a decrease in the average price per unit by approximately 2% each year as opposed to the average price per unit used in projections would remove the remaining headroom. Reasonable changes in other key parameters do not result in the elimination of the existing remaining headroom.

4 Estimates and judgements (continued)

Impairment or reversal of impairment (continued)

In MD, the recoverable amount calculated based on value in use exceeded carrying value by US$6 million. A decrease of handling volumes by approximately 1% each year as opposed to volume projections used by the management or a decrease in the average price per unit by approximately 1% each year as opposed to the average price per unit used in projections, increase in discount rate by approximately 1% and decrease in terminal growth rate by approximately 1.5% would remove the remaining headroom.

Contingencies and commitments

As at 30 June 2018 there are no significant developments in relation to the events and circumstances disclosed in contingencies and commitments note in the consolidated financial statements for the year ended 31 December 2017. The economy of Russian Federation is still particularly sensitive to oil and gas prices and the legal, tax and regulatory frameworks in Russia continue to develop and are subject to frequent changes and varying interpretations. For significant changes in the operating environment that occurred after the balance sheet date see Note 22.

5 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.

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017. There have been no changes in the risk management policies since the year end.

Liquidity risk

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.

Fair value estimation

According to management estimates the fair value of the following financial assets and liabilities do not materially differ from their carrying amounts: trade and other receivables, bank deposits with maturity over 90 days, trade and other payables, bank loans and finance lease liabilities. The fair value of unsecured bonds as of 30 June 2018 is US$989,138 thousand (31 December 2017: US$1,025,491 thousand) and is within Level 1 of the fair value hierarchy. Their carrying value is US$932,508 thousand (31 December 2017: US$953,037 thousand).

The Group's only financial instruments carried at fair value are derivative financial instruments representing cross-currency swap arrangements that are valued using Level 2 valuation techniques.

As of 30 June 2018 the net fair value of these swaps was positive US$54,400 thousand (31 December 2017: positive - US$78,386 thousand), see Note 16. There were no changes in valuation techniques during the period.

6 SEASONALITY OF OPERATIONS

The demand for the Group's services and certain of its expenses tend to be seasonal. Historically, unless impacted by other factors, the Group's container throughput has been lower during the first half of each year (and in particular, the first quarter of each year) and higher in the second half of the year. This has been due primarily to higher demand for consumer goods in the months prior to the winter holiday season. In the case of VEOS segment, gas consumption is normally higher in the winter period.

7 SEGMENTAL INFORMATION

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 the annual financial statements therefore there are no arbitrary allocations between segments. Certain business units are operating with one major operating company and with some supporting companies.

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

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

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

For the purposes of the internal reporting, joint ventures are assessed on a 100% ownership basis. Assets are allocated based on the operations of the segment and the physical location of the asset.

The segments are consistent with segments presented in the annual financial statements for the year ended 31 December 2017.

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

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

7 Segmental information (continued)

The segment results for the six month period ended 30 June 2018 are as follows:

(in thousands of US dollars)

	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Sales to third parties	189,086	17,444	6,377	212,907	-	(13,757)	-	199,150
Inter-segment revenue	-	-	-	-	222	-	(222)	-
Total revenue	189,086	17,444	6,377	212,907	222	(13,757)	(222)	199,150
Cost of sales	(79,237)	(13,000)	(5,785)	(98,022)	-	10,051	151	(87,820)
Administrative, selling and marketing expenses	(9,314)	(3,630)	(697)	(13,641)	(12,832)	2,239	58	(24,176)
Other gains/(losses) – net	4,891	19	53	4,963	2,319	(52)	(2,271)	4,959
Operating profit/(loss)	105,426	833	(52)	106,207	(10,291)	(1,519)	(2,284)	92,113
Finance income/(costs) – net	(91,457)	(164)	(218)	(91,839)	(279)	484	1	(91,633)
incl. interest income	*1,528*	*5*	*-*	*1,533*	*273*	*(16)*	*(852)*	*938*
incl. interest expenses	*(44,373)*	*(145)*	*(27)*	*(44,545)*	*(609)*	*225*	*855*	*(44,074)*
incl. change in the fair value of derivative instruments	*(8,745)*	*-*	*-*	*(8,745)*	*-*	*-*	*-*	*(8,745)*
incl. net foreign exchange gains/(losses) on financing activities	*(39,867)*	*(24)*	*(30)*	*(39,921)*	*57*	*235*	*(2)*	*(39,631)*
Profit/(loss) before income tax	13,969	669	(270)	14,368	(10,570)	(1,035)	(2,283)	480
Income tax expense	(3,812)	-	64	(3,748)	(226)	220	-	(3,754)
Profit/(loss) after tax	10,157	669	(206)	10,620	(10,796)	(815)	(2,283)	(3,274)
CAPEX* on cash basis	13,787	403	1,641	15,831	69	(700)	-	15,200

*CAPEX represents purchases of property, plant and equipment

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

7 Segmental information (continued)

The reconciliation of results for the six month period ended 30 June 2018 calculated with proportionate consolidation to the results presented in interim condensed consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Sales to third parties	199,150	(23,811)	175,339
Inter-segment revenue	-	-	-
Total revenue	199,150	(23,811)	175,339
Cost of sales	(87,820)	17,154	(70,666)
Administrative, selling and marketing expenses	(24,176)	3,118	(21,058)
Share of profit/(loss) of joint ventures accounted for using the equity method	-	1,705	1,705
Other gains/(losses) – net	4,959	(114)	4,845
Operating profit/(loss)	92,113	(1,948)	90,165
Finance income/(costs) – net	(91,633)	1,286	(90,347)
incl. interest income	*938*	*299*	*1,237*
incl. interest expenses	*(44,074)*	*187*	*(43,887)*
incl. change in the fair value of derivative instruments	*(8,745)*	*-*	*(8,745)*
incl. net foreign exchange gains/(losses) on financing activities	*(39,631)*	*679*	*(38,952)*
Profit/(loss) before income tax	480	(662)	(182)
Income tax expense	(3,754)	662	(3,092)
Profit/(loss) after tax	(3,274)	-	(3,274)
CAPEX on cash basis	15,200	(1,695)	13,505

7 Segmental information (continued)

The segment operating expenses for the six month period ended 30 June 2018 are as follows:

(in thousands of US dollars)

						Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
Depreciation of property, plant and equipment	19,428	1,203	928	21,559	433	(1,196)	-	20,796
Amortisation of intangible assets	6,838	55	-	6,893	-	(58)	-	6,835
Staff costs	29,311	7,582	3,758	40,651	8,801	(5,474)	-	43,978
Transportation expenses	5,731	1,376	179	7,286	-	(1,058)	-	6,228
Fuel, electricity and gas	5,509	4,366	318	10,193	6	(2,428)	-	7,771
Repair and maintenance of property, plant and equipment	4,324	1,165	585	6,074	-	(907)	-	5,167
Total	71,141	15,747	5,768	92,656	9,240	(11,121)	-	90,775
Other operating expenses	17,410	883	714	19,007	3,592	(1,169)	(209)	21,221
Total cost of sales, administrative, selling and marketing expenses	88,551	16,630	6,482	111,663	12,832	(12,290)	(209)	111,996

7 Segmental information (continued)

The reconciliation of operating expenses for the six month period ended 30 June 2018 calculated with proportionate consolidation to the results presented in interim condensed consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Depreciation of property, plant and equipment	20,796	(2,385)	18,411
Amortisation of intangible assets	6,835	(116)	6,719
Staff costs	43,978	(8,842)	35,136
Transportation expenses	6,228	(1,713)	4,515
Fuel, electricity and gas	7,771	(2,919)	4,852
Repair and maintenance of property, plant and equipment	5,167	(1,556)	3,611
Total	90,775	(17,531)	73,244
Other operating expenses	21,221	(2,741)	18,480
Total cost of sales, administrative, selling and marketing expenses	111,996	(20,272)	91,724

7 Segmental information (continued)

The total segment assets and liabilities as at 30 June 2018 are presented below:

(in thousands of US dollars)

						Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
Property, plant and equipment (including prepayments for PPE)	570,893	8,570	8,735	588,198	2,877	(14,788)	(30,960)	545,327
Investments in joint ventures	784	-	-	784	165,853	-	(166,637)	-
Intangible assets	653,494	166	-	653,660	1,126	(1,916)	-	652,870
Other non-current assets	136,477	-	126,710	263,187	1,075,907	(33,016)	(1,264,578)	41,500
Inventories	6,728	2,153	-	8,881	1	(1,251)	(100)	7,531
Trade and other receivables (including income tax prepayment)	63,242	3,687	2,489	69,418	1,411	(3,275)	31,264	98,818
Cash and cash equivalents	129,373	11,471	2,627	143,471	4,106	(7,960)	(1,246)	138,371
Total assets	1,560,991	26,047	140,561	1,727,599	1,251,281	(62,206)	(1,432,257)	1,484,417
Long-term borrowings	947,826	3,384	1,221	952,431	22,245	(6,383)	(23,306)	944,987
Other long-term liabilities	157,242	-	174	157,416	36	(914)	(54,910)	101,628
Trade and other payables	27,941	4,651	3,707	36,299	6,794	(3,743)	(1,034)	38,316
Short-term borrowings	66,359	2,901	692	69,952	-	(1,624)	(37)	68,291
Other short-term liabilities	5,163	-	1	5,164	15	(2)	2,528	7,705
Total liabilities	1,204,531	10,936	5,795	1,221,262	29,090	(12,666)	(76,759)	1,160,927
Non-controlling interest	15,259	-	-	15,259	-	-	-	15,259

Included within ‘Russian ports’, ‘Finnish ports’ and ‘Holdings’ segments ‘Other non-current assets’ are investments in subsidiaries in the total amount of US$19,665 thousand, US$126,614 thousand and US$1,075,583 thousand respectively (fully eliminated on consolidation).

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7 Segmental information (continued)

The reconciliation of total segment assets and liabilities as at 30 June 2018 calculated with proportionate consolidation to the results presented in interim condensed consolidated income statement above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Property, plant and equipment (including prepayments for PPE)	545,327	(35,795)	509,532
Investments in joint ventures	-	53,081	53,081
Intangible assets	652,870	(23,897)	628,973
Other non-current assets	41,500	64,955	106,455
Inventories	7,531	(1,600)	5,931
Trade and other receivables (including income tax prepayment)	98,818	(39,176)	59,642
Cash and cash equivalents	138,371	(12,520)	125,851
Assets classified as held for sale	-	33,049	33,049
Total assets	1,484,417	38,097	1,522,514
Long-term borrowings	944,987	(3,644)	941,343
Other long-term liabilities	101,628	50,431	152,059
Trade and other payables	38,316	(6,701)	31,615
Short-term borrowings	68,291	(1,969)	66,322
Other short-term liabilities	7,705	(2,783)	4,922
Liabilities directly associated with assets classified as held for sale	-	2,773	2,773
Total liabilities	1,160,927	38,107	1,199,034
Non-controlling interest	15,259	-	15,259

7 Segmental information (continued)

The segment results for the six month period ended 30 June 2017 are as follows:

(in thousands of US dollars)

	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Sales to third parties	177,683	28,534	4,596	210,813	-	(19,220)	(2)	191,591
Inter-segment revenue	-	-	11	11	-	(3)	(8)	-
Total revenue	177,683	28,534	4,607	210,824	-	(19,223)	(10)	191,591
Cost of sales	(88,656)	(48,543)	(4,398)	(141,597)	-	27,553	7	(114,037)
Administrative, selling and marketing expenses	(9,751)	(3,797)	(330)	(13,878)	(14,644)	2,417	45	(26,060)
Other gains/(losses) – net	(35,856)	55	8	(35,793)	4,983	12	(5,051)	(35,849)
Operating profit/(loss)	43,420	(23,751)	(113)	19,556	(9,661)	10,759	(5,009)	15,645
Finance income/(costs) – net	(11,067)	(376)	(52)	(11,495)	(245)	267	-	(11,473)
incl. interest income	1,372	6	-	1,378	416	(23)	(1,083)	688
incl. interest expenses	(46,551)	(248)	(53)	(46,852)	(715)	269	1,083	(46,215)
incl. change in the fair value of derivative instruments	18,906	-	-	18,906	-	-	-	18,906
incl. net foreign exchange gains/(losses) on financing activities	15,206	(133)	1	15,074	55	21	-	15,150
Profit/(loss) before income tax	32,353	(24,127)	(165)	8,061	(9,906)	11,026	(5,009)	4,172
Income tax expense	(16,598)	-	34	(16,564)	134	379	-	(16,051)
Profit/(loss) after tax	15,755	(24,127)	(131)	(8,503)	(9,772)	11,405	(5,009)	(11,879)
CAPEX* on cash basis	7,881	823	-	8,704	1,319	(748)	-	9,275

*CAPEX represents purchases of property, plant and equipment

Included within ‘Other adjustments’ on the line ‘Other gains/(losses) - net’ is the elimination of intragroup dividends.

7 Segmental information (continued)

The reconciliation of results for the six month period ended 30 June 2017 calculated with proportionate consolidation to the results presented in interim condensed consolidated income statement above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Sales to third parties	191,591	(29,124)	162,467
Inter-segment revenue	-	-	-
Total revenue	191,591	(29,124)	162,467
Cost of sales	(114,037)	34,112	(79,925)
Administrative, selling and marketing expenses	(26,060)	3,476	(22,584)
Share of profit/(loss) of joint ventures accounted for using the equity method	-	(10,112)	(10,112)
Other gains/(losses) – net	(35,849)	85	(35,764)
Operating profit/(loss)	15,645	(1,563)	14,082
Finance income/(costs) – net	(11,473)	426	(11,047)
incl. interest income	688	120	808
incl. interest expenses	(46,215)	373	(45,842)
incl. change in the fair value of derivative instruments	18,906	-	18,906
incl. net foreign exchange gains/(losses) on financing activities	15,150	(69)	15,081
Profit/(loss) before income tax	4,172	(1,137)	3,035
Income tax expense	(16,051)	1,137	(14,914)
Profit/(loss) after tax	(11,879)	-	(11,879)
CAPEX on cash basis	9,275	(1,422)	7,853

7 Segmental information (continued)

The segment operating expenses for the six month period ended 30 June 2017 are as follows:

(in thousands of US dollars)

	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Depreciation of property, plant and equipment	20,954	9,123	838	30,915	32	(5,167)	-	25,780
Amortisation of intangible assets	6,657	49	-	6,706	-	(55)	-	6,651
Staff costs	28,808	7,282	2,260	38,350	10,442	(4,984)	-	43,808
Transportation expenses	5,290	6,259	221	11,770	-	(3,495)	-	8,275
Fuel, electricity and gas	4,576	4,580	252	9,408	3	(2,519)	-	6,892
Repair and maintenance of property, plant and equipment	4,410	1,456	483	6,349	3	(1,067)	-	5,285
Total	70,695	28,749	4,054	103,498	10,480	(17,287)	-	96,691
Other operating expenses	27,712	23,591	674	51,977	4,164	(12,683)	(52)	43,406
Total cost of sales, administrative, selling and marketing expenses	98,407	52,340	4,728	155,475	14,644	(29,970)	(52)	140,097

7 Segmental information (continued)

The reconciliation of operating expenses for the six month period ended 30 June 2017 calculated with proportionate consolidation to the results presented in interim condensed consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Depreciation of property, plant and equipment	25,780	(6,378)	19,402
Amortisation of intangible assets	6,651	(116)	6,535
Staff costs	43,808	(7,667)	36,141
Transportation expenses	8,275	(4,083)	4,192
Fuel, electricity and gas	6,892	(2,979)	3,913
Repair and maintenance of property, plant and equipment	5,285	(1,745)	3,540
Total	96,691	(22,968)	73,723
Other operating expenses	43,406	(14,620)	28,786
Total cost of sales, administrative, selling and marketing expenses	140,097	(37,588)	102,509

7 Segmental information (continued)

The total segment assets and liabilities as at 31 December 2017 are presented below:

(in thousands of US dollars)

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

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

7 Segmental information (continued)

The reconciliation of total segment assets and liabilities as at 31 December 2017 calculated with proportionate consolidation to the results presented in interim condensed consolidated income statement above is as follows:

(in thousands of US dollars)

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

8 EXPENSES BY NATURE

(in thousands of US dollars)

	For the six month period ended 30 June	
	2018	2017
Staff costs	35,136	36,141
Depreciation of property, plant and equipment (Note 12)	18,411	19,402
Amortisation of intangible assets (Note 12)	6,719	6,535
Impairment of property, plant and equipment (Note 12)	-	11,400
Transportation expenses	4,515	4,192
Fuel, electricity and gas	4,852	3,913
Repair and maintenance of property, plant and equipment	3,611	3,540
Taxes other than on income	2,945	2,627
Legal, consulting and other professional services	2,346	2,573
Operating lease rentals	2,334	3,047
Purchased services	4,095	3,211
Other expenses	6,760	5,928
Total cost of sales, administrative, selling and marketing expenses	91,724	102,509

8 Expenses by nature (continued)

Cost of sales

(in thousands of US dollars)

	For the six month period ended 30 June	
	2018	2017
Staff costs	22,337	21,762
Depreciation of property, plant and equipment	17,666	18,786
Amortisation of intangible assets	6,699	6,519
Impairment of property, plant and equipment (Note 12)	-	11,400
Transportation expenses	4,431	4,050
Fuel, electricity and gas	4,681	3,757
Repair and maintenance of property, plant and equipment	3,184	3,235
Taxes other than on income	2,464	2,258
Operating lease rentals	1,535	1,524
Purchased services	4,095	3,211
Other expenses	3,574	3,423
Total cost of sales	70,666	79,925

Administrative and selling expenses

(in thousands of US dollars)

	For the six month period ended 30 June	
	2018	2017
Staff costs	12,799	14,378
Depreciation of property, plant and equipment	745	616
Amortisation of intangible assets	20	16
Transportation expenses	84	142
Fuel, electricity and gas	171	156
Repair and maintenance of property, plant and equipment	427	305
Taxes other than on income	481	369
Legal, consulting and other professional services	2,346	2,573
Operating lease rentals	799	1,523
Other expenses	3,186	2,506
Total administrative and selling expenses	21,058	22,584

9 OTHER GAINS/(LOSSES) – NET

(in thousands of US dollars)

	For the six month period ended 30 June	
	2018	2017
Other gains/(losses) – net	(286)	291
Disposal of a subsidiary	4,558	-
Currency exchange gains/(losses) on non-financing activities – net	573	(36,055)
Total	4,845	(35,764)

In 2018 the Group disposed a subsidiary with net liabilities of US$940 thousand for a cash consideration of US$862 thousand. The main asset of the subsidiary was loading equipment. The transaction did not have any adverse effect on the operations of the Group. The transaction resulted in the overall gain of US$4,558 thousand booked within 'Other gains/(losses) – net', comprising of US$1,802 thousand gain from sale of the subsidiary and US$2,756 thousand foreign translation differences which were reclassified from the translation reserve to the income statement.

10 FINANCE INCOME/(COSTS) – NET

(in thousands of US dollars)

	For the six month period ended 30 June	
	2018	2017
Included in finance income:		
Interest income on bank balances	330	264
Interest income on short-term bank deposits	447	290
Interest income on loans to related parties (Note 21(g))	460	254
Total finance income	1,237	808
Included in finance costs:		
Interest expenses on bank borrowings	(2,492)	(3,970)
Interest expenses on finance leases	(715)	(782)
Interest expenses on bonds	(40,340)	(40,800)
Interest expenses on loans from third parties	(340)	(290)
Total finance costs	(43,887)	(45,842)
Included in the change in fair value of derivatives:		
Interest component*	9,694	10,145
Foreign currency exchange component	(18,439)	8,761
Total change in fair value of derivatives (Note 16)	(8,745)	18,906
Net foreign exchange gains/(losses) on financing activities	(38,952)	15,081
Finance income/(costs) – net	(90,347)	(11,047)

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

11 INCOME TAX

Income tax expense is recognised based on management's best estimates of annual effective income tax rates determined for each taxing jurisdiction and applied individually to the interim period pre-tax income of each jurisdiction.

(in thousands of US dollars)

	For the six month period ended 30 June	
	2018	2017
Profit/(loss) before tax	(182)	3,035
Tax calculated at the applicable tax rates – 20%	(36)	607
Tax effect of expenses not deductible for tax purposes	1,908	10,784
Tax effect of a gain on disposal of a subsidiary (Note 9)	(912)	-
Tax effect of share of profit in jointly controlled entities	(341)	2,022
Withholding tax on undistributed profits	2,473	1,501
Tax charge	3,092	14,914

12 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of US dollars)

Period ended 30 June 2018	Property, plant and equipment	Intangible assets
Opening net book amount as at 1 January 2018	553,304	690,858
Additions	10,761	1,231
Disposals	(83)	-
Depreciation and amortisation (Note 8)	(18,411)	(6,719)
Write offs	(1)	-
Exchange differences	(45,021)	(56,397)
Closing net book amount as at 30 June 2018	500,549	628,973

Period ended 30 June 2017	Property, plant and equipment	Intangible assets
Opening net book amount as at 1 January 2017	580,226	666,223
Additions	7,071	2,280
Disposals	(54)	-
Depreciation and amortisation (Note 8)	(19,402)	(6,535)
Write offs	(14)	-
Impairment (Note 8)	(11,400)	-
Exchange differences	15,799	17,822
Closing net book amount as at 30 June 2017	572,226	679,790

Additions to property, plant and equipment and to intangible assets are of ordinary nature in both periods.

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

(in thousands of US dollars)

	As at	
	30 June 2018	31 December 2017
Property, plant and equipment	27,369	26,515
Total	27,369	26,515

13 TRADE AND OTHER RECEIVABLES

(in thousands of US dollars)	As at 30 June 2018	As at 31 December 2017
Trade receivables - third parties	15,467	11,875
Trade receivables - related parties (Note 21(e))	8,114	7,817
Total trade receivables	23,581	19,692
Other receivables	1,694	1,157
Other receivables - related parties (Note 21(e))	-	23
Prepayments for goods and services	4,702	6,168
Prepayments for goods and services - related parties (Note 21(e))	3	551
Loans to related parties (Note 21(g))	16,031	14,559
VAT and other taxes recoverable	6,281	6,039
Total trade and other receivables	52,292	48,189
Less non-current portion:		
Loans to related parties	(16,018)	(14,559)
Total non-current portion	(16,018)	(14,559)
Current portion	36,274	33,630

14 DIVIDENDS

No dividends were declared or paid in 2017 and during the first half of 2018.

15 BORROWINGS

(in thousands of US dollars)	As at 30 June 2018	As at 31 December 2017
Non-current	941,343	1,005,664
Current	66,322	69,089
Total	1,007,665	1,074,753

Movements in borrowings are analysed as follows:

(in thousands of US dollars)	For the six month period ended 30 June 2018	For the six month period ended 30 June 2017
At beginning of period	1,074,753	1,119,556
Repayments of borrowings, leases and interest	(86,957)	(78,105)
Interest charged (Note 10)	43,887	45,842
Disposal of a subsidiary (Note 9)	(971)	-
Exchange differences	(23,047)	6,920
At end of period	1,007,665	1,094,213

15 Borrowings (continued)

The weighted average effective interest rate on borrowings is 8.4% (2017: 8.4%). The weighted average effective interest rate on borrowings which includes the effect of swap instruments would be 6.8% (2017: 6.8%).

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

(in thousands of US dollars)

	As at	
	30 June 2018	31 December 2017
Between 1 and 2 years	-	42,729
Between 2 and 5 years	586,763	607,995
Over 5 years	345,994	345,584
Total	932,757	996,308

The maturity of non-current finance lease liabilities is analysed as follows**:**

(in thousands of US dollars)

	As at	
	30 June 2018	31 December 2017
Between 1 and 2 years	3	7
Between 2 and 5 years	13	13
Over 5 years	8,570	9,339
Total	8,586	9,359

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

(in thousands of US dollars)

	As at	
	30 June 2018	31 December 2017
Russian rouble	253,901	277,730
US dollar	753,764	797,023
Total	1,007,665	1,074,753

From the above amount of borrowings denominated in RUR, US$245,072 thousand (2017: US$267,820 thousand) are covered by cross-currency interest rate swap arrangement (see Note 16).

16 DERIVATIVE FINANCIAL INSTRUMENTS

As of 30 June 2018 the net fair value of derivatives was positive US$54,400 thousand (31 December 2017: positive - US$78,386 thousand).

During 2015 and 2016 the Group entered into three cross-currency swap arrangements to exchange its RUR-denominated liabilities related to the newly issued bonds (3 issues of RUR 5,000 million each) with fixed interest rate of approximately 13% in the amount RUR 15,000 million (see Note 15) to USD-denominated debt with the lower fixed interest rate. The Group decided not to apply hedge accounting rules to new swaps. As a result the change in fair value is presented in the income statement under 'change in fair value of derivatives' as part of 'finance income/(costs) – net' (see Note 10).

Cash collected/paid in relation to the swap arrangements not used for hedging that relate to the swap of fixed RUR denominated interest to fixed USD denominated interest is presented in the consolidated statement of cash flows as 'proceeds from derivative financial instruments not used for hedging'.

17 TRADE AND OTHER PAYABLES

(in thousands of US dollars)

	As at	
	30 June 2018	31 December 2017
Trade payables - third parties	3,506	3,690
Trade payables - related parties (Note 21(f))	302	304
Payables for property, plant and equipment	1,012	957
Other payables - third parties	471	1,338
Other payables - related parties (Note 21(f))	792	682
Payroll payable	1,800	1,875
Accrued expenses and deferred gains	19,406	18,298
Advances received	652	358
Contract liabilities	2,559	4,649
Taxes payable (other than income tax)	3,631	3,535
Total trade and other payables	34,131	35,686
Less non-current portion	(2,516)	(9,266)
Current portion	31,615	26,420

18 INVESTMENTS IN JOINT VENTURES

GPI Group has the following investments in joint ventures – VEOS, MLT group and CD Holding group. See Note 1 and Note 7 for more details.

There are no contingent liabilities relating to the group's interest in the joint ventures.

The summarised investments in joint ventures accounted for using the equity method as at 30 June 2018 and 30 June 2017 are as follows:

(in thousands of US dollars)

	Six month period ended 30 June 2018			
	VEOS	MLT	CD Holding	Total
As at the beginning of the period	7,341	48,315	1,262	56,918
Recognised share of profit/(loss)	353	2,761	(1,409)	1,705
Translation differences (through other comprehensive income/(loss))	(192)	(3,851)	19	(4,024)
Share of losses of joint ventures applied against other long-term interests	-	-	128	128
Dividends declared by joint venture	-	(1,646)	-	(1,646)
As at the end of the period	7,502	45,579	-	53,081

(in thousands of US dollars)

	Six month period ended 30 June 2017			
	VEOS	MLT	CD Holding	Total
As at the beginning of the period	74,854	46,868	1,427	123,149
Recognised share of profit/(loss)	(12,052)	2,421	(481)	(10,112)
Translation differences (through other comprehensive income/(loss))	6,104	1,925	51	8,080
Dividends declared by joint venture	-	(4,815)	-	(4,815)
As at the end of the period	68,906	46,399	997	116,302

19 EARNINGS PER SHARE

The basic and diluted earnings per share attributable to the equity holders of the Company are as follows:

(in thousands of US dollars)	Six month period ended 30 June	
	2018	2017
Basic and diluted earnings per share for profit attributable to the owners of the Company during the period (expressed in US$ per share)	(0.01)	(0.02)

The weighted average number of shares used for calculating earnings per share is 573.171 million for the six month period ended 30 June 2018 and 2017.

20 ASSETS CLASSIFIED AS HELD FOR SALE

In August 2017 the Group signed an agreement to sell its 100% stake in JSC Logistika-Terminal (LT), one of the Group's two inland terminals for a consideration of RUR1.9 billion to be paid upon completion of the transaction. The transaction has been approved by relevant regulatory authorities.

The result of the transaction will depend on the net assets of LT at the date of closing. In addition, at closing amounts recognised in other comprehensive income and accumulated in equity relating to LT will be recycled from the other comprehensive income to the income statement. As of 30 June 2018 the accumulated other comprehensive income relating to LT amounted to US$(27,554) thousand (negative) and the movement since reclassification to assets held for sale was US$(1,164) thousand (negative). It is reflected within the currency translation reserve in the consolidated balance sheet.

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

(in thousands of US dollars)

	As at	
	30 June 2018	31 December 2017
Property, plant and equipment	30,960	33,713
Trade and other receivables and other current assets	1,039	865
Cash and cash equivalents	1,050	835
Assets classified as held for sale	33,049	35,413
Deferred tax liabilities	2,021	1,867
Trade and other payables	752	560
Liabilities directly associated with assets classified as held for sale	2,773	2,427
Net carrying amount classified as held for sale	30,276	32,986

21 RELATED PARTY TRANSACTIONS

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

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The following transactions were carried out with related parties:

(a) Sales of services

(in thousands of US dollars)

	Six month period ended 30 June	
	2018	2017
Entities under control of owners of controlling entities	47,875	42,883
Other related parties	22	26
Joint ventures in which GPI is a venturer	-	1
Total	47,897	42,910

(b) Purchases of services and incurred expenses

(in thousands of US dollars)

	Six month period ended 30 June	
	2018	2017
Entities under control of owners of controlling entities	345	1,480
Other related parties	1,228	1,229
Total	1,573	2,709

(c) Interest income

(in thousands of US dollars)

	Six month period ended 30 June	
	2018	2017
Interest income from loans to joint ventures in which GPI is a venturer	460	254
Total	460	254

21. Related party transactions (continued)

(d) Key management compensation

(in thousands of US dollars)

	Six month period ended 30 June	
	2018	2017
Key management compensation:		
Salaries and other short term employee benefits	5,905	5,627

(e) Trade, other receivables and prepayments

(in thousands of US dollars)

	As at	
	30 June 2018	31 December 2017
Entities under control of owners of controlling entities	8,117	8,368
Other related parties	-	23
Total	8,117	8,391

(f) Trade and other payables

(in thousands of US dollars)

	As at	
	30 June 2018	31 December 2017
Entities under control of owners of controlling entities	866	796
Other related parties	228	190
Total	1,094	986

(g) Loans to related parties

The details of loans provided to joint ventures in which GPI is a venturer are presented below:

(in thousands of US dollars)

	Six month period ended 30 June 2018	Year ended 31 December 2017
At beginning of period/year	14,559	8,472
Loans advanced	1,400	7,500
Interest charged	460	792
Loan and interest repaid	(259)	(1,204)
Fair value loss upon inception	-	(1,045)
GPI’s share of losses of joint ventures applied against other long-term interests	(128)	-
Foreign exchange differences	(1)	44
At end of period/year	16,031	14,559

The loans are not secured, were provided at fixed interest rate and are repayable in 2019-2022.

22 EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of LT

In September 2018 the Group completed the previously announced sale of its holding in LT (see Note 20), to PJSC TransContainer for a consideration of 1.9 billion Russian roubles. As previously announced, the proceeds of the sale will go towards further deleveraging.

(b) Changes in operating environment

In August 2018, an amendment to the Law on Seaports came into force which prescribes that all handling tariffs in Russian ports should be expressed in Russian roubles. The law stipulates the required currency of denomination of tariffs but it does not place any restrictions on port operators' changing of tariff levels. Prices for stevedoring services in Russian ports remain market-driven and are not subject to regulation. Therefore, the Group believes that it will retain its ability to revise pricing policy and tariff structures in response to changes in the industry or the macroeconomic environment. The full impact of these changes is not yet certain.

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Report on review of interim financial information
to Global Ports Investments Plc

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Global Ports Investments Plc (the "Company") and its subsidiaries (the "Group") as of 30 June 2018 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Chartered Accountants

Limassol, 4 September 2018

PricewaterhouseCoopers Ltd, City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus
P O Box 53034, CY-3300 Limassol, Cyprus
T: +357 25 - 555 000, F:+357 - 25 555 001, www.pwc.com.cy